

Hearing Date: July 23, 2012 at 11:00 a.m.
Objection Deadline: July 16, 2012 at 4:00 p.m.

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	
EASTMAN KODAK COMPANY, <i>et al.</i> , ¹)	Chapter 11
)	Case No. 12-10202 (ALG)
Debtors.)	(Jointly Administered)
EASTMAN KODAK COMPANY,)	
Plaintiff,)	
v.)	
APPLE INC. AND)	Adv. Proc. No. 12-01720 (ALG)
FLASHPOINT TECHNOLOGY, INC.,)	
Defendants.)	

**NOTICE OF PLAINTIFF EASTMAN KODAK COMPANY'S
MOTION FOR SUMMARY JUDGMENT**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Eastman Kodak Company (7150); Creo Manufacturing America LLC (4412); Eastman Kodak International Capital Company, Inc. (2341); Far East Development Ltd. (2300); FPC Inc. (9183); Kodak (Near East), Inc. (7936); Kodak Americas, Ltd. (6256); Kodak Aviation Leasing LLC (5224); Kodak Imaging Network, Inc. (4107); Kodak Philippines, Ltd. (7862); Kodak Portuguesa Limited (9171); Kodak Realty, Inc. (2045); Laser-Pacific Media Corporation (4617); NPEC Inc. (5677); Pakon, Inc. (3462); and Qualex Inc. (6019). The location of the Debtors' corporate headquarters is: 343 State Street, Rochester, NY 14650.



PLEASE TAKE NOTICE that a hearing on *Plaintiff Eastman Kodak Company's Motion for Summary Judgment* (the "**Motion**"), will be held before the Honorable Allan L. Gropper, United States Bankruptcy Judge, in Room 617 of the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"), One Bowling Green, New York, New York 10004, on **July 23, 2012 at 11:00 a.m. (EDT)**.

PLEASE TAKE FURTHER NOTICE that responses or objections, if any, to the relief requested in the Motion must be filed electronically with the Court on the docket of *Eastman Kodak Company v. Apple Inc., et al. (In re Eastman Kodak Company)*, Adv. Proc. No. 12-01720 (ALG), pursuant to the Court's General Order M-399 (available at <http://www.nysb.uscourts.gov/orders/m399.pdf>), by registered users of the Court's case filing system and by all other parties in interest on a 3.5 inch disc, preferably in portable document format, Microsoft Word or any other Windows-based word processing format and served by U.S. mail, overnight delivery, hand delivery or, with the exception of the Court and the United States Trustee, facsimile upon each of the following: (a) the Chambers of the Honorable Allan L. Gropper, United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, NY 10004; (b) the Debtors and their counsel; (c) the Office of the United States Trustee for the Southern District of New York; (d) Togut, Segal & Segal LLP, counsel to the Official Committee of Unsecured Creditors; (e) U.S. Bank, National Association, as indenture trustee; (f) Wilmington Trust, National Association, as indenture trustee; (g) the Securities and Exchange Commission; (h) the Internal Revenue Service; (i) Davis Polk & Wardwell LLP, counsel to Citicorp North America, Inc., as agent for the Debtors' postpetition secured lenders; (j) the Environmental Protection Agency; (k) Akin Gump Strauss Hauer & Feld LLP, counsel to the Ad Hoc Committee of Second Lien Noteholders; (l) Kirkland & Ellis LLP,

counsel to Apple Inc.; and (m) Pepper Hamilton LLP, counsel to FlashPoint Technology, Inc., so as to be actually received **no later than July 16, 2012 at 4:00 p.m. (EDT)**. Only those responses that are timely filed, served and received will be considered at the hearing.

Failure to file a timely objection may result in entry of a final order granting the Motion as requested by the Debtors.

Dated: June 29, 2012
New York, New York

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Plaintiff Eastman Kodak Company (“Kodak”), on behalf of itself and its affiliated debtors and debtors in possession (collectively, the “Debtors”), brings this motion for summary judgment pursuant to Federal Rule of Civil Procedure 56, made applicable to this adversary proceeding by Federal Rule of Bankruptcy Procedure 7056 (“Bankruptcy Rules”). In support of this motion, Kodak concurrently submits the following memorandum of law.

PRELIMINARY STATEMENT

Apple Inc. (“Apple”) and FlashPoint Technology, Inc. (“FlashPoint”), a company spun-off from Apple in 1996, sat idle for more than a decade while Kodak publicly sought, obtained, and enforced digital imaging patents that Apple and FlashPoint now claim to own. Those ownership claims are based on joint development work by Kodak and Apple in the 1990’s—nearly 20 years ago. Both Apple and FlashPoint waited far too long to claim any interest in valuable property of the estate, property that the Debtors intend to sell in August 2012 as part of Kodak’s Digital Capture Portfolio.²

The Debtors move at this early stage of the adversary proceeding because the evidence before the Court establishes that there are no genuine issues of material fact, and thus the Court can conclude that the ownership claims asserted by Apple and FlashPoint are barred by the applicable statutes of limitations and/or the equitable doctrine of laches.³ Because all of

² The Debtors also are pursuing a sale of the Kodak Imaging Systems and Services Portfolio, referred to as the KISS Portfolio. Neither Apple nor Flashpoint has asserted an ownership claim to any of the patents in the KISS Portfolio.

³ Most of the counterclaims filed by Apple and FlashPoint on June 22, 2012 (Adv. Dkt. Nos. 3, 5) cannot not convey ownership of any Debtor property and are instead pre-petition unsecured damages claims against the estate, including claims for breach of contract, conversion, unfair competition, deceptive business acts, and breach of confidence. Nonetheless, each of the pre-petition claims is untimely for the same reasons the ownership claims are barred. Claims for damages unrelated to ownership or inventorship of the Claimed Kodak Patents are automatically stayed pursuant to section 362 of title 11 of the United States Code (the “Bankruptcy Code”), and the Debtors reserve all of their rights with respect to those claims.

Apple's and FlashPoint's ownership claims are time-barred, there is no need for long and complicated proceedings directed to the merits of those claims. Instead, this Court can immediately halt Apple's and FlashPoint's attempts to interfere with the Debtors' efforts to sell the Digital Capture Portfolio pursuant to section 363 of the Bankruptcy Code.⁴

The number of Kodak patents to which Apple and FlashPoint have laid claim has continued to increase post-petition. When the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code, the only ownership claim was one asserted by Apple in 2010 to U.S. Patent No. 6,292,218 (the "218 patent"). Two months after the Debtors filed their petitions, Apple decided to assert ownership claims to nine additional Kodak patents (the "Nine Additional Kodak Patents"). FlashPoint then joined the fray, first arguing that it had succeeded to Apple's purported rights in the '218 patent, then to Apple's purported rights in the Nine Additional Kodak Patents, and finally, on June 22, 2012, FlashPoint asserted a claim to those ten plus *three more Kodak patents*, bringing the total to 13 Kodak patents (collectively, the "Claimed Kodak Patents"). Remarkably, all of these ownership claims arise out of events that took place in the 1990's.

Both statutes of limitations and the equitable doctrine of laches exist precisely to prevent the strategy being employed by Apple and FlashPoint: sit on potential claims for years and years, and then assert them at a time calculated to have the maximum adverse impact on the defendant. Here, the Debtors are in bankruptcy and actively seeking to monetize valuable property of the estate in order to facilitate their emergence from chapter 11. Apple and

⁴ FlashPoint claims ownership to U.S. Patent No. 7,058,444, which was issued on March 24, 2009. FlashPoint's inventorship claim should be barred by laches for the same reasons its claims to the other twelve patents are improper. Many of FlashPoint's state law claims are barred by the applicable statute of limitations although claims with a four year limitations period have not expired with respect to that one patent.

FlashPoint should not be allowed to disrupt that process with their belated assertion of time-barred claims.

Neither Apple nor FlashPoint can dispute they waited many years to assert ownership claims to Kodak patents—until 2010 for Apple with regard to the ‘218 patent and 2012 with regard to the Nine Additional Patents, and until 2012 for FlashPoint to assert any ownership claim at all.⁵ If either Apple or FlashPoint believed it owned important Kodak patents in the field of digital imaging, they were not permitted to sit on their hands and do nothing for many years. The decision to press ownership claims now to the Claimed Kodak Patents should be seen for what it is, namely, a ploy calculated to prevent the Debtors from using the 363 sale process to obtain a fair price for Kodak’s Digital Capture Portfolio or to enable Apple to buy the patents in that portfolio on the cheap and extinguish its very substantial infringement exposure.

In an effort to justify their inexcusable delay, both Apple and FlashPoint maintain that the discovery rule should apply to toll the applicable statute of limitations and that waiting years was not unreasonable under the equitable doctrine of laches. Neither argument has merit. Apple and FlashPoint were on constructive or actual notice of Kodak’s digital imaging patents many years ago—well beyond the four-year statute of limitations period and the six-year period after which a presumption of laches attaches. Each was extremely concerned about ownership of intellectual property during its joint development work with Kodak and took steps to protect those interests. Both Apple and FlashPoint entered into contracts with Kodak that addressed the parties’ rights in intellectual property. In Apple’s case, those steps included researching patents

⁵ Apple asserted that it “owns” the ‘218 patent for the first time in response to an International Trade Commission (“ITC”) investigation into Apple’s infringement of the ‘218 patent—nine years after issuance of that patent and nearly 20 years after Kodak’s and Apple’s joint development work relating to digital cameras. Apple’s ownership claims were squarely rejected by the Chief Administrative Law Judge in the ITC proceedings. FlashPoint threatened to assert an ownership claim to unspecified Kodak patents in 2010 but did not do so until filing its counterclaims in this action.

issued to Kodak in the field of digital imaging as early as 1992. Kodak made a presentation to Apple in 1994 that explained in detail the digital camera architecture that gave rise to the '218 patent. Moreover, both Apple and FlashPoint cited to various of the Claimed Kodak Patents as prior art in their own patent applications between 1996 and 2002, applications that generated at least 11 Apple patents and 28 FlashPoint patents. It is simply not plausible that sophisticated companies like Apple and FlashPoint cited Kodak patents as prior art, yet had no knowledge that Kodak was applying for and obtaining patents in the field of digital imaging.

Both Apple and FlashPoint continued to receive notice, beginning in 2001 with Kodak's widely reported licensing efforts relating to digital imaging patents. FlashPoint had in its files a third party report from 2001 that detailed the scope and impact of Kodak's digital imaging patents, and set forth the position that FlashPoint asserted for the first time in this adversary proceeding—11 years later. Notice continued in 2004 when Kodak began initiating patent infringement litigation to enforce the very patents that Apple and FlashPoint now claim to own, culminating with Apple and FlashPoint each receiving a subpoena in August 2005 in one of those litigations. The subpoenas sought documents relating to Apple's joint development work with Kodak (and in FlashPoint's case, documents concerning specified Kodak digital imaging patents, including the '218 patent). At that point, in August 2005, there can be no argument that Apple and FlashPoint were not on actual notice of any potential ownership claim to Kodak patents connected with joint development work between Kodak and Apple a decade earlier. But neither pursued any claims until 2012, with the exception of Apple's claim to the '218 patent—which was only asserted in 2010, and only after the patent was asserted against Apple. The totality of the circumstances establishes that the publication of the relevant patent applications and/or issuance of the patents was sufficient to start the clock running on Apple's and

FlashPoint's claims, even if they were on notice earlier (which they were). Forcing Kodak to litigate these claims now, while in the process of monetizing its assets to assist the Debtors' reorganization efforts, would prejudice the Debtors and other stakeholders in these chapter 11 cases. Accordingly, summary judgment should be granted.

BACKGROUND

Kodak is a digital imaging and material sciences company with a long history of innovation and successful commercialization of proprietary technologies. Kodak has invested significantly in research and development for more than a century. In 1976, Kodak designed and built the first operating digital camera, and since then has invested billions of dollars in research and development in the field of digital imaging technology. Kodak's significant investment in research and development has produced an ongoing stream of innovations in digital imaging technology—innovations that have generated thousands of patents. Today, Kodak owns approximately 10,470 patents in different areas, including each of the 13 Claimed Kodak Patents at issue in this adversary proceeding. Kodak Fellow, Kenneth Parulski, a coinventor of the '218 patent and six of the other Nine Additional Kodak Patents, has more than 190 patents to his name and is widely recognized as a pioneer in the design of digital cameras.

A. The Thirteen Claimed Kodak Patents

Kodak is the exclusive assignee and owner of record title of each and every of the thirteen Claimed Kodak Patents. (Lynch Decl. ¶ 3.)⁶

- U.S. Patent No. 5,493,335 (the “335 patent”), entitled “Single Sensor Color Camera with User Selectable Image Record Size,” was issued on February 20, 1996. It names

⁶ “Lynch Decl.” refers to the Declaration of Timothy M. Lynch, dated June 29, 2012, filed herewith in support of Kodak's summary judgment motion.

as its inventors Kenneth A. Parulski, Richard M. Vogel, and Seishi Ohmori, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 1.)⁷

- U.S. Patent No. 5,828,406, entitled “Electronic Camera Having a Processor for Mapping Image Pixel Signals into Color Display Pixels,” was issued on October 27, 1998. It names as its inventors Kenneth A. Parulski and Timothy J. Tredwell, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 2.)
- U.S. Patent No. 6,147,703, entitled “Electronic Camera with Image Review,” was issued on November 14, 2000. It names as its inventors Michael Eugene Miller and Richard William Lourette, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 3.)
- U.S. Patent No. 6,292,218 (the “‘218 patent”), entitled “Electronic Camera for Initiating Capture of Still Images While Previewing Motion Images,” was issued on September 18, 2001. It names as its inventors Kenneth A. Parulski and Timothy J. Tredwell, and lists Kodak as the assignee of the patent. The ‘218 patent is a division of application No. 08/367,399, filed on December 30, 1994. (Holley Decl. Ex. 4.)
- U.S. Patent No. 6,441,854 (the “‘854 patent”), entitled “Electronic Camera with Quick Review of Last Captured Image,” was issued on August 27, 2002. It names as its inventors Richard William Lourette, Michael Eugene Miller, Peter Fellegara, Linda M. Antos, and Robert H. Hibbard, and lists Kodak as the assignee of the patent. The application for the ‘854 patent was published on August 23, 2001. (Holley Decl. Ex. 5.)
- U.S. Patent No. 6,879,342 (the “‘342 patent”), entitled “Electronic Camera with Image Review,” was issued on April 12, 2005. It names as its inventors Michael Eugene Miller and Richard William Lourette, and lists Kodak as the assignee of the patent. The ‘342 patent is a division of application No. 08/769,573, filed on December 19, 1996. (Holley Decl. Ex. 6.)
- U.S. Patent No. 7,210,161 (the “‘161 patent”), entitled “Automatically Transmitting Images from an Electronic Camera to a Service Provider Using a Network Configuration File,” was issued on April 24, 2007. It names as its inventors Kenneth A. Parulski, Joseph Ward, and James D. Allen, and lists Kodak as the assignee of the patent. The ‘161 patent is a continuation of application No. 09/004,046, filed on January 7, 1998. (Holley Decl. Ex. 7.)
- U.S. Patent No. 7,453,605 (the “‘605 patent”), entitled “Capturing Digital Images To Be Transferred to an E-Mail Address,” was issued on November 18, 2008. It names as its inventors Kenneth A. Parulski, Joseph Ward, and Michael C. Hopwood, and lists Kodak as the assignee of the patent. The ‘605 patent is a continuation of

⁷ “Holley Decl.” refers to the Declaration of Steven L. Holley, dated June 29, 2012, filed herewith in support of Kodak’s summary judgment motion.

application No. 09/821,152, filed on March 29, 2001, which is a continuation of application No. 08/977,382, filed on November 24, 1997. (Holley Decl. Ex. 8.)

- U.S. Patent No. 7,742,084 (the “‘084 patent”), entitled “Network Configuration File for Automatically Transmitting Images from an Electronic Still Camera,” was issued on June 22, 2010. It names as its inventors Kenneth A. Parulski, Joseph Ward, and James D. Allen, and lists Kodak as the assignee of the patent. The ‘084 patent is a continuation of application No. 09/783,437, filed on February 14, 2001, which is a division of application No. 09/004,046, filed on January 7, 1998. (Holley Decl. Ex. 9.)
- U.S. Patent No. 7,936,391 (the “‘391 patent”), entitled “Digital Camera with Communications Interface for Selectively Transmitting Images over a Cellular Phone Network and a Wireless LAN Network to a Destination,” was issued on May 3, 2011. It names as its inventors Kenneth A. Parulski, Joseph Ward, and James D. Allen, and lists Kodak as the assignee of the patent. The ‘391 patent is a continuation of application No. 11/692,224, filed on March 28, 2007, which is a continuation of application No. 09/783,437, filed on February 14, 2001, which is a division of application No. 09/004,046, filed on February 7, 1998. (Holley Decl. Ex. 10.)
- U.S. Patent No. 6,288,743, entitled “Electronic Camera for Processing Image Segments,” was issued on September 11, 2001. It names as its inventors George E. Lathrop, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 11.) Only FlashPoint claims an interest in this patent assigned to Kodak.
- U.S. Patent No. 6,542,192 (the “‘192 patent”), entitled “Image Display Method and Digital Still Camera Providing Rapid Image Display by Displaying Low Resolution Image Followed by High Resolution Image,” was issued in April 1, 2003. It names as its inventors Hideki Akiyama and Masaki Izumi, and lists Kodak as the assignee of the patent. The application of the ‘192 patent was published on May 31, 2001. (Holley Decl. Ex. 12.) Only FlashPoint claims an interest in this patent assigned to Kodak.
- U.S. Patent No. 7,508,444, entitled “Electronic Camera with Quick View and Quick Erase Features,” was issued on March 24, 2009. It names as its inventors Thomas A. Napoli, Masaki Izumi, Kyoichi Omata, Carolyn A. Bussi, and Clay A. Dunsmore, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 13.) Only FlashPoint claims an interest in this patent assigned to Kodak.

B. Kodak’s Licensing Program and Litigation Relating to Apple’s Claim That It Owns the ‘218 Patent

Since 2001, Kodak has generated more than \$3 billion in revenue from more than 30 licenses of patents in its Digital Capture Portfolio. (Lynch Decl. ¶ 10.) Part of Kodak’s licensing strategy has included protecting its patents through litigation. Beginning in 2004,

Kodak commenced ten offensive patent infringement actions in federal district courts and three investigations before the ITC to enforce certain patents in the Digital Capture Portfolio. (*Id.* at ¶ 10 and Ex. F.) Those litigations, which Kodak made no effort to hide, involve seven of the 13 patents to which Apple and FlashPoint now claim ownership. Every one of Kodak’s patent infringement actions that has been resolved so far has resulted in a royalty-bearing license in favor of Kodak. Apple, which claims to be active in the field of digital imaging technology, cannot have been ignorant of Kodak’s successful efforts to enforce its digital imaging patents over the last eight years.

In January 2010, Kodak filed a complaint asking the ITC to commence an investigation of Apple’s violations of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, which forbids the importation of patent-infringing products into the United States. In February 2010, the ITC commenced an initial investigation into Apple’s importation of infringing iPhone products, No. 337-TA-703 (the “ITC 703 Proceeding”). Concurrent with initiation of the ITC 703 Proceeding, Kodak filed a patent infringement lawsuit against Apple in the U.S. District Court for the Western District of New York, Civil Action No. 6:10-cv-06021-MAT (the “W.D.N.Y. Action”).⁸ At Apple’s request, the W.D.N.Y. Action was stayed pursuant to 28 U.S.C. § 1659 pending a final decision in the ITC 703 Proceeding. Apple’s subsequent motion to lift the stay was denied.

⁸ On August 26, 2010—less than a week before the start of the hearing in the ITC 703 Proceeding—Apple filed a complaint in California State court against Kodak asserting state statutory and common law claims and seeking a declaration that Apple is the owner of the ‘218 patent. After the action was removed to federal district court in California, the court issued an order staying the action and finding that all of Apple’s claims were compulsory counterclaims to patent infringement claims asserted by Kodak in the W.D.N.Y. Action. As a result, Apple voluntarily dismissed the California State court action and filed an amended answer and counterclaims in the W.D.N.Y. Action asserting an ownership claim to the ‘218 patent.

Apple raised its ownership claim to the '218 patent as a defense to Kodak's patent infringement claims in the ITC 703 Proceeding. Apple's ownership claim to the '218 patent was explored in the extensive discovery that occurred during the ITC 703 Proceeding, which included the production of more than 3.5 million pages of documents and the depositions of more than 60 witnesses. There was a thorough vetting in the ITC 703 Proceeding of Apple's claims that (i) Kodak derived the subject matter of the '218 patent from disclosures Apple allegedly made to Kodak in the context of joint development efforts in the early 1990's under the code name Project Adam, and (ii) the '218 patent is among the intellectual property that Kodak agreed belonged to Apple in a December 20, 1994 "Interim Letter Agreement Regarding Aspen and Phobos Projects" (the "December 1994 Agreement"). (703-Apple1778378 to 85, Holley Decl. Ex. 14.) After a six-day hearing in September 2010, Chief ALJ Luckern rejected Apple's ownership claim—both on inventorship and contract grounds—as meritless. (Final Initial and Recommended Determinations ("ID") at 99-108, dated Jan. 24, 2011, Holley Decl. Ex. 15.)

C. Joint Development Work and Notice to Apple and FlashPoint of Kodak's Digital Imaging Patents

Apple and FlashPoint have been on constructive and/or actual notice for many years—dating back to the joint development work between Apple and Kodak in the early 1990's—that Kodak was obtaining digital imaging patents. As a result, both Apple and FlashPoint have known what they needed to know to investigate and assert any purported ownership rights in Kodak patents for more than a decade. The relevant facts are uncontested and are set forth in the Rule 7056-1 Statement of Undisputed Material Facts of Plaintiff Eastman Kodak Company in Support of its Motion For Summary Judgment, filed contemporaneously herewith and incorporated herein. Those facts include, in addition to the publication of patent applications for and/or the issuance of the Claimed Kodak Patents, the following:

Apple

- Apple and Kodak jointly worked on the development of certain digital camera technology from 1992 to 1996. (Lynch Decl. ¶ 4.)
- In 1992 and 1993, an Apple employee performed extensive searches of Kodak's patents relating to digital camera technology. (Holley Decl. Exs. 19-21.)
- Apple and Kodak entered into the December 1994 Agreement that, among other things, demonstrated each party's concern about protecting its intellectual property in connection with their joint development work. (Holley Decl. Ex. 14.)
- Kodak provided a presentation to Apple in 1994 that includes a section entitled "Alternative Kodak Proposals" in which Ken Parulski, a co-inventor of the '218 patent, explained to Apple technologies developed by Kodak that Apple now claims to own. (Holley Decl. Ex. 16, 703-Apple0011383 to 458, at 1140-58.)
- Apple cited the '335 patent as prior art in 11 of its own patent applications, most dating back to the 1990's. (Holley Decl. Ex. 23.)
- Kodak developed a patent licensing program and has been openly licensing patents in the Digital Capture Portfolio since 2001. For example, on February 14, 2001, Kodak issued a press release announcing an agreement between Kodak and Olympus Optical Company, Ltd. to cross-license digital camera technologies, including "digital camera / PDA devices" and "digital camera / cell phone devices." (Holley Decl. Ex. 17.)
- Beginning in 2004, Kodak instituted numerous patent infringement actions to enforce the '218 patent and other patents in both the ITC and in U.S. District Courts. Those patent infringement litigations have been well publicized. For example, after Kodak commenced an action against Sony Corporation for infringing, among other patents, the '335 patent and the '218 patent, the *New York Times* published an article stating that Kodak was suing Sony for infringement of "10 patents that were issued to Kodak from 1987 to 2003. The patents covered various aspects of capturing, storing and displaying both still and moving digital images." (*See Kodak Accuses Sony of Patent Violations on Digital Imaging, New York Times*, at C3, Mar. 10, 2004, Holley Decl. Ex. 17.) A list of the 13 patent infringement litigations initiated by Kodak, which have involved seven of the 13 Claimed Kodak Patents, is attached as Exhibit F to the Lynch Declaration.
- Apple received and responded to a subpoena in patent infringement litigation between Kodak and Sony, issued on August 12, 2005, that made specific reference to, and requested documents relating to, Project Adam, Project Phobos, and Project Aspen, which are Apple project names for the digital camera ownership work underlying Apple's ownership claims. (Holley Decl. Ex. 22.)

FlashPoint

- FlashPoint’s President and Chief Executive Officer was retained by Kodak in June 2003 to provide consulting services to Kodak regarding “IP licensing strategy in connection with . . . the field of imaging.” (Lynch Decl. Ex. E.)
- FlashPoint and Kodak entered into the FlashPoint Technology License Agreement, effective as of March 17, 1997, relating to the FlashPoint operating system for digital cameras and provided terms of certain digital imaging patent rights. (Lynch Decl. Ex. C.)
- FlashPoint and Kodak entered into a Patent License Agreement, effective as of June 5, 2003, which, among other things, confirms termination of the March 17, 1997 agreement and provides a Kodak a broad release. (Lynch Decl. ¶ 7; Ex. D.)
- FlashPoint and Kodak entered into Development Agreements, effective as of January 1, 1997 and November 5, 1998, which, among other things, demonstrated each party’s concern about protecting its intellectual property in connection with their joint development work. (Lynch Decl. Exs. A, B.)
- FlashPoint cited the ‘335 patent, the ‘406 patent, the ‘703 patent, the ‘218 patent and/or the ‘854 patent as prior art in no less than 28 FlashPoint patent applications that resulted in the issuance of patents assigned to FlashPoint. (Holley Decl. Ex. 23.)
- FlashPoint received and responded to a subpoena in patent infringement litigation between Kodak and Sony Corporation, issued on August 12, 2005. That subpoena made specific reference to, and requested documents relating to, Project Adam, Project Phobos, and Project Adam. The subpoena also made specific reference to, and requested documents relating to, the ‘218 patent, the ‘335 patent and parent patents for four more Kodak patents that FlashPoint now claims to own. (Holley Decl. Ex. 24.)
- Last but not least, FlashPoint had a document in its files dated March 2001, which explained Kodak’s strategy for monetizing its portfolio of digital imaging patents and explained in detail the litigation position that FlashPoint asserted for the first time last week. (Holley Decl. Ex. 27.)

D. Apple’s Post-Petition Requests for Relief from the Bankruptcy Court Relating to Its Ownership Claims

On January 19, 2012, the Debtors filed a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code and a motion seeking approval of debtor-in-possession financing secured by substantially all of the Debtors’ assets, including Kodak’s Digital Capture Portfolio. On that same day, Apple filed a limited objection to the Debtors’ motion seeking

approval of their debtor-in-possession financing. In that objection, Apple claimed that it, not Kodak, owned the '218 patent. Apple also claimed—for the first time in any forum—that it had an ownership interest in other unnamed Kodak patents. (Limited Objection of Apple Inc. to Debtors' Motion for Entry of Interim and Final Orders (Dkt. No. 40) at 2.)

Apple pressed its claim that it owned the '218 patent and other unnamed Kodak patents a few weeks later when it filed a motion seeking relief from the automatic stay. In that motion, Apple sought permission to (i) proceed with the W.D.N.Y. Action and (ii) seek to transfer the W.D.N.Y. Action to the U.S. District Court for the Southern District of New York. (Motion of Apple Inc. Seeking Relief from the Automatic Stay to Facilitate Resolution of Patent Ownership Disputes Prior to the Debtors' Sale of Those Patents (Dkt. No. 344).) The Debtors opposed Apple's motion and sought discovery from Apple under Rule 2004 to investigate Apple's ownership claims. On March 8, 2012, the Court denied Apple's motion for relief from the automatic stay, noting that "Apple's proposed relief would hardly move the matter forward with the expedition needed for there to be any hope of a determination on the ownership issue." (Hr'g Tr. 64:9-12, Mar. 8, 2012.)

On March 16, 2012, Apple's counsel sent a letter to the Debtors' counsel identifying the Nine Additional Kodak Patents to which Apple now asserts ownership claims: U.S. Patent Nos. 5,493,335; 5,828,406; 6,147,703; 6,441,854; 6,879,342; 7,210,161; 7,453,605; 7,742,084; and 7,936,391. (Holley Decl. Ex. 18 (Letter from Marcus Sernel, Kirkland & Ellis LLP, to Brian D. Glueckstein, Sullivan & Cromwell LLP (Mar. 16, 2012)).) This list includes patents that have been successfully licensed and actively litigated by Kodak for years without any hint of an ownership claim being raised by Apple. What Apple has done is assert ownership claims to patents it views as strategic for Kodak, including all of the patents that Kodak has

asserted against Apple in an ITC proceeding commenced in January 2012 and patents recently asserted by Kodak in litigation against other parties. Apple is asserting ownership claims to patents that Kodak is protecting through litigation, but, tellingly, has never sought to intervene in any action brought by Kodak against third-party infringers to allege ownership of the patents being asserted. While that strategy is designed to inflict maximum pain on the Debtors, it has no principled basis in law or fact.

In response to document requests served by the Debtors pursuant to the Court's March 22, 2012 Order Authorizing and Directing the Examination of Apple Inc. (the "Rule 2004 Order") (Dkt. No. 707), Apple produced no new documents specific to the Nine Additional Kodak Patents that would substantiate those claims. In fact, Apple did not produce a single piece of paper in support of its claims that it had not previously produced in the ITC 703 Proceeding or another ITC proceeding initiated by Apple against Kodak (the "ITC 717 Proceeding"), which also raised issues relating to Kodak's joint development efforts with Apple.

On June 22, 2012, Apple filed counterclaims in this adversary proceeding asserting claims for correction of inventorship, breach of contract and various pre-petition state law claims for damages. (Apple Counterclaims ¶¶ 47-85.)

E. FlashPoint's Post-Petition Assertion of Ownership Claims

FlashPoint *never* asserted any claim in any venue to Kodak's patents until March 2012 when FlashPoint surfaced in these chapter 11 proceedings.⁹ FlashPoint appeared before the

⁹ FlashPoint's counterclaims discuss a standstill agreement among FlashPoint, Apple and Kodak that tolled FlashPoint's time to assert claims to the '218 patent for six months, from September 21, 2010 through March 8, 2011. There was no further extension of that agreement, and the clock on FlashPoint's claims resumed in March 2011. (FlashPoint Counterclaims, Dkt. No. 4, ¶¶ 83-90.) Despite FlashPoint's representations, Kodak has not been engaged in any post-petition negotiations of a new standstill agreement with FlashPoint. (*Id.* at ¶ 90.) Kodak was merely informed that FlashPoint was purportedly discussing some sort of standstill agreement with Apple. Kodak was not a party to any such discussions.

Court at the March 8 hearing on Apple’s motion to lift the automatic stay and announced that it “claim[s] a derivative interest through Apple” to the ‘218 patent. (Hr’g Tr. 38:20-21, Mar. 8, 2012.) FlashPoint subsequently reversed course and asserted for the first time in a letter from its counsel to the Debtors’ counsel that FlashPoint has a direct interest in the ‘218 patent, and then, at the June 13, 2012 hearing, FlashPoint said that it owns all ten of the Kodak patents that Apple claims to own. (Hr’g Tr. 56:2-3, June 13, 2012.) When finally asserted, FlashPoint’s counterclaims add three more Kodak patents, bringing to 13 the total number of Kodak patents that FlashPoint claims to own. (FlashPoint Counterclaims ¶ 63.) FlashPoint’s counterclaims, filed June 22, 2012, assert claims for correction of inventorship, breach of contract, and various pre-petition state law claims for damages. (*Id.* at ¶¶ 95-181.)

JURISDICTION AND VENUE

The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and this Court has the power to enter final findings of fact and conclusions of law, subject to review pursuant to 28 U.S.C. § 158. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

ARGUMENT

Federal Rule of Civil Procedure 56, made applicable to this adversary proceeding by Bankruptcy Rule 7056, provides that “[t]he court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a); *Salahuddin v. Goord*, 467 F.3d 263, 272 (2d Cir. 2006); *Jeffreys v. City of New York*, 426 F.3d 549, 554 (2d Cir. 2005) (observing that “[t]o defeat summary judgment” a nonmoving party “must do more than simply show that there is some metaphysical doubt as to the materials facts, and they may not rely on conclusory

allegations or unsubstantiated speculation”). Courts considering motions for summary judgment based on the fact that the applicable statute of limitations has expired consider whether “the record, taken as a whole could not lead a rational trier of fact to find for the non-moving party.” *Breeden v. Erie Islands Resort & Marina (In re Bennett Funding Grp., Inc.)*, No. 02-80088, 2003 WL 174328, at *4-5 (Bankr. N.D.N.Y. 2003) (citing *Goldberg v. Cabelvision Sys. Corp.*, 261 F.3d 318, 324 (2d Cir. 2001)).

This Court can and should resolve the ownership dispute over the Claimed Kodak Patents promptly by granting summary judgment to Kodak. Doing so would remove any impediment created by Apple’s and FlashPoint’s ownership claims to the Debtors’ ongoing efforts to sell Kodak’s Digital Capture Portfolio through a section 363 sale. Obtaining a fair price for those patents is an important element of the Debtors’ reorganization efforts.

I. Apple’s and FlashPoint’s State Law Ownership Claims Are Barred by the Applicable Statutes of Limitations

Apple’s and FlashPoint’s ownership claims are barred by the applicable statutes of limitations, which do not exceed four years. (*See* Defendant Apple’s Counterclaims, filed June 22, 2012 (Adv. Dkt. No. 3) (asserting breach of contract, conversion, unlawful business acts, and unfair competition claims under California law, deceptive business practices claim under New York law, and breach of confidence claim); (Defendant FlashPoint’s Counterclaims, filed June 22, 2012 (Adv. Dkt. No. 4) (asserting breach of contract and conversion under California law, and breach of confidence, unfair competition, and deceptive business practices claim under New York law.)) The longest applicable statute of limitations is four years, for the breach of contract claims.¹⁰

¹⁰ Cal. Civ. Proc. Code § 337(1) (West 2012) (four year limitations period for breach of contract claim); *id.* § 338(c) (three year limitations period for conversion claims); Cal. Bus. & Prof. Code § 17208 (West 2012)
(footnote continued)

The limitations period “begins to run upon the occurrence of the last element essential to the cause of action.” *Neel v. Magana, Olney, Levy, Cathcart & Gelfand*, 6 Cal. 3d 176, 187 (1971). “The plaintiff’s ignorance of the cause of action . . . does not toll the statute.” *Id.*; Apple first asserted an ownership claim to the ‘218 patent in August 2010, and it did not assert ownership claims to the Nine Additional Kodak Patents until March 2012. FlashPoint’s claims are even more untimely. The first time FlashPoint asserted ownership claims to any Kodak patents was when it claimed to own all 13 Claimed Kodak Patents in this adversary proceeding, in June 2012.

To the extent Apple’s ownership claims are based on an alleged breach of the December 1994 Agreement, those claims accrued no later than publication of the relevant patent applications and/or issuance of the relevant patents. In light of Apple’s joint development work with Kodak on digital cameras in the early 1990’s and contemporaneous documents reflecting Apple’s concerns with protecting its intellectual property, Apple should have—and did—search for digital imaging patents issued to Kodak during that period. Documents produced by Apple pursuant to the Rule 2004 Order establish that Apple ran searches on Kodak’s patents in 1992 and 1993. (*See, e.g.*, Holley Decl. Exs. 19 (717-Apple0101168 to 77), 20 (717-Apple0101178 to 273), 21 (717-Apple0110551 to 75.)) That is consistent with what any sophisticated technology company with experience in protecting its intellectual property would do. Apple was aware of the nature of its joint development efforts with Kodak, so Apple should have stayed current on

(footnote continued)

(four year limitations period for unfair competition, unfair and/or deceptive business acts and unlawful business acts); N.Y. C.P.L.R. 214[2] (McKinney 2012) (three year limitations period for deceptive business practices claim); *Trustforte Corp. v. Eisen*, No. 600521/2005, 2005 WL 3501587, at *4 (N.Y. Sup. Ct. Nov. 15, 2005) (three year limitations period for claims based on misappropriation, such as common law unfair competition); Cal. Civ. Proc. Code § 339(1) (West 2012) (two year limitations period for breach of confidence); *id.* § 343 (four year statute applies to all actions not specifically covered by other provisions of the statute).

whether Kodak was applying for obtaining patents on technologies that Apple purportedly thought it owned.

Any argument by Apple that it stopped searching for Kodak patents after it “spun out” its digital camera business to FlashPoint in 1996 is inconsistent with its position that it retained rights under the December 1994 Agreement. FlashPoint, in fact, asserts that Apple assigned to FlashPoint in 1996 any rights that Apple might have in the Claimed Kodak Patents. (FlashPoint Counterclaims ¶¶ 66-69.) Apple cannot have it both ways. If Apple retained rights relating to the December 1994 Agreement, then Apple retained the same incentive to continue to protect its intellectual property rights that it demonstrated before any assignment to FlashPoint. If Apple has no such continuing interest—as FlashPoint claims—then Apple has no purported ownership claims that it can assert in this case.

Kodak provided a presentation to Apple in 1994—seven years before the ‘218 patent issued—that included a section entitled “Alternative Kodak Proposals” in which Ken Parulski, a co-inventor of the ‘218 patent, explained technologies developed by Kodak that are reflected in Figure 2 to the ‘218 patent issued in 2001. That put Apple on notice as early as 1994 if it believed the invention claimed in the ‘218 patent was sufficiently similar to disclosures that Apple made to Kodak to give rise to an ownership claim. In *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, the Federal Circuit held that a patent ownership claim based on a contract accrued when the defendant patent assignee made a presentation to the plaintiff in which the defendant asserted an ownership interest in the invention, even though the presentation was made before any patents were issued and before two of the three patent applications were even published. 583 F.3d 832, 847-48 (Fed. Cir. 2009).

At the very least, the court found that the plaintiff was on constructive notice at the time the patent applications were published. *Id.*

If—as Apple erroneously contends—the December 1994 Agreement conveyed intellectual property rights to Apple, then Apple’s breach of contract claim accrued as soon as Apple was reasonably on notice that Kodak was asserting an ownership interest in digital imaging technology that Apple believed it had developed. Here, given Apple’s joint development work with Kodak, the issuance of digital imaging patents to Kodak that arguably arose out of Project Adam, Project Phobos or Project Aspen was sufficient to start the clock running on Apple’s ownership claims. Thus, Apple’s ownership claim to the ‘218 patent became time-barred at the latest by September 18, 2005, four years after the ‘218 patent was issued.¹¹

Courts have held that publication of a patent application or issuance of a patent can put a plaintiff on constructive notice of breach of contract or other related harm because the technology is no longer “inherently undiscoverable.” *WesternGeco v. Ion Geophysical Corp.*, No. 09-cv-1827, 2009 WL 3497123, at *4-5 (S.D. Tex. Oct. 28, 2009). Issuance of a patent—or even publication of a patent application—“should have put a reasonable person on notice.” *Micrel Inc. v. Monolithic Power Systems, Inc.*, No. C04-04770 JSW, 2005 WL 6426678, at *6 (N.D. Cal. Dec. 9, 2005); *see also IBM Corp. v. Zachariades*, 70 F.3d 1278, 1278 (9th Cir. 1995) (holding that issuance of patent put plaintiff on constructive notice because it “reveal[ed] information which should have alerted [plaintiff] of the need to inquire further”). In *University Patents, Inc. v. Kligman*, the court held “as a matter of law” that issuance of a patent constituted notice to plaintiffs of breach of contract because “plaintiffs no longer reasonably could be

¹¹ Beginning in 1999, Kodak’s patent applications were published and made publicly available 18 months after they were filed. *See* 35 U.S.C. § 122(b)(1)(A), 37 C.F.R. § 1.211(a). Kodak’s application for the ‘218 patent was a divisional application of one filed on December 30, 1994, so it became public upon issuance of the patent.

excused from their duty to make appropriate inquiries which would have put them on notice of potential causes of action.” Civ. A. Nos. 89-3525, 1991 WL 64652, at *8-9 (E.D. Pa. April 22, 1991).

Here, Apple had specific reason to pay attention to Kodak’s efforts to obtain digital imaging patents because of Apple’s prior joint development work with Kodak. Indeed, Apple took steps to protect its intellectual property during its joint development activities with Kodak, and Apple was well aware of the December 1994 Agreement. Apple cannot rely on inattention to justify its purported ignorance of Kodak’s efforts to obtain digital imaging patents—a contention that is implausible on its face given Apple’s size and sophistication. Therefore, publication of Kodak patent applications or the subsequent issuance of patents to Kodak put Apple on notice of any alleged breach of the December 1994 Agreement.

To the extent Apple or FlashPoint contends that it was “unable to see or appreciate a breach ha[d] occurred,” and therefore that the discovery rule is applicable, it is Apple’s burden to prove that it was unable “to have made earlier discovery despite reasonable diligence.” *E-Fab, Inc. v. Accountants, Inc. Servs.*, 64 Cal. Rptr. 3d 9, 16-17 (Cal. Ct. App. 2007) (quoting *Moreno v. Sanchez*, 131 Cal. Rptr. 2d 684, 689 (Cal. Ct. App. 2004)). Even if the relevant circumstances—including the joint development work between Kodak and Apple, Kodak’s disclosures to Apple concerning digital camera technology being developed by Kodak, and the December 1994 Agreement itself—did not provide notice, the applicable statutes of limitations still expired long ago because Apple received further constructive notice as described below.

Kodak developed a licensing program and has been openly licensing the Digital Capture portfolio since 2001. Kodak issued numerous press releases detailing the success of its

licensing program. As one example of many, on February 14, 2001, Kodak issued a press release announcing an agreement between Kodak and Olympus Optical Company, Ltd. to cross-license digital camera technologies, including “digital camera / PDA devices” and “digital camera / cell phone devices.” (Holley Decl. Ex. 17.)

Beginning in 2004, Kodak instituted numerous patent infringement actions to enforce the ‘218 patent and other patents in the ITC and in U.S. District Courts. Seven of the 13 Claimed Kodak Patents were at issue in those patent infringement actions, and the cases in federal district court are a matter of public record. It is not plausible that Apple or FlashPoint, who purport to be market leaders in the field of digital imaging technology and to hold numerous valuable patents in that field, were oblivious to Kodak’s activities. But the story does not end there.

Apple had *actual notice at least by 2005* that Kodak was asserting digital imaging patents against third parties, which Apple now claims to own. In 2005, Apple received a subpoena in litigation between Kodak and Sony Corporation (“Sony”) relating to both the ‘218 patent and the ‘335 patent.¹² That subpoena makes specific reference to Project Adam, as well as the Phobos and Aspen projects. (Holley Decl. Ex. 22 (Subpoena to Apple Computer, Inc., *Eastman Kodak Co. v. Sony Corp.*, No. 04-cv-6095 (W.D.N.Y.), issued August 12, 2005 (the “Apple Subpoena”).) If not earlier, Apple knew when it received the Apple Subpoena that Kodak was pursuing patent infringement claims based on the ‘218 and ‘335 patents, and was on inquiry notice that Kodak may have obtained other digital imaging patents. Apple did not assert

¹² The litigation also involved U.S. Patent Nos. 6,573,927 and 6,784,924, which are parent patents to four of the patents Apple now claims it owns. A parent patent typically has the same patent specification and drawings as any patents that claim priority to that parent patent. Here, the ‘605 patent that Apple claims it owns has the exact same specification and exact same drawings as its parent, the ‘927 patent. Similarly, the ‘161, ‘084, and ‘391 patents to which Apple now claims ownership have the exact same specification and drawings as their parent, the ‘924 patent.

that it owned the '218 patent, the '335 patent or any other Kodak patents after receiving the Apple Subpoena. Instead, Apple waited another five years to assert that it owned the '218 patent, and only after the patent was asserted against Apple, long after such an ownership claim was time-barred. Any argument that the Apple Subpoena did not provide notice of a potential claim takes the concept of willful blindness to new heights. It belies common sense that Apple would produce thousands of sensitive, confidential documents to Sony and Kodak—both of whom sell consumer electronic products like Apple—pursuant to a subpoena without even a cursory glance at the complaint and without giving any consideration to the issues in the underlying litigation.

Despite the fact that the '335 patent was at issue in the Sony litigation that gave rise to the Apple Subpoena, Apple now claims—for the first time in March 2012—that it owns the '335 patent. That belated ownership claim is baseless. If Apple thought it owned the '335 patent, which issued on February 20, 1996, there is no conceivable explanation for why Apple did not assert that ownership claim earlier given that the '335 patent is cited as prior art in *eleven of Apple's own patent applications*, most dating back to the 1990's. (See Holley Decl. Ex. 23 (Table of Apple and FlashPoint Patents).) In fact, the named inventor of Apple's U.S. patent 5,784,629, which issued on July 21, 1998, is Eric Anderson, the former Apple employee that Apple now maintains was the true inventor of the Claimed Kodak Patents. Apple knew all about the '335 patent, certainly by August 2005 when it received the Apple Subpoena, so its delay in asserting an ownership claim to the '335 patent is inexcusable.

FlashPoint's ownership claims are similarly time-barred. FlashPoint's President and Chief Executive Officer was retained by Kodak in June 2003 to provide consulting services to Kodak regarding its intellectual property licensing strategy in the field of imaging. (Lynch

Decl. Ex. E.) That work put FlashPoint on notice of all of Kodak's digital imaging patents. Yet, FlashPoint waited until last week—a full nine years later—to assert any ownership claims to the Claimed Kodak Patents.

Moreover, FlashPoint, like Apple, received a subpoena in August 2005 relating to Kodak's patent infringement litigation with Sony. (Holley Decl. Ex. 24 (Subpoena to FlashPoint Technology, Inc., *Eastman Kodak Co. v. Sony Corp.*, No. 04-cv-6095 (W.D.N.Y.), issued August 12, 2005 (the "FlashPoint Subpoena")).) The FlashPoint Subpoena expressly seeks documents relating to the '218 patent and the '335 patent, as well as parent patents of four more Kodak patents that Apple and FlashPoint now purport to own. In addition, the FlashPoint Subpoena requests documents relating to the joint development work between Apple and Kodak referred to as Project Adam, Project Phobos and Project Aspen. (*Id.*) Furthermore, FlashPoint cited five of Kodak's patents that it now claims to own as prior art in no less than *28 of FlashPoint's own patent applications*. (See Holley Decl. Ex. 23.) Any argument that FlashPoint was not on notice as to the existence of Kodak's digital imaging patents given this evidence borders on the ridiculous.

FlashPoint also produced a document from its files in litigation before the ITC that is devastating to its ownership claims, and to Apple's as well. That document, dated March 2001, is an analyst's report that details *the impact of Kodak's digital imaging patents on digital camera manufacturers*. (See Holley Decl. Ex. 27 (FP_ITC_717-001703 to 09).) The document makes it patently obvious that everyone in the industry knew about Kodak's digital imaging patents and Kodak's intention to make money licensing those patents. Statements in the report demonstrating that FlashPoint (and Apple) knew all about Kodak's digital imaging patents 11 years ago includes profiles of certain Kodak digital imaging patents, including the '335 patent.

The report states in its first paragraph that “[t]hrough recent announcements, Kodak has brought to the industry’s attention that it holds key patents related to digital cameras” (*Id.* at FP_ITC_717-001703.) The report goes on to note that Kodak “announced that it filed lawsuits against Agfa, Seiko Epson and Sanyo for patent infringement.” (*Id.*) On its second page, the report states that Kodak has brought the fact that it holds “digital camera patents that are applicable to most digital cameras available in the market” . . . “to the attention of the financial community and media” by making various public announcements. The report observes that “Kodak’s digital imaging portfolio is a ‘goldmine’ for Kodak” and that this fact is “acknowledged by all industry observers.” The report states that Kodak in 2001 was being “awarded many patents each year” and notes that those “patents can be found on the U.S. Patent and Trademark Office Web site, www.uspto.gov.” (*Id.* at FP_ITC_717-001704.)

These statements are more than enough to conclude FlashPoint was on notice of any purported ownership claims to Kodak’s digital imaging patents, but there is more. The report contains a section entitled “Key Highlights” which explains that “FlashPoint says it holds an agreement with Kodak that it believes can prevent Kodak from suing FlashPoint or its customers.” (*Id.* at FP_ITC_717-001706 to 07.) While Kodak disputes that assertion, the argument detailed in the March 2001 report is precisely the same argument FlashPoint asserted in its counterclaims filed in this adversary proceeding last week—more than 11 years later. (*Compare id.* with FlashPoint Counterclaims ¶¶ 72-73.) FlashPoint developed a litigation position more than a decade ago that FlashPoint elected not to pursue. In light of what is said in the analyst’s report, any assertion that FlashPoint’s claims are timely is completely baseless. And Apple—which was part of the digital imaging industry—cannot have remained ignorant of

the Kodak public announcements discussed in the report. Arguably, summary judgment could be granted on the basis of the report alone.

Once Apple and FlashPoint were on notice that Kodak had obtained any digital imaging patents, they could not put their heads in the sand, but had an ongoing obligation to inquire as to the existence of any new Kodak digital imaging patents. Apple's and FlashPoint's failure to take reasonable steps to protect their purported rights means that all of their ownership claims are now untimely. As set forth in Exhibit 25 to the Holley Declaration, Apple's ownership claims to the remainder of the Nine Additional Kodak Patents are barred by the statute of limitations because those patents either issued more than four years before March 16, 2012 when Apple first asserted those ownership claims, or patent applications for the parent patents of the Nine Additional Kodak Patents were published more than four years before that date.¹³ Similarly, all of FlashPoint's ownership claims were first asserted on June 22, 2012, more than four years after those claims accrued.¹⁴ Patents that issued from continuation or divisional applications of previously filed patent applications have the benefit of the earlier filing date. 35 U.S.C. § 120. Thus, publication of patent applications for such parent patents—in conjunction with the history of joint development activities between Apple and Kodak and evidence that Apple was monitoring the issuance of patents to Kodak—demonstrate that Apple had constructive—if not actual—notice of its ownership claims long ago. *See Roche*, 583 F.3d at

¹³ Four of the Nine Additional Kodak Patents were issued more than four years before 2012 (U.S. Patent Nos. 5,493,335, 5,828,406, 6,147,703, 6,441,854), and the others are either a division or a continuation of patent applications which were published more than four years before 2012 (U.S. Patent Nos. 6,879,342, 7,210,161, 7,453,605, 7,742,084, 7,936,391). Two of the three Kodak patents claimed only by FlashPoint were also issued more than four years before 2012. (*See Holley Decl. Ex. 25.*)

¹⁴ FlashPoint claims ownership to U.S. Patent No. 7,058,444, which was issued on March 24, 2009. The statute of limitations on four year claims has therefore not expired with respect to that one patent, although claims with shorter statutes of limitations have expired. (*See Holley Decl. Ex. 25.*)

847-48; *WesternGeco*, 2009 WL 3497123, at *4-5; *Micrel Inc.*, 2005 WL 6426678, at *6; *IBM Corp.*, 70 F.3d at 1278. As a result, all of those ownership claims are barred by the statutes of limitations.

II. Apple’s and FlashPoint’s Inventorship Claims Are Barred by the Equitable Doctrine of Laches

The equitable doctrine of laches bars Apple’s and FlashPoint’s alternative claims that each invented the subject matter of the Claimed Kodak Patents for all of the reasons set forth above. When applying the doctrine of laches to such an inventorship claim, courts evaluate (a) whether the plaintiff’s delay in bringing the suit was “unreasonable and unexcusable” and (b) whether that delay caused “material prejudice” to the defendant. *Serdarevic v. Advanced Medical Optics, Inc.*, No. 06 CIV 7107, 2007 WL 2774177, at *5 (S.D.N.Y. Sept. 25, 2007), *aff’d*, 532 F.3d 1352 (Fed. Cir. 2008) (quoting *Intirtool, Ltd. v. Texar Corp.*, 369 F.3d 1289, 1297 (Fed. Cir. 2004)).

A. Apple’s and FlashPoint’s Delay in Asserting Inventorship Claims Is Unreasonable

“A presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of” his claim. *Serdarevic*, 2007 WL 2774177, at *5 (quotation omitted). “The six year clock begins to run from the date on which the plaintiff had actual or constructive knowledge of an act . . . that gives rise to a legal claim.” *Id.* (quotation omitted). Because Apple knew, or should have known, that the ‘218 patent was issued on September 18, 2001, a presumption of laches has applied at least since September 18, 2007. That is more than two years before Apple first raised its inventorship claim in the ITC 703 Proceeding.

In the totality of the circumstances outlined above, the clock started running on Apple’s and FlashPoint’s inventorship claims when each of the Claimed Kodak Patents issued

(or when the associated application was published, if earlier). Some courts, including one in the Southern District of New York, have held that the laches period may start even before a patent issues, “commenc[ing] when the purported inventor has actual or constructive notice of a patent application that omitted him as inventor or incorrectly included persons on an application, or that such an application is forthcoming.” *Mahmood v. Research in Motion, Ltd.*, No. 11 Civ. 5345(KBF), 2012 WL 242836, at *7 (S.D.N.Y. Jan. 24, 2012) (citations omitted); *see also Hor v. Chu*, 765 F. Supp. 2d 903, 916 (S.D. Tex. 2011) (laches period commences “when a plaintiff knew or should have known that the defendant filed a patent application . . . and failed to name him as an inventor, regardless of whether such notice occurred prior to the patent’s issuance”); *Moore v. Broadcom Corp.*, No. C06-05647 MJJ, 2008 WL 425932, at *4 (N.D. Cal. Feb. 14, 2008); *Frugoli v. Fougnes*, 74 U.S.P.Q. 2d 1716, 1719-22 (D. Ariz. 2004).

In *Expert Microsystems, Inc. v. University of Chicago*, the court granted summary judgment to the patent holder, concluding that the laches period started when the purported inventor performed a prior art search and printed copies of the patents that were the subject of the dispute. 712 F. Supp. 2d 1116, 1120-21 (E.D. Cal. 2010). Although the purported inventor submitted a declaration stating that he did not read or evaluate the content of the patents at the time he conducted the prior art search, the court did not accept that excuse, holding that he could have “discovered with reasonable diligence that [he] may have had an inventorship claim against defendants.” *Id.* at 1121. As discussed above, both Apple and FlashPoint cited to Claimed Kodak Patents—Apple in 11 applications and FlashPoint in 28 applications—in obtaining their own patents from 1996 through 2002. (Holley Decl. Ex. 23.) Those citations conclusively establish that both Apple and FlashPoint (i) were reviewing Kodak patents, (ii) were well aware of the specific Kodak digital imaging patents they were citing as prior art, (iii) were therefore on

inquiry notice as to other Kodak digital imaging patents that might have triggered purported rights under the agreements between the parties on which Apple and FlashPoint now seek to rely.

Here, the laches period arguably started at least as early as 1996, which is the earliest issuance date for any of the Claimed Kodak Patents. The presumption of laches attached on the 2001 issuance date of the '218 patent, long before Apple first raised an inventorship claim to the '218 patent in the ITC 703 proceeding. Similarly, as set forth on Exhibit 26 to the Holley Declaration, the presumption of laches attached to each of the Nine Additional Kodak Patents more than six years ago because Apple was on constructive notice as of the date the patent first became public, either through publication of the patent application or issuance of the relevant patent (or a parent patent).

Moreover, the Apple Subpoena and the FlashPoint Subpoena put Apple and FlashPoint, respectively, on actual notice in 2005 that Kodak was pursuing patent infringement litigation based on digital imaging patents purportedly related to joint development activities between Kodak and Apple in the 1990's. At that point, Apple and FlashPoint should have canvassed Kodak's published patent applications and issued patents to investigate potential inventorship claims. That is the least one would expect from sophisticated companies concerned about protecting valuable intellectual property rights. The Apple Subpoena specifically references Project Adam (as well as the Phobos and Aspen Projects), so the laches period for any Kodak patents that Apple contends are connected with those joint development activities started *no later* than August 2005. Apple never asserted an ownership claim to any Kodak patent until 2010, and did not assert an ownership claim to the Nine Additional Kodak Patents until March 16, 2012. The fact that Apple waited so long is reason to question the seriousness of Apple's inventorship claims, but there certainly is no excuse for such a long delay.

FlashPoint's delay is similarly unreasonable. The FlashPoint Subpoena also references Projects Adam, Phobos and Aspen, and specifically requests documents relating to the '218 patent and the '335 patent. FlashPoint's President and Chief Executive Officer was also retained as a consultant by Kodak in 2003 to assist with Kodak's licensing program involving the very patents that FlashPoint now claims to own. (*See* Lynch Decl. Ex. E.) And the March 2001 analyst's report in FlashPoint's files make clear not only that FlashPoint knew Kodak had digital imaging patents it was seeking to monetize, but also that FlashPoint had formulated a litigation position regarding those patents 11 years ago. Given those undisputed facts, any contention that FlashPoint was not on actual and/or constructive notice of its ownership claims to the Claimed Kodak Patents more than six years before those claims were first asserted last week is simply incredible.

B. Kodak Will Suffer Economic and Evidentiary Prejudice From Being Required to Litigate the Inventorship Claims Now

Once the presumption of laches attaches, the burden shifts entirely to Apple and FlashPoint; the Debtors can remain "utterly mute" on the issue of prejudice and still prevail on Apple's and FlashPoint's inventorship claims. *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008). Nevertheless, Kodak can demonstrate material prejudice resulting from Apple's and FlashPoint's unexcused delay in asserting its inventorship claims. Material prejudice may be in the form of either economic prejudice or evidentiary prejudice. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1033 (Fed. Cir. 1992). Economic prejudice concerns a party's change in economic position during a period of delay that could have been prevented by earlier suit. *Id.* Judge Forrest in the Southern District of New York recently held that a party established economic prejudice because an earlier suit could have altered that party's licensing and marketing strategies. *Mahmood*, 2012 WL 1801693, at *8

(S.D.N.Y. May 16, 2012). In particular, Judge Forrest noted that if the claimant prevailed on its inventorship claims, it would have the right to license the patent, and that licensing could run “directly counter” to strategies in which the patentee had invested. *Id.* The fact that Kodak has been successful in licensing its Digital Capture Portfolio is not relevant to the question of whether Kodak will suffer prejudice. As Judge Forrest held, the patentee could “both make a profit off of its . . . products and suffer economic prejudice as a result of plaintiff’s inexcusable delay in filing suit.” *Id.*; *see also Frugoli*, 74 U.S.P.Q. 2d at 1722 (finding economic prejudice because “delay left the named inventors very safe in the assumption that they could invest in the patented technology, including investing in the pursuit of potential infringers”).

Kodak has spent years enforcing the patents that Apple and FlashPoint now claim they own, at great expense to the company. Kodak has spent tens of millions of dollars in legal fees and related costs seeking to hold infringers accountable for violating Kodak’s rights in patents contained in the Digital Capture Portfolio. (Lynch Decl. ¶ 11.) Representative of the strength of Kodak’s digital imaging portfolio, the ‘218 patent has been one of the centerpieces of Kodak’s licensing and litigation program, and being required at this stage to choose other patents in the Digital Capture Portfolio to assert against infringers would be a costly undertaking, requiring Kodak to abandon the substantial investment it has made in defending the ‘218 patent. (*Id.* at ¶ 12.)

Furthermore, permitting Apple and FlashPoint to assert their ownership claims now could expose Kodak to patent infringement claims if they are ultimately successful in establishing sole ownership. Any such claims could have—and would have—been avoided if Apple’s and FlashPoint’s ownership claims had been asserted and resolved in a timely fashion. Kodak has established in proceedings before the ITC that certain Kodak digital cameras practice

the '218 patent and the '335 patent. (Lynch Decl. ¶ 13, Ex. G (Initial Determination, *In re Certain Mobile Telephones and Wireless Communc'ns Devices Featuring Digital Cameras, and Components Thereof*, Inv. No. 337-TA-663, dated Dec. 17, 2009 at 102-106).) Kodak is currently asserting in a different ITC proceeding that certain Kodak digital cameras practice three other Claimed Kodak Patents, the '605 patent, the '161 patent and the '084 patent. Kodak could have considered design alternatives if it was aware at the time that Apple and FlashPoint claimed to own those patents. (Lynch Decl. ¶ 13.) *Mahmood*, 2012 WL 242836, at *8 (noting that “had [defendant] known of plaintiff’s intent to pursue his claims earlier, it could have designed around” the patent).

Kodak is in chapter 11 and creditors and other stakeholders are focused on a timely section 363 sale, a process that Apple and FlashPoint are seeking to disrupt. The Debtors pledged the patents in the Digital Capture Portfolio, along with substantially all of the Debtors’ other assets, as collateral to secure \$950 million of debtor-in-possession financing. Repayment of the debtor-in-possession financing contemplates a sale of the patents in the Digital Capture Portfolio. (Lynch Decl. ¶ 16.) Any delay in the sale process resulting from Apple’s and FlashPoint’s belated assertion of ownership claims to the Claimed Kodak Patents will impair the Debtors’ ability to monetize valuable assets, satisfy their obligations to creditors, and emerge from chapter 11 in a timely manner. (*Id.*) Allowing that to happen would be especially unfair given that Apple waited until after the Debtors filed for chapter 11 to assert for the first time that it owned the Nine Additional Kodak Patents, and FlashPoint waited until *last week* to formally assert its claims to thirteen Kodak patents. Potential disruption of the planned section 363 sale is a textbook example of economic prejudice.

The Debtors would also suffer evidentiary prejudice as a result of Apple's unexcused delay in asserting its inventorship claims. Evidentiary prejudice arises where the delay in asserting an inventorship claim curtails a defendant's ability to mount "a full and fair defense" to that claim due to the loss of documentary evidence or the unreliability of memories. *A.C. Aukerman Co.*, 960 F.2d at 1033; *see Serdarevic*, 2007 WL 2774177, at *7 (after eight years, "there is also the cumulative and inherent prejudice from the dimming memories of all participants, including" the plaintiff). To defend these claims, Kodak will need to locate and secure the participation of the named inventors of the Claimed Kodak Patents, none of whom is still employed by Kodak. (Lynch Decl. ¶ 14.) Apple and FlashPoint cannot seriously contend that being required to litigate in 2012 about events that as far back as 1992 will not be prejudicial to Kodak. The passage of nearly 20 years since Apple's and Kodak's joint development efforts and the passage of more than 10 years since issuance of the '218 patent would make it significantly more difficult for Kodak to refute attacks on its ownership of the '218 patent or any of the other Claimed Kodak patents. *See Frugoli*, 74 U.S.P.Q. 2d at 1721 (after 8 years, accurate recollection "would be difficult for any percipient witness").

CONCLUSION

For the foregoing reasons, the Debtors respectfully request that the Court grant this motion for summary judgment and order such other and further relief as the Court may deem just and proper.

Dated: June 29, 2012
New York, New York

/s/ Andrew G. Dietderich

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Possession*

EXHIBIT A

Proposed Order

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
EASTMAN KODAK COMPANY, <i>et al.</i> , ¹)	Case No. 12-10202 (ALG)
Debtors.)	(Jointly Administered)
<hr/>		
EASTMAN KODAK COMPANY,)	
Plaintiff,)	
v.)	Adv. Proc. No. 12-01720 (ALG)
APPLE INC. AND)	
FLASHPOINT TECHNOLOGY INC.,)	
Defendants.)	

**ORDER GRANTING PLAINTIFF EASTMAN KODAK COMPANY’S
MOTION FOR SUMMARY JUDGMENT**

Upon the motion (the “**Motion**”)² of Plaintiff Eastman Kodak Company (“**Kodak**”), on behalf of itself and its affiliated debtors and debtors in possession, collectively, the “**Debtors**”), for entry of an order (this “**Order**”) pursuant to Federal Rule of Civil Procedure 56 and Federal Rule of Bankruptcy Procedure 7056 granting summary judgment in the above-referenced adversary proceeding; it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. § 1334; and it appearing that venue of these chapter 11 cases and the Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Eastman Kodak Company (7150); Creo Manufacturing America LLC (4412); Eastman Kodak International Capital Company, Inc. (2341); Far East Development Ltd. (2300); FPC Inc. (9183); Kodak (Near East), Inc. (7936); Kodak Americas, Ltd. (6256); Kodak Aviation Leasing LLC (5224); Kodak Imaging Network, Inc. (4107); Kodak Philippines, Ltd. (7862); Kodak Portuguesa Limited (9171); Kodak Realty, Inc. (2045); Laser-Pacific Media Corporation (4617); NPEC Inc. (5677); Pakon, Inc. (3462); and Qualex Inc. (6019). The location of the Debtors’ corporate headquarters is: 343 State Street, Rochester, NY 14650.

² Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest; and this Court having found that proper and adequate notice of the Motion and the relief requested therein has been provided in accordance with the Bankruptcy Rules, the Local Rules and the Case Management Procedures for these chapter 11 cases, and that, except as otherwise ordered herein, no other or further notice is necessary; and all objections having been overruled on the merits; and after full consideration of the arguments of the parties in their papers and during the oral argument on the Motion, and due deliberation thereon; and good and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. Apple and FlashPoint have no interest in the Claimed Kodak Patents, consisting of U.S. Patents 5,493,335; 5,828,406; 6,147,703; 6,292,218; 6,441,854; 6,879,342; 7,210,161; 7,453,605; 7,742,084; 7,936,391; 6,288,743; 6,542,192; and 7,508,444 because their claims are barred by the applicable statutes of limitations and/or the equitable doctrine of laches.
3. Apple and FlashPoint are enjoined from attempting to prevent, hinder or delay the sale of the Claimed Kodak Patents under section 363 of the Bankruptcy Code.
4. This Court retains jurisdiction with respect to all matters arising from or related to the enforcement of this Order.

Dated: July [•], 2012
New York, New York

Allan L. Gropper
United States Bankruptcy Judge

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Proposed Hearing Date: July 23, 2012 at 11:00 a.m.
Objection Deadline: July 16, 2012 at 4:00 p.m.

*Counsel to the Debtors and
Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

_____)	Chapter 11
In re:)	
EASTMAN KODAK COMPANY, <i>et al.</i> , ¹)	Case No. 12-10202 (ALG)
Debtors.)	(Jointly Administered)
_____)	
EASTMAN KODAK COMPANY,)	
Plaintiff,)	
v.)	
APPLE INC. AND)	Adv. Proc. No. 12-01720 (ALG)
FLASHPOINT TECHNOLOGY, INC.,)	
Defendants.)	FILED UNDER SEAL
_____)	

**PLAINTIFF EASTMAN KODAK COMPANY'S RULE 7056-1 STATEMENT
OF UNDISPUTED MATERIAL FACTS IN SUPPORT OF
ITS MOTION FOR SUMMARY JUDGMENT**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Eastman Kodak Company (7150); Creo Manufacturing America LLC (4412); Eastman Kodak International Capital Company, Inc. (2341); Far East Development Ltd. (2300); FPC Inc. (9183); Kodak (Near East), Inc. (7936); Kodak Americas, Ltd. (6256); Kodak Aviation Leasing LLC (5224); Kodak Imaging Network, Inc. (4107); Kodak Philippines, Ltd. (7862); Kodak Portuguesa Limited (9171); Kodak Realty, Inc. (2045); Laser-Pacific Media Corporation (4617); NPEC Inc. (5677); Pakon, Inc. (3462); and Qualex Inc. (6019). The location of the Debtors' corporate headquarters is: 343 State Street, Rochester, NY 14650.

Pursuant to Local Bankruptcy Rule 7056-1(b), Plaintiff Eastman Kodak Company (“Kodak”), on behalf of itself and its affiliated debtors and debtors in possession (collectively, the “Debtors”), submits this statement of the material facts as to which there is no genuine issue to be tried in support of its motion for summary judgment in this adversary proceeding.

I. The Kodak Patents Claimed by Apple and FlashPoint

1. U.S. Patent No. 5,493,335 (the “335 patent”), entitled “Single Sensor Color Camera with User Selectable Image Record Size,” was issued on February 20, 1996. It names as its inventors Kenneth A. Parulski, Richard M. Vogel, and Seishi Ohmori, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 1.)²

2. U.S. Patent No. 5,828,406, entitled “Electronic Camera Having a Processor for Mapping Image Pixel Signals into Color Display Pixels,” was issued on October 27, 1998. It names as its inventors Kenneth A. Parulski and Timothy J. Tredwell, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 2.)

3. U.S. Patent No. 6,147,703, entitled “Electronic Camera with Image Review,” was issued on November 14, 2000. It names as its inventors Michael Eugene Miller and Richard William Lourette, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 3.)

4. U.S. Patent No. 6,292,218 (the “218 patent”), entitled “Electronic Camera for Initiating Capture of Still Images While Previewing Motion Images,” was issued on September 18, 2001. It names as its inventors Kenneth A. Parulski and Timothy J. Tredwell, and lists Kodak as the assignee of the patent. The ‘218 patent is a division of application No. 08/367,399, filed on December 30, 1994. (Holley Decl. Ex. 4.)

² “Holley Decl.” refers to the Declaration of Steven L. Holley, dated June 29, 2012, filed herewith in support of Kodak’s summary judgment motion.

5. U.S. Patent No. 6,441,854 (the “‘854 patent”), entitled “Electronic Camera with Quick Review of Last Captured Image,” was issued on August 27, 2002. It names as its inventors Richard William Lourette, Michael Eugene Miller, Peter Fellegara, Linda M. Antos, and Robert H. Hibbard, and lists Kodak as the assignee of the patent. The application for the ‘854 patent was published on August 23, 2001. (Holley Decl. Ex. 5.)

6. U.S. Patent No. 6,879,342 (the “‘342 patent”), entitled “Electronic Camera with Image Review,” was issued on April 12, 2005. It names as its inventors Michael Eugene Miller and Richard William Lourette, and lists Kodak as the assignee of the patent. The ‘342 patent is a division of application No. 08/769,573, filed on December 19, 1996. (Holley Decl. Ex. 6.)

7. U.S. Patent No. 7,210,161 (the “‘161 patent”), entitled “Automatically Transmitting Images from an Electronic Camera to a Service Provider Using a Network Configuration File,” was issued on April 24, 2007. It names as its inventors Kenneth A. Parulski, Joseph Ward, and James D. Allen, and lists Kodak as the assignee of the patent. The ‘161 patent is a continuation of application No. 09/004,046, filed on January 7, 1998. (Holley Decl. Ex. 7.)

8. U.S. Patent No. 7,453,605 (the “‘605 patent”), entitled “Capturing Digital Images To Be Transferred to an E-Mail Address,” was issued on November 18, 2008. It names as its inventors Kenneth A. Parulski, Joseph Ward, and Michael C. Hopwood, and lists Kodak as the assignee of the patent. The ‘605 patent is a continuation of application No. 09/821,152, filed on March 29, 2001, which is a continuation of application No. 08/977,382, filed on November 24, 1997. (Holley Decl. Ex. 8.)

9. U.S. Patent No. 7,742,084 (the “‘084 patent”), entitled “Network Configuration File for Automatically Transmitting Images from an Electronic Still Camera,” was issued on June 22, 2010. It names as its inventors Messrs. Parulski, Ward, and Allen, and lists Kodak as the assignee of the patent. The ‘084 patent is a continuation of application No. 09/783,437, filed on February 14, 2001, which is a division of application No. 09/004,046, filed on January 7, 1998. (Holley Decl. Ex. 9.)

10. U.S. Patent No. 7,936,391 (the “‘391 patent”), entitled “Digital Camera with Communications Interface for Selectively Transmitting Images over a Cellular Phone Network and a Wireless LAN Network to a Destination,” was issued on May 3, 2011. It names as its inventors Messrs. Parulski, Ward, and Allen, and lists Kodak as the assignee of the patent. The ‘391 patent is a continuation of application No. 11/692,224, filed on March 28, 2007, which is a continuation of application No. 09/783,437, filed on February 14, 2001, which is a division of application No. 09/004,046, filed on February 7, 1998. (Holley Decl. Ex. 10.)

11. U.S. Patent No. 6,288,743, entitled “Electronic Camera for Processing Image Segments,” was issued on September 11, 2001. It names as its inventor George E. Lathrop, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 11.) FlashPoint but not Apple claims an interest in this patent assigned to Kodak.

12. U.S. Patent No. 6,542,192 (the “‘192 patent”), entitled “Image Display Method and Digital Still Camera Providing Rapid Image Display by Displaying Low Resolution Image Followed by High Resolution Image,” was issued in April 1, 2003. It names as its inventors Hideki Akiyama and Masaki Izumi, and lists Kodak as the assignee of the patent. The application of the ‘192 patent was published on May 31, 2001. (Holley Decl. Ex. 12.) FlashPoint but not Apple claims an interest in this patent assigned to Kodak.

13. U.S. Patent No. 7,508,444, entitled “Electronic Camera with Quick View and Quick Erase Features,” was issued on March 24, 2009. It names as its inventors Thomas A. Napoli, Masaki Izumi, Kyoichi Omata, Carolyn A. Bussi, and Clay A. Dunsmore, and lists Kodak as the assignee of the patent. (Holley Decl. Ex. 13.) FlashPoint but not Apple claims an interest in this patent assigned to Kodak.

II. Kodak’s Work with Apple and FlashPoint

14. Apple Inc. (“Apple”) and Kodak jointly worked on the development of digital camera technology from 1992 to 1996 under the Apple project names Adam, Phobos, and Aspen. (Lynch Decl. at ¶ 4.)³

15. Apple and Kodak entered into an agreement, dated December 20, 1994, which, among other things, provided that each party would retain ownership of its own intellectual property used in the course of the joint development work. (Holley Decl. Ex. 14 at ¶ 5.)

16. Kodak made a presentation to Apple in March 1994 that includes a section entitled “Alternative Kodak Proposals” in which Ken Parulski, a co-inventor of the ‘218 patent, included a slide entitled “Aspen – Alternate Architecture” that contains a diagram very similar to Figure 2 of the ‘218 patent. (Holley Decl. Ex. 16 at 703-Apple0011442.)

17. FlashPoint’s President and Chief Executive Officer, Stan Fry, was retained by Kodak in June 2003 to provide consulting services to Kodak regarding “IP licensing strategy in connection with . . . the field of imaging.” (Lynch Decl. Ex. E.)

18. FlashPoint and Kodak entered into FlashPoint Technology License Agreement C#01-96-00103, effective as of March 17, 1997 (the “1997 Agreement”), relating to

³ “Lynch Decl.” refers to the Declaration of Timothy M. Lynch, dated June 29, 2012, filed herewith in support of Kodak’s summary judgment motion.

the FlashPoint operating system for digital cameras and so-called “host software” for use on personal computers. (Lynch Decl. Ex. C.)

19. FlashPoint and Kodak entered into a Patent License Agreement, effective as of June 5, 2003, which provides in section 2.3.4 as follows:

2.3.4. FlashPoint and Kodak hereby confirm that that certain FlashPoint Technology License Agreement dated as of March 17, 1997 has previously been terminated and/or has expired pursuant to its terms (provided that, to the extent applicable, existing Digital Software licenses granted by FlashPoint for the current or prior versions of the Digital Software as of the date of the Agreement shall survive pursuant to the terms thereof). FlashPoint and Kodak hereby each acknowledge and confirm to the other party that it does not have, and hereby forever releases, discharges and waives any claims that it may have, known or unknown, against the other party thereunder.

(Lynch Decl. Ex. D at § 2.3.4.)

20. FlashPoint and Kodak entered into Development Agreement C#01-97-900116, effective as of January 1, 1997, which provided the terms and conditions for certain software development services to be provided by FlashPoint to Kodak for use with Kodak’s digital cameras. (Lynch Decl. Ex. A.)

21. FlashPoint and Kodak entered into Development Agreement C#01-98-00173, effective as of November 5, 1998, which provided the terms and conditions for certain software development services to be provided by FlashPoint to Kodak for use with the Kodak DC 265 digital camera. (Lynch Decl. Ex. B.)

III. Apple and FlashPoint Actions

22. On December 14, 1992, January 7, 1993, and May 13, 1993, an Apple employee, Scott Fullam, directed searches of patents assigned to Kodak related to digital camera technology. (Holley Decl. Exs. 19, 20, 21.) Those searches included searches for all of Kodak’s patents mentioning or relating to the terms Color Filter Array, Signal Processing, Modular,

Cobra Flash, Shutter, Full Frame, CCD, Charge Coupled Device, Solid State Image Sensor, Electronic Shutter, Flash Illumination, auto, focus, iris, exposure, white balance, contrast, black level, or white level. (*Id.*)

23. Apple cited U.S. Patent No. 5,493,335 (the “‘335 patent”) in eleven of Apple’s patent applications that were filed during the period from 1996 through 2002. Those applications resulted in the following patents being issued and assigned to Apple: U.S. Patents 6,263,453, 6,031,964, 5,949,160, 5,938,766, 5,935,259, 5,920,726, 5,867,214, 5,790,878, 5,784,629, RE40,865, and RE39,213. (*See* Holley Decl. Ex. 23.)

24. FlashPoint cited the ‘335 patent, the ‘406 patent, the ‘703 patent, the ‘218 patent and/or the ‘854 patent as prior art in no less than 28 FlashPoint patent applications that resulted in numerous patents being issued or assigned to FlashPoint. (*See* Holley Decl. Ex. 23.)

25. Apple received and responded to a subpoena issued on August 12, 2005 in patent infringement litigation between Kodak and Sony Corporation. (Holley Decl. Ex. 22.) That subpoena made specific reference to, and requested documents relating to, Project Adam, Project Phobos and Project Aspen. (*Id.*)

26. FlashPoint received and responded to a subpoena issued on August 12, 2005 in patent infringement litigation between Kodak and Sony Corporation. (Holley Decl. Ex. 24.) That subpoena made specific reference to, and requested documents relating to, Project Adam, Project Phobos and Project Adam, as well as the ‘218 patent, the ‘335 patent and parent patents of four more Kodak patents that Apple and FlashPoint now claim to own. (*Id.*)

27. FlashPoint produced a document from its files in litigation before the International Trade Commission entitled “Kodak’s Patents: Market Impact” that is dated March 2001. (Holley Decl. Ex. 27.) That analyst’s report profiles certain of Kodak’s digital imaging

patents, including the '335 patent. The report states in its first paragraph that “[t]hrough recent announcements, Kodak has brought to the industry’s attention that it holds key patents related to digital cameras” The report goes on to note that Kodak “announced that it filed lawsuits against Agfa, Seiko Epson and Sanyo for patent infringement.” On its second page, the report states that Kodak has brought the fact that it holds “digital camera patents that are applicable to most digital cameras available in the market” . . . “to the attention of the financial community and media” by making various public announcements. The report observes that “Kodak’s digital imaging portfolio is a ‘goldmine’ for Kodak” and that this fact is “acknowledged by all industry observers.” The report states that Kodak in 2001 was being “awarded many patents each year” and notes that those “patents can be found on the U.S. Patent and Trademark Office Web site, www.uspto.gov.” The report also contains an entire section entitled “FlashPoint Believes it Can Offer Indemnity” that details FlashPoint’s position regarding its March 17, 1997 agreement with Kodak, a position plainly had 11 years ago. (*Id.*)

28. Apple first asserted its ownership claim to the ‘218 patent as a defense to Kodak’s patent infringement claims in the ITC proceeding No. 337-TA-703, in August 2010.

29. Apple first asserted its ownership claim to U.S. Patent Nos. 5,493,335; 5,828,406; 6,147,703; 6,441,854; 6,879,342; 7,210,161; 7,453,605; 7,742,084; and 7,936,391 in March 2012. (Holley Decl. Ex. 18.)

30. FlashPoint first formally asserted its ownership claim to U.S. Patent Nos. 5,493,335; 5,828,406; 6,147,703; 6,292,218; 6,441,854; 6,879,342; 7,210,161; 7,453,605; 7,742,084; 7,936,391; 6,288,743; 6,542,192; and 7,508,444 in June 2012.

IV. Kodak's Licensing and Patent Enforcement Programs

31. All 13 of the Kodak patents to which Apple and/or FlashPoint have asserted ownership claims are part of the Digital Capture Portfolio that the Debtors are endeavoring to sell under section 363 of the Bankruptcy Code.

32. Kodak developed a patent licensing program and has been openly licensing patents in the Digital Capture Portfolio since 2001. (Lynch Decl. at ¶¶ 10-12.)

33. On February 14, 2001, Kodak issued a press release announcing an agreement between Kodak and Olympus Optical Company, Ltd. to cross-license digital camera technologies including “digital camera / PDA devices” and “digital camera / cell phone devices.” (Holley Decl. Ex. 17.)

34. Beginning in 2004, Kodak initiated numerous patent infringement actions to enforce the '218 patent and other patents that Apple and/or FlashPoint claim to own in the International Trade Commission and in various U.S. District Courts. A complete list of those litigations initiated by Kodak is attached as Exhibit F to the Lynch Declaration. Kodak has asserted seven of the 13 patents that Apple and/or FlashPoint claim to own in litigation against companies infringing those patents.

Dated: June 29, 2012
New York, New York

/s/ Andrew G. Dietderich

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