

WILMERHALE LLP  
7 World Trade Center  
250 Greenwich Street  
New York, New York 10007  
Telephone: (212) 230-8800  
Facsimile: (212) 230-8888  
George W. Shuster, Jr.

60 State Street  
Boston, Massachusetts 02109  
Telephone: (617) 526-6000  
Facsimile: (617) 526-5000  
Michael J. Summersgill (*Pro hac vice*)  
Jordan L. Hirsch (*Pro hac vice*)

1875 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
Telephone: (202) 663-6000  
Facsimile: (202) 663-6363  
Nina S. Tallon (*Pro hac vice*)

SULLIVAN & CROMWELL LLP  
125 Broad Street  
New York, New York 10004  
Telephone: (212) 558-4000  
Facsimile: (212) 558-3588  
Andrew G. Dietderich  
Brian D. Glueckstein  
Michael H. Torkin

*Counsel to the Reorganized Debtors*

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

In re:	)	
EASTMAN KODAK COMPANY, <i>et al.</i> , <sup>1</sup>	)	Bankruptcy Case No. 12-10202
	)	(ALG)
Reorganized Debtors.	)	
RICOH COMPANY, LTD. and	)	
RICOH AMERICAS CORPORATION,	)	
	)	
Plaintiffs,	)	Adv. Proc. No. 13-1332 (ALG)
v.	)	Civil Case No. 14 Civ. _____(____)
EASTMAN KODAK COMPANY,	)	
	)	
Defendant.	)	

<sup>1</sup> The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized 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 Reorganized Debtors' corporate headquarters is: 343 State Street, Rochester, NY 14650.



**EASTMAN KODAK COMPANY'S MOTION AND MEMORANDUM OF LAW IN  
SUPPORT OF ITS MOTION FOR ENTRY OF AN ORDER WITHDRAWING THE  
REFERENCE AND ADMINISTRATIVELY CONSOLIDATING THE ABOVE-  
CAPTIONED ADVERSARY PROCEEDING AND PLAINTIFFS' PROOFS OF CLAIM**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
PRELIMINARY STATEMENT .....	1
BACKGROUND .....	3
A.    The Chapter 11 Proceedings .....	3
B.    The Proofs of Claim.....	4
C.    The Adversary Proceeding and Ricoh’s Motions to Withdraw the Reference .....	4
D.    The Current State of the Litigation .....	7
ARGUMENT .....	8
I.    The Court Should Withdraw the Reference of the Adversary Proceeding and the Proofs of Claim. ....	8
A.    Withdrawal of the Reference is Mandatory.....	8
B.    Permissive Withdrawal is Also Warranted for Cause.....	11
II.   The Court Should Administratively Consolidate the Proofs of Claim and the Adversary Proceeding for Purposes of Adjudicating the Proofs of Claim.....	12
CONCLUSION.....	14

**TABLE OF AUTHORITIES**

	<b><u>Page(s)</u></b>
<b>CASES</b>	
<i>Arachnid, Inc. v. Merit Indus., Inc.</i> , 939 F.2d 1574 (Fed. Cir. 1991).....	12
<i>Baldwin Tech. Corp. v. Dahlgren Int’l, Inc. (In re Dahlgren Int’l, Inc.)</i> , 147 B.R. 393 (N.D. Tex. 1992).....	10
<i>Food Mgmt. Grp., LLC v. Pu (In re Food Mgmt. Grp., LLC)</i> , Bankr. No. 04-22880 (ASH), 2008 WL 2788738 (Bankr. S.D.N.Y. July 16, 2008).....	13
<i>Johnson v. Celotex Corp.</i> , 899 F.2d 1281 (2d Cir. 1990).....	13
<i>In re Ephedra Prods. Liability Litig.</i> , 329 B.R. 1 (S.D.N.Y. 2005).....	13
<i>Lehman Bros. Holdings Inc. v. Intel Corp. (In re Lehman Bros. Holdings Inc.)</i> , 502 B.R. 376 (Bankr. S.D.N.Y. 2013).....	11
<i>LightSquared Inc. v. Deere &amp; Co.</i> , No. 13 Civ. 8157(RMB), 2014 WL 345270 (S.D.N.Y. Jan. 31, 2014) .....	11
<i>Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)</i> , 4 F.3d 1095 (2d Cir. 1993).....	11
<i>Pension Benefit Guaranty Corp. v. LTV Corp. (In re Chateaugay Corp.)</i> , 86 B.R. 33 (S.D.N.Y. 1987).....	9, 11
<i>Phillips v. AWH Corp.</i> , 415 F.3d 1303 (Fed. Cir. 2005).....	9
<i>Sec. Farms v. Int’l Bhd. of Teamsters, Chauffers, Warehousemen &amp; Helpers</i> , 124 F.3d 999 (9th Cir. 1997) .....	12
<i>Sec. Investor Prot. Corp. v. Bernard L. Madoff Inv. Sec. LLC</i> ( <i>In re Bernard L. Madoff</i> ), 486 B.R. 579 (S.D.N.Y. 2013).....	9
<i>Shugrue v. Air Line Pilots Ass’n, Int’l (In re Ionosphere Clubs, Inc.)</i> , 922 F.2d 984 (2d Cir. 1990).....	2, 8-9
<i>Singer Co. B.V. v. Groz-Beckert KG (In re Singer Co., N.V.)</i> , No. 01 Civ. 0165(WHP), 2002 WL 243779 (S.D.N.Y. Feb. 20, 2002).....	10

**Page(s)**

*Stern v. Marshall*,  
131 S. Ct. 2594 (2011) .....11

*Thielmann v. MF Global Holdings Ltd. (In re MF Global Holdings, Ltd.)*,  
464 B.R. 619 (Bankr. S.D.N.Y. 2012).....13

*U.S. Gypsum Co. v. Nat’l Gypsum Co. (In re Nat’l Gypsum Co.)*,  
145 B.R. 539 (N.D. Tex. 1992).....10

*Wedtech Corp. v. London (In re Wedtech Corp.)*,  
81 B.R. 237 (S.D.N.Y. 1987)..... 13-14

**STATUTES AND RULES**

11 U.S.C. § 362.....6

28 U.S.C. § 157..... *passim*

35 U.S.C. § 101.....7

35 U.S.C. § 102.....7

35 U.S.C. § 103.....7

35 U.S.C. § 112.....7

35 U.S.C. § 271.....4, 9

FED. R. BANKR. P. 7042 ..... 1, 12-13

FED. R. CIV. P. 42 .....12

Pilot Program in Certain District Courts,  
Pub. L. 111-349, 124 Stat. 3674 (2011) .....10

**OTHER AUTHORITIES**

*In re Local Patent Rules of the Southern and Eastern Districts of New York*,  
13 Misc. 119, Order M10-468 (S.D.N.Y. Apr. 5, 2013).....10

Press Release, Office of the District Court Executive, U.S. District Court for the Southern  
District of New York, *Ten SDNY Judges to Participate in Patent Pilot Program  
Starting November 26\** (Nov. 3, 2011), available at  
[http://www.nysd.uscourts.gov/file/news/patent\\_pilot\\_program\\_press\\_release](http://www.nysd.uscourts.gov/file/news/patent_pilot_program_press_release) (last  
visited Apr. 23, 2014) .....10

Eastman Kodak Company (“**Kodak**”), on behalf of itself and its affiliated reorganized debtors in these chapter 11 cases (collectively, the “**Reorganized Debtors**”), hereby submits this motion (the “**Motion**”) for entry of an order, pursuant to section 157(d) of title 28 of the United States Code and Rule 7042 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), withdrawing the reference and administratively consolidating the adversary proceeding captioned *Ricoh Co., Ltd. v. Eastman Kodak Co.*, Adv. Proc. No. 13-1332 (ALG) (Bankr. S.D.N.Y. filed Apr. 18, 2013) (the “**Adversary Proceeding**”), and the proofs of claim filed by Ricoh Company, Ltd. (“**Ricoh Co.**”) (Claim No. 5835) and Ricoh Americas Corporation (“**Ricoh Americas**,” and collectively with Ricoh Co., “**Ricoh**”) (Claim No. 5807) in these chapter 11 cases.<sup>2</sup> In support of the Motion, Kodak concurrently submits the following memorandum of law.

### **PRELIMINARY STATEMENT**

The only claims that Ricoh has asserted in the Adversary Proceeding and the Proofs of Claim are assertions of patent infringement. Ricoh itself has conceded that these claims require mandatory withdrawal of the reference to the United States District Court for the Southern District of New York (the “**District Court**”).<sup>3</sup> Indeed, Ricoh previously admitted in court filings that “*withdrawal is required*,” and that “it is critical” that the District Court withdraw the reference. *See Ricoh Co., Ltd. v. Eastman Kodak Co. (In re Eastman Kodak Co.)*, No. 13 Civ. 2808 (DLC) [Docket No. 1] (Glueckstein Decl. Ex. 4 at 1-2). Both Ricoh’s patent

---

<sup>2</sup> The Ricoh claims are referred to together as the “**Proofs of Claim**.” Claim No. 5835 is attached as Exhibit 1 to the declaration of Brian D. Glueckstein in support of the Motion, dated April 25, 2014, filed concurrently herewith (the “**Glueckstein Declaration**” or “**Glueckstein Decl.**”). Claim No. 5807 is attached as Exhibit 2 to the Glueckstein Declaration.

<sup>3</sup> Despite previously seeking mandatory withdrawal of the reference of the Adversary Proceeding, Ricoh has indicated it will oppose the relief requested in this Motion. *See Ricoh Co., Ltd. v. Eastman Kodak Co. (In re Eastman Kodak Co.)*, No. 13 Civ. 2808 (DLC) (S.D.N.Y. docketed April 26, 2013) [Docket No. 1].

infringement claims and Kodak's affirmative invalidity and non-infringement defenses and counterclaims arise under title 35 of the United States Code. Because resolution of the Adversary Proceeding and the Proofs of Claims requires "substantial and material consideration of non-Bankruptcy Code federal statutes," withdrawal of the reference is mandatory pursuant to 28 U.S.C. § 157(d). *E.g., Shugrue v. Air Line Pilots Ass'n, Int'l (In re Ionosphere Clubs, Inc.)*, 922 F.2d 984, 995 (2d Cir. 1990) (citations omitted).

Congress recently established a patent pilot program, which includes the District Court, to encourage efficiency and enhancement of expertise in patent cases. Consistent with Congress's desire to establish district courts with expertise in patent cases, withdrawal of the reference now to permit the District Court to manage and oversee the consolidated litigation is both appropriate and efficient.

There is also "cause" to permissively withdraw the reference because resolution of the Adversary Proceeding will require a trial by jury of Ricoh's infringement claims and Kodak's invalidity and non-infringement counterclaims. Because that trial cannot be conducted by the Bankruptcy Court without Kodak's consent, and because Kodak has expressly stated that it does not so consent, the Adversary Proceeding will be tried in the District Court. Moreover, the Proofs of Claim should be withdrawn with the Adversary Proceeding because it would be inefficient to litigate identical issues of law and fact with respect to allegations of prepetition and postpetition infringement of the same patents in separate proceedings. If Ricoh is successful following a consolidated trial of the identical issues before the District Court, the Bankruptcy Court can then administer the Proofs of Claim by applying any proven damages to the relevant prepetition period as part of the ongoing claims reconciliation process.

Kodak successfully reorganized, and emerged from bankruptcy on September 3, 2013. The non-core claims and counterclaims asserted in the Adversary Proceeding arise only under federal patent law and thus the Bankruptcy Court cannot enter a final order in the Adversary Proceeding, and any proposed findings of fact and conclusions of law would be reviewed *de novo* by the District Court. The District Court should withdraw the reference of the Adversary Proceeding and the Proofs of Claim and, because they involve the same factual and federal patent law issues, administratively consolidate them for pretrial and trial purposes.

### **BACKGROUND**

#### **A. The Chapter 11 Proceedings**

On January 19, 2012 (the “**Petition Date**”), each of the Reorganized Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the “**Bankruptcy Code**”). The proceedings were referred to the United States Bankruptcy Court for the Southern District of New York and assigned to Judge Gropper. The Reorganized Debtors commenced their chapter 11 proceedings in order to address a shortfall in liquidity in the United States, monetize non-strategic intellectual property, fairly resolve legacy liabilities and focus on their most valuable business lines.

The Bankruptcy Court approved the *First Amended Joint Chapter 11 Plan of Reorganization of Eastman Kodak Company and Its Debtor Affiliates* [Bankr. Docket No. 4073], as amended, at a confirmation hearing on August 20, 2013, and entered the *Findings of Fact, Conclusions of Law and Order Confirming the First Amended Joint Chapter 11 Plan of Reorganization of Eastman Kodak Company and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* on August 23, 2013 [Bankr. Docket No. 4966]. The Reorganized Debtors successfully emerged from chapter 11 on September 3, 2013, with a strategic focus on their



Commercial Imaging business, which is centered on commercial, packaging and functional printing solutions and enterprise services.

**B. The Proofs of Claim**

In July 2012, Ricoh filed the Proofs of Claim against Kodak in the bankruptcy proceedings asserting only claims for prepetition patent infringement that must be litigated and adjudicated pursuant to federal patent law. *See* 35 U.S.C. § 271. The Ricoh Co. claim seeks an “[a]mount to be determined” based on Kodak’s alleged prepetition infringement of seven U.S. patents owned by Ricoh: U.S. Patent Nos. 6,209,048; 6,231,652 B1; 6,256,662 B1; 7,344,326; 7,508,533 B2; 7,712,989 B2; and 7,719,702 B2. (Glueckstein Decl. Ex. 1 ¶¶ 2-9.) Ricoh Co. accused certain consumer printing products—also accused in the Adversary Proceeding—of infringing Ricoh’s patents. (*Id.*) Ricoh Americas filed a separate proof of claim seeking unliquidated damages for Kodak’s alleged prepetition infringement of two U.S. patents asserted in Ricoh Co.’s proof of claim that it purportedly co-owns with Ricoh Co.: U.S. Patents Nos. 6,209,048 B1 and 6,256,662 B1. (Glueckstein Decl. Ex. 2.)

**C. The Adversary Proceeding and Ricoh’s Motions to Withdraw the Reference**

Ricoh commenced the Adversary Proceeding on April 18, 2013. The complaint alleges that Kodak infringed after the Petition Date, in violation of 35 U.S.C. § 271, eight U.S. patents issued to Ricoh (the “**Adversary Complaint**”) [Adv. Proc. Docket No. 1] (Glueckstein Decl. Ex. 3). All but one of the patents asserted in the Adversary Complaint were also included in the Proofs of Claim.<sup>4</sup> The patents at issue in the Adversary Proceeding are U.S. Patent Nos. 6,209,048; 6,256,662 B1; 6,231,652; 7,344,326 B2; 7,508,533 B2; 7,712,989; 7,719,702; and 7,169,522 B2. (Glueckstein Decl. Ex. 3 ¶¶ 17-80.) The Adversary Complaint seeks a permanent

---

<sup>4</sup> Ricoh asserted U.S. Patent No. 7,169,522 B2 only in the Adversary Proceeding.

injunction and damages for the limited period between the Petition Date and September 3, 2013, the effective date of Kodak's confirmed plan of reorganization. (*Id.* ¶ 5.) Ricoh asserts only patent claims that must be litigated and adjudicated pursuant to federal patent law.

Upon filing its Adversary Complaint, Ricoh immediately moved to withdraw the reference to the District Court [Adv. Proc. Docket No. 2], which was docketed with the District Court on April 26, 2013 (“**Ricoh Motion to Withdraw**”). *Ricoh Co., Ltd. v. Eastman Kodak Co.* (*In re Eastman Kodak Co.*), No. 13 Civ. 2808 (DLC) [Docket No. 1] (Glueckstein Decl. Ex. 4). Ricoh argued that withdrawal of the reference is *mandatory*. (Ricoh Motion to Withdraw at 7-12.) Specifically, Ricoh argued that 28 U.S.C. § 157(d) mandated withdrawal because:

In this patent infringement action, the Court will hear a number of claims, defenses, and counterclaims unique to patent law, all of which will require the interpretation and application of patent law regulations and statutes in light of Federal Circuit precedent.

(*Id.* at 9.) Ricoh cited the need for a *Markman* hearing and claim construction, as well as the subsequent determination of whether Kodak's products infringe the asserted patents, as examples of the “substantial and material consideration of patent law” requiring mandatory withdrawal.

(*Id.* at 10-11.) Ricoh further conceded that the “resolution of this patent infringement action will also require the review of Kodak's asserted affirmative defenses and counterclaims, most of which will be unique to patent law and all of which will require the interpretation and application of patent law statutes . . . .” (*Id.* at 11.) Ricoh alternatively argued that permissive withdrawal under 28 U.S.C. § 157(d) is warranted for cause. (*Id.* at 13-21.)

On May 10, 2013, Kodak filed a motion in the Bankruptcy Court to dismiss or stay the Adversary Proceeding (the “**Motion to Enforce the Bankruptcy Stay**”) [Adv. Proc. Docket No. 7] The crux of the Motion to Enforce the Bankruptcy Stay was that the Adversary Complaint should be dismissed or stayed while Kodak remained in chapter 11 because all of the

patents asserted in the Adversary Proceeding could have been asserted prior to the Petition Date, and thus filing the Adversary Complaint violated section 362(a)(1) of the Bankruptcy Code.<sup>5</sup> On May 10, Kodak also filed an opposition to Ricoh's Motion to Withdraw, in which it principally argued that the Motion to Withdraw was premature due to the pending Motion to Enforce the Bankruptcy Stay that would be decided by the Bankruptcy Court, and should result in the dismissal or stay of the Adversary Proceeding. *Ricoh Co., Ltd. v. Eastman Kodak Co. (In re Eastman Kodak Co.)*, No. 13 Civ. 2808 (DLC) (S.D.N.Y.) [Docket No. 3].

On May 24, 2013, without argument and prior to the Bankruptcy Court's hearing on Kodak's Motion to Enforce the Automatic Stay, the District Court denied both of Ricoh's Motions to Withdraw "without prejudice to renewal following the Bankruptcy Court's resolution of Kodak's motion to Enforce the Automatic Stay." *Ricoh Co., Ltd. v. Eastman Kodak Co. (In re Eastman Kodak Co.)*, No. 13 Civ. 2808 (DLC) (S.D.N.Y.) [Docket No. 7]. The District Court never reached the merits of the Motion to Withdraw.

On May 29, 2013, the Bankruptcy Court heard oral argument on Kodak's Motion to Enforce the Bankruptcy Stay. Following the hearing, on June 5, 2013, at the Bankruptcy Court's urging, the parties entered into a stipulation that stayed the Adversary Proceeding until after the Bankruptcy Court had entered an order confirming a plan of reorganization and Kodak emerged from bankruptcy (the "**Stipulation**") [Adv. Proc. Docket No. 29]. The stay imposed by the Stipulation expired on its terms on September 30, 2013, following Kodak's emergence. *Id.* The Stipulation also set forth that Kodak would respond to the Adversary Complaint and file any objections to the Proofs of Claim within 10 days following the stay being lifted. *Id.*

---

<sup>5</sup> On May 20, 2013, Ricoh filed a separate motion to withdraw the reference of Kodak's Motion to Enforce the Bankruptcy Stay. See *Ricoh Co., Ltd. v. Eastman Kodak Co. (In re Eastman Kodak Co.)*, No. 13 Civ. 3394 (DLC) (S.D.N.Y. filed May 20, 2013) [Docket No. 1].

**D. The Current State of the Litigation**

In accordance with the terms of the Stipulation, on October 10, 2013, Kodak answered Ricoh's Adversary Complaint [Adv. Proc. Docket No. 31] (Glueckstein Decl. Ex. 5). In addition to denying Ricoh's allegations, Kodak asserted affirmative defenses and counterclaims seeking a declaratory judgment of non-infringement and invalidity with respect to each of the patents at issue in the Adversary Proceeding. Kodak's primary affirmative defenses and counterclaims, like Ricoh's claims, must be litigated and resolved pursuant to federal patent law. For example, Kodak's first defense is that it "has not infringed and is not infringing, either directly, contributorily, or by inducement, any claim of the patents-in-suit, either literally or under the doctrine of equivalents, willfully or otherwise." (*Id.* at 11.) Similarly, Kodak's second defense is that "[o]ne or more of the claims of the patents-in-suit are invalid for failing to meet one or more of the requisite statutory or decisional requirements and/or conditions for patentability under Title 35 of the United States Code, including without limitation §§ 101, 102, 103, and 112." (*Id.* at 12.)

Kodak demanded a jury trial on all of asserted claims and defenses. (*Id.* at 19.) Moreover, Kodak made its answer and counterclaims expressly subject to any subsequent withdrawal of the reference. (*Id.* at 3, 4, & 13.)

On October 10, 2013, Kodak also objected to Ricoh's Proofs of Claim [Bankr. Docket No. 5221]. (*See* Glueckstein Decl. Ex. 6.) In its objection, Kodak argued that the Proofs of Claim should be disallowed as facially invalid and that, in the alternative, all proceedings on the Proofs of Claim should be stayed pending resolution of the Adversary Proceeding if the Proofs of Claims are not disallowed because, *inter alia*, "it would be inefficient for th[e] same issues to be simultaneously litigated in a separate proceeding. . . ." (*Id.* ¶ 17.) Again, Kodak

made its objections expressly subject to any subsequent withdrawal of the reference. (*Id.* at 4 n.4). The Bankruptcy Court has not yet been asked to consider Kodak’s objection.

On October 31, 2013, Ricoh answered Kodak’s counterclaims in the Adversary Proceeding [Adv. Proc. Docket No. 32]. Ricoh has since done nothing to pursue the claims asserted in the Adversary Proceeding. Not until March 7, 2014—five months after Kodak answered Ricoh’s Adversary Complaint—did Ricoh contact Kodak regarding a proposed scheduling order to govern discovery and other pretrial matters. Counsel for Ricoh advised in subsequent discussions that, notwithstanding Ricoh’s position expressed to the District Court in the Motion to Withdraw, it now opposes withdrawal of the reference; this Motion followed.

### **ARGUMENT**

#### **I. The Court Should Withdraw the Reference of the Adversary Proceeding and the Proofs of Claim.**

There are two distinct bases for withdrawing a bankruptcy reference: mandatory and permissive withdrawal. 28 U.S.C. § 157(d). Mandatory withdrawal requires that, “on timely motion of a party,” a proceeding be withdrawn “if the court determines that resolution of the proceeding requires consideration of both title 11 and other laws of the United States regulating organizations or activities affecting interstate commerce.” *Id.* Permissive withdrawal permits a district court to “withdraw, in whole or in part, any case or proceeding referred under this section . . . for cause shown.” *Id.*

##### **A. Withdrawal of the Reference is Mandatory.**

It is well-settled in the Second Circuit that mandatory withdrawal is required where “substantial and material consideration of non-Bankruptcy Code federal statutes is necessary for the resolution of the proceeding.” *See, e.g., Shugrue v. Air Line Pilots Ass’n, Int’l (In re Ionosphere Clubs, Inc.)*, 922 F.2d 984, 995 (2d Cir. 1990) (citations omitted).

“‘Substantial and material consideration’ means ‘significant interpretation, as opposed to simply application, of federal laws apart from the bankruptcy statutes.’” *Sec. Investor Prot. Corp. v. Bernard L. Madoff Inv. Sec. LLC (In re Bernard L. Madoff)*, 486 B.R. 579, 582 (S.D.N.Y. 2013) (citations omitted). “[M]andatory withdrawal should be exercised only for issues requiring significant interpretation of federal laws that Congress would have intended to have decided by a district judge rather [than] a bankruptcy judge.” *Pension Benefit Guaranty Corp. v. LTV Corp. (In re Chateaugay Corp.)*, 86 B.R. 33, 37 (S.D.N.Y. 1987) (citation and emphasis omitted).

There can be no dispute that federal patent law is necessary to resolve Ricoh’s claims, Kodak’s affirmative defenses, and Kodak’s counterclaims. Moreover, it is now evident that resolution of the Adversary Proceeding and the Proofs of Claim will require “substantial and material consideration” of numerous provisions of federal patent law codified in title 35 of the United States Code. *See generally Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-24 (Fed. Cir. 2005) (describing the claim construction process and the hierarchy of evidentiary sources for claim construction). To resolve the asserted claims and defenses, the Court must, *inter alia*:

- Construe claims of each of the asserted patents pursuant to the federal patent statute and patent law.
- Determine whether Kodak infringes under the patent statute, 35 U.S.C. § 271.
- Determine whether claims are invalid under the federal patent statute.
- Determine what remedies, if any, are appropriate under the federal patent statute.

In contrast, resolution of the Adversary Proceeding does not require any application of the Bankruptcy Code.

Where, as here, the litigation requires adjudication of patent infringement claims and defenses, courts have held that the “substantial and material consideration” of patent law requires mandatory withdrawal of the reference under 28 U.S.C. § 157(d). *E.g., Singer Co. B.V.*

v. *Groz-Beckert KG (In re Singer Co., N.V.)*, No. 01 Civ. 0165(WHP), 2002 WL 243779, at \*3 (S.D.N.Y. Feb. 20, 2002) (withdrawing reference in action involving patent law issues of implied licenses, claim construction and infringement “because resolution of the adversary proceeding requires substantial and material consideration of domestic patent law, a statutory creation”); *see also Baldwin Tech. Corp. v. Dahlgren Int’l, Inc. (In re Dahlgren Int’l, Inc.)*, 147 B.R. 393, 396 (N.D. Tex. 1992) (granting mandatory withdrawal regarding dispute over post-petition patent infringement); *U.S. Gypsum Co. v. Nat’l Gypsum Co. (In re Nat’l Gypsum Co.)*, 145 B.R. 539, 542 (N.D. Tex. 1992) (withdrawing reference on a proof of claim where, *inter alia*, “the patent infringement litigation” issues were “complex,” and thus “necessarily entailed material and substantial consideration of non-[Bankruptcy] Code federal law”).

Mandatory withdrawal of the Adversary Proceeding is also consistent with the intent of Congress, which in 2011 enacted legislation that “establish[ed] a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges.” Pilot Program in Certain District Courts, Pub. L. 111-349, § 1, 124 Stat. 3674 (2011). The goal of the law is to “succeed[] in developing expertise in patent . . . cases among the district judges of the district courts so designated” and to “improve[] the efficiency of the courts involved by reason of such expertise.” *Id.* § 1(e)(1)(A)-(B). The Southern District of New York was selected as one of the district courts for participation in this pilot program.<sup>6</sup> In view of the patent pilot program legislation, it is plain that “Congress would have intended” that

---

<sup>6</sup> *See* Press Release, Office of the District Court Executive, U.S. District Court for the Southern District of New York, *Ten SDNY Judges to Participate in Patent Pilot Program Starting November 26\** (Nov. 3, 2011), available at [http://www.nysd.uscourts.gov/file/news/patent\\_pilot\\_program\\_press\\_release](http://www.nysd.uscourts.gov/file/news/patent_pilot_program_press_release) (last visited Apr. 23, 2014). The Chief Judge of the Southern District of New York subsequently issued an order that established Local Patent Rules. *In re Local Patent Rules of the Southern and Eastern Districts of New York*, 13 Misc. 119, Order M10-468 (S.D.N.Y. Apr. 5, 2013).

patent infringement cases such as the Adversary Proceeding be “decided by a district judge rather [than] a bankruptcy judge.” See *In re Chateaugay*, 86 B.R. at 37 (citations omitted).

**B. Permissive Withdrawal is Also Warranted for Cause.**

Withdrawal is also appropriate as a permissive matter for “cause.” While 28 U.S.C. § 157(d) does not define “cause,” the Second Circuit has identified a number of factors relevant to the analysis, including “whether the claim or proceeding is core or non-core, whether it is legal or equitable, and considerations of efficiency, prevention of forum shopping, and uniformity in the administration of bankruptcy law.” *Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1101 (2d Cir. 1993) (citing cases). Another court in this District recently explained, “[a] district court . . . should first evaluate whether the claim is core or non-core, since it is upon this issue that questions of efficiency and uniformity will turn.” *LightSquared Inc. v. Deere & Co.*, No. 13 Civ. 8157(RMB), 2014 WL 345270, at \*3 (S.D.N.Y. Jan. 31, 2014). “A core proceeding, as a general matter, is one that invokes a substantive right under the Bankruptcy Code or that could arise only in the context of a bankruptcy case.” *Lehman Bros. Holdings Inc. v. Intel Corp. (In re Lehman Bros. Holdings Inc.)*, 502 B.R. 376, 382 (Bankr. S.D.N.Y. 2013) (citations omitted). The patent infringement claims asserted in the Adversary Proceeding are plainly not “core” matters. The Adversary Proceeding arises under the federal patent laws, and neither Ricoh’s claims nor Kodak’s affirmative defenses or counterclaims fall within the list of enumerated “core” proceedings in 28 U.S.C. § 157(b).

Moreover, under *Stern v. Marshall*, the Bankruptcy Court lacks authority under Article III of the Constitution to enter a final judgment on the merits of the patent infringement claims. 131 S. Ct. 2594, 2611 (2011). At most, the Bankruptcy Court may “submit proposed findings of fact and conclusions of law to the district court,” which would be reviewed “de



novo.” *See id.* at 2602; *see also* 28 U.S.C. § 157(c)(1). Because the Bankruptcy Court lacks authority to enter a final judgment on the patent claims and defenses, judicial efficiency favors permissive withdrawal. The substantive issues in the Adversary Proceeding and the Proofs of Claim are identical. It would thus be inefficient to resolve the merits of the patent infringement claims on separate tracks or in different courts. “[U]nnecessary costs could be avoided by a single proceeding in the district court.” *See Sec. Farms v. Int’l Bhd. of Teamsters, Chauffers, Warehousemen & Helpers*, 124 F.3d 999, 1009 (9th Cir. 1997) (citations omitted).

Kodak has demanded a jury trial in the Adversary Proceeding on all matters so triable, and has expressly stated that it does not consent to the trial being conducted by the Bankruptcy Court. (Glueckstein Decl. Ex. 5 at 19.) Judicial efficiency is thus enhanced by withdrawing the reference of both the Adversary Proceeding and the Proof of Claims so the claims and defenses relating to Ricoh’s asserted patents can be resolved in a single proceeding. Kodak has now emerged from bankruptcy, significantly reducing the Bankruptcy Court’s interest in overseeing the Adversary Proceeding. Lastly, with respect to uniformity in the administration of bankruptcy law, apart from administering the Proofs of Claim if Ricoh is successful in establishing Kodak’s liability, bankruptcy law is not implicated here. Accordingly, this factor also weighs in favor of permissive withdrawal.<sup>7</sup>

## **II. The Court Should Administratively Consolidate the Proofs of Claim and the Adversary Proceeding for Purposes of Adjudicating the Proofs of Claim.**

Pursuant to Rule 42 of the Federal Rules of Civil Procedure, made applicable to this Adversary Proceeding by Rule 7042 of the Bankruptcy Rules, when “actions before the

---

<sup>7</sup> In addition, although the Adversary Proceeding includes claims for declaratory judgment and a request for an injunction, which are equitable claims, as Ricoh argued in its first motion to withdraw the reference, “those claims are corollary to the patent infringement claims and resulting demand for damages, which predominate” and are “actions ‘at law.’” Motion to Withdraw at 23 (quoting *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991)) (Glueckstein Decl. Ex. 4).

court involve a common question of law or fact, the court may . . . consolidate the actions[] or issue any other orders to avoid unnecessary cost or delay.” FED. R. CIV. P. 42(a). Courts

must also consider whether the specific risks of prejudice and possible confusion [are] overborne by the risk of inconsistent adjudications of common factual and legal issues, the burden on parties, witnesses, and available judicial resources posed by multiple lawsuits, the length of time required to conclude multiple suits as against a single one, and the relative expense to all concerned of the single-trial, multiple-trial alternatives.

*Thielmann v. MF Global Holdings Ltd. (In re MF Global Holdings, Ltd.)*, 464 B.R. 619, 623 (Bankr. S.D.N.Y. 2012) (alteration in original) (citing *Johnson v. Celotex Corp.*, 899 F.2d 1281, 1285 (2d Cir. 1990)).

Here, the Adversary Proceeding and the Proofs of Claim involve the same substantive questions of law and fact. As a result, administratively consolidating the Adversary Proceeding and the Proofs of Claim through trial to determine whether there is any liability would minimize the possibility of inconsistent adjudications and the burden on the parties, witnesses and the Court. It would be far more efficient and save more time to have one trial on the same patent infringement claims and defenses, and because the factual and legal issues are identical, neither party will be prejudiced by consolidating the actions. Consolidation is thus plainly warranted. *See Food Mgmt. Grp., LLC v. Pu (In re Food Mgmt. Grp., LLC)*, Bankr. No. 04-22880 (ASH), 2008 WL 2788738, at \*1 n.1 (Bankr. S.D.N.Y. July 16, 2008) (explaining that “two actions seeking to disallow and expunge Pu’s proof of claim were consolidated in this adversary proceeding under Bankruptcy Rule 7042); *see also In re Ephedra Prods. Liability Litig.*, 329 B.R. 1, 7 (S.D.N.Y. 2005) (explaining that bankruptcy judge “administratively consolidated” an adversary proceeding and proof of claim); *Wedtech Corp. v. London (In re Wedtech Corp.)*, 81 B.R. 237, 239-40 (S.D.N.Y. 1987) (granting motion to withdraw the reference and consolidate bankruptcy claims to a district court proceeding because “the

overlapping of facts, transactions, and issues in the two cases . . . is good cause for withdrawal of the reference and consolidation with the district court proceeding”).

**CONCLUSION**

WHEREFORE, the Reorganized Debtors respectfully request that the Court grant the relief requested herein and order such other and further relief as it deems just and proper.

Dated: April 25, 2014  
New York, New York

SULLIVAN & CROMWELL LLP

/s/ Brian D. Glueckstein  
Andrew G. Dietderich  
Brian D. Glueckstein  
Michael H. Torkin  
125 Broad Street  
New York, New York 10004  
Telephone:(212) 558-4000  
Facsimile: (212) 558-3588

Counsel to the Reorganized Debtors

WILMER CUTLER PICKERING HALE  
AND DORR LLP

/s/ George W. Shuster, Jr.  
George W. Shuster, Jr.  
7 World Trade Center  
250 Greenwich Street  
New York, New York 10007  
Telephone: (212) 230-8800  
Facsimile: (212) 230-8888

Michael J. Summersgill (*Pro hac vice*)  
Jordan L. Hirsch (*Pro hac vice*)  
60 State Street  
Boston, Massachusetts 02109  
Telephone: (617) 526-6000  
Facsimile: (617) 526-5000

Nina S. Tallon (*Pro hac vice*)  
1875 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
Telephone: (202) 663-6000  
Facsimile: (202) 663-6363

Counsel to the Reorganized Debtors