

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

)	
In re:)	Chapter 11
)	
EASTMAN KODAK COMPANY, <i>et al.</i> ,)	Bankruptcy Court Case No. 12-10202 (ALG)
)	(Jointly Administered)
Debtors.)	
)	District Court Case No. 12--cv-04881-GBD
)	

**ANSWER, AFFIRMATIVE DEFENSES, AND COUNTERCLAIMS OF
APPLE INC. TO ADVERSARY COMPLAINT FILED BY DEBTORS**

Defendant Apple Inc. (“Apple”) respectfully submits this Answer, Affirmative Defenses, and Counterclaims to the Adversary Complaint (“Complaint”) of debtors Eastman Kodak Company (“Kodak”). Allegations not expressly admitted are hereby denied.

1. Apple denies that it is attempting to delay and derail Kodak’s efforts to sell certain patents identified by Kodak as the Digital Capture Portfolio. Apple admits that on June 11, 2012, Kodak filed a motion authorizing a sale of certain patent assets free and clear of claims or interests, authorizing bidding and notice procedures. Apple further admits that such procedures contemplate an auction occurring on August 8, 2012. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 1 of the Complaint and, on that basis, denies the same.

2. Apple denies that it infringes patents in the so-called Digital Capture Portfolio. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 2 of the Complaint and, on that basis, denies the same.

3. Apple admits that it filed a notice of appearance on January 19, 2012. Apple denies that it declined to identify the Kodak patents subject to Apple assertions of rights. Apple admits that it has identified 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; and 7,936,391 (collectively, “Disputed Patents”) as the subject of Apple’s rights and interests. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 3 of the Complaint and, on that basis, denies the same.

4. Apple admits that two of the bases in support of its rights in the Disputed Patents are (i) inventorship and (ii) breach of contract regarding a December 1994 agreement between Kodak and Apple (the “1994 Agreement”). Apple denies that these are the only bases it has

articulated. Apple admits that its rights arise, at least in part, from Apple's disclosure of technical information to Kodak in connection with collaboration between the parties in the early and mid 1990's. Apple denies that it was on constructive or actual notice of its claims to the Disputed Patents "many years ago." Apple denies that its rights are barred by any applicable statutes of limitations and/or the equitable doctrine of laches. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 4 of the Complaint and, on that basis, denies the same.

5. Denied as to Apple. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 5 of the Complaint and, on that basis, denies the same.

6. Paragraph 6 contains legal conclusions to which no answer is required. To the extent an answer is required, Apple denies that Kodak is entitled to the specified relief.

7. Apple admits that on January 19, 2012 (the "Petition Date"), each of the Debtors, including Kodak, commenced with the Bankruptcy Court a voluntary case under chapter 11 of the Bankruptcy Code. Apple further admits that the Debtors' chapter 11 cases are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. Apple further admits that since the Petition Date, the Debtors have been and continue to be authorized to operate their businesses and manage their properties as debtors in possession.

8. Apple admits that the Southern District of New York has jurisdiction and authority over this matter. Apple denies that this matter is properly before the Bankruptcy Court and denies any assertion by Kodak that withdrawal of the reference to the District Court (including pursuant to Apple's June 21, 2012 Motion to Withdraw the Reference) is not mandatory or necessary.

9. Apple admits that Kodak has initiated this adversary proceeding and that the Southern District of New York has appropriate jurisdiction. Apple denies that this matter is properly before the Bankruptcy Court, and denies any assertion by Kodak that withdrawal is not mandatory or necessary.

10. Apple admits that venue is appropriate in the Southern District of New York. Apple denies that this matter is properly before the Bankruptcy Court, and denies any assertion by Kodak that withdrawal of the reference to the District Court is not mandatory or necessary.

11. Denied.

12. Paragraph 12 contains legal conclusions to which no answer is required. To the extent an answer is required, Apple denies that Kodak is entitled to relief under the specified sections.

13. Apple admits that Kodak is a Debtor in these chapter 11 cases. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 13 of the Complaint and, on that basis, denies the same.

14. Admitted.

15. Apple admits that FlashPoint was created in 1996 as a spin-off of Apple's digital camera business. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 15 of the Complaint and, on that basis, denies the same.

16. Apple denies that Kodak is the rightful owner of the Disputed Patents. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 16 of the Complaint and, on that basis, denies the same.

17. Apple admits that Apple and Kodak participated in joint development efforts relating to digital camera technology between approximately 1992 and 1996, including on projects with Apple project names Adam, Aspen, and Phobos. Apple further admits that the December 1994 Agreement refers to the Aspen and Phobos projects. Apple admits that the December 1994 Agreement contains a provision that each party retained ownership of its respective intellectual property, but denies that this is the only relevant provision. Apple denies that there is no provision of the 1994 Agreement that provides a basis for Apple to assert its rights in the Disputed Patents. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 17 of the Complaint and, on that basis, denies the same.

18. Apple denies that Kodak is the owner of all rights, title, and interest in the '218 patent through valid assignment. Apple admits that each of the Disputed Patents states on its face the title, issue date, and lists of named inventors and assignee specified in the Complaint. Apple denies the accuracy of these lists of named inventors and assignee. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 18 of the Complaint and, on that basis, denies the same.

19. Apple lacks knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 19 of the Complaint and, on that basis, denies the same.

20. Apple admits that on January 10, 2012, nine days before filing for bankruptcy protection with the Bankruptcy Court, Kodak filed a complaint with the ITC alleging patent infringement by Apple and HTC Corporation of the '161, '605, '084, and '391 patents. Apple further admits that it identified these patents as those in which it has rights. Apple lacks

knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 20 of the Complaint and, on that basis, denies the same.

21. Apple admits that in February 2010, pursuant to Kodak's request, the ITC commenced an investigation (No. 337-TA-703, the "ITC 703 Proceeding") into Kodak's infringement assertions regarding the '218 patent. Apple further admits that as part of the ITC 703 Proceeding, it raised, *inter alia*, a defense relating to Apple's rights in the '218 patent under the 1994 Agreement. Apple further admits that in January 2010, Kodak filed an action against Apple in the Western District of New York alleging infringement of the '218 and '335 patents. Apple further admits that the Western District action was stayed, at Apple's request, pending a final decision in the ITC 703 Proceeding. Apple further admits that on August 25, 2010, Apple filed a complaint in California state court against Kodak asserting various state and common law claims and seeking, among other things a declaration that Apple was the owner of the '218 patent. Apple further admits that after removal to the federal district court in California, the district court ordered Apple to seek leave to amend its counterclaims in the Western District of New York action to include the subject matter of the California action. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 21 of the Complaint and, on that basis, denies the same.

22. Apple admits that extensive discovery was conducted in the ITC 703 Proceeding, a portion of which related to the '218 patent. Apple also admits that a hearing was held in the ITC 703 Proceeding. Apple denies the remaining allegations of Paragraph 22 of the Complaint.

23. Apple admits that it filed a notice of appearance on January 19, 2012 and an objection to certain terms of the Debtors' debtor-in-possession financing. Apple admits that it sought to lift the automatic stay to proceed with the Western District of New York action and to

transfer the relevant claims to the U.S. District Court for the Southern District of New York. Apple denies the remaining allegations of Paragraph 23 of the Complaint.

24. Apple admits that the Bankruptcy Court denied its motion to lift the stay on March 8, 2012 and that FlashPoint appeared at the March 8, 2012 hearing. Apple further admits that Kodak's quotations from the hearing are accurate when read in context, but otherwise denies the allegations.

25. Apple admits that on March 16, 2012, Apple voluntarily identified to Kodak the Disputed Patents. Apple further admits that the Bankruptcy Court authorized Debtors to serve document requests pursuant to Bankruptcy Rule 2004. Apple further admits that documents it produced to Kodak were previously produced in the ITC 703 Proceeding and other ITC proceedings. Apple denies that it has not produced documents specific to nine of the Disputed Patents. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 25 of the Complaint and, on that basis, denies the same.

26. Apple admits that there was a hearing on June 13, 2012. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 26 of the Complaint and, on that basis, denies the same.

27. Paragraph 27 contains legal conclusions to which no answer is required. To the extent that an answer is required, Apple admits that Kodak's quotations from the June 13, 2012 hearing are accurate when read in context. Apple denies that Kodak's Complaint presents an appropriate mechanism for facilitating Kodak's desired sale of the so-called Digital Capture Portfolio.

COUNT I

28. Apple incorporates by reference the answers provided to Paragraphs 1 through 27 as though fully stated herein.

29. Apple denies that each of the Disputed Patents is property of the Debtors' estates under section 541 of the Bankruptcy Code. Apple admits that it asserts rights in each of the Disputed Patents. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 29 of the Complaint and, on that basis, denies the same.

30. Apple admits that there is an actual controversy between the parties. Apple denies that a prompt resolution of the parties' dispute is necessary to advance Kodak's planned sale of the Digital Capture Portfolio.

31. Paragraph 31 contains legal conclusions to which no answer is required. To the extent that an answer is required, Apple denies that Kodak is entitled to the declaratory judgment it seeks.

COUNT II

32. Apple incorporates by reference the answers provided to Paragraphs 1 through 31 as though fully stated herein.

33. Apple denies that each of the Disputed Patents is property of the Debtors' estates under section 541 of the Bankruptcy Code. Apple denies that it would be appropriate to sell the Disputed Patents "free and clear" under section 363 of the Bankruptcy Code. Apple denies that it has raised "spurious ownership claims" to prevent the Debtors from selling, among other patents, the Disputed Patents. Apple lacks knowledge or information sufficient to form a belief

as to the truth of the remaining allegations in Paragraph 33 of the Complaint and, on that basis, denies the same.

34. Apple admits that there is an actual controversy between the parties. Apple denies that a prompt resolution of the parties' dispute is necessary to advance Kodak's planned sale of the Digital Capture Portfolio.

35. Paragraph 35 contains legal conclusions to which no answer is required. To the extent that an answer is required, Apple denies that Kodak is entitled to the declaratory judgment it seeks.

COUNT III

36. Apple incorporates by reference the answers provided to Paragraphs 1 through 35 as though fully stated herein.

37. Paragraph 37 contains legal conclusions to which no answer is required. To the extent that an answer is required, Apple denies that Kodak is entitled to the injunction it seeks. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 37 of the Complaint and, on that basis, denies the same.

38. Apple denies that Debtors' reorganization efforts are harmed or its case otherwise impaired by allowing Apple to pursue its rights in the Disputed Patents. Apple lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 38 of the Complaint and, on that basis, denies the same.

RESPONSE TO PRAYER FOR RELIEF

Apple denies that Kodak is entitled to any of the relief sought in its Complaint against Apple and specifically requests that:

1. Judgment be entered for Apple with respect to its rights in each of the Disputed

Patents;

2. Judgment be entered against Kodak to the effect that Debtors are not permitted to sell the Disputed Patents free and clear of Apple's rights;
3. No injunctive relief issue to Kodak against Apple;
4. No fees be awarded to Kodak against Apple; and
5. Costs, expenses, and attorneys' fees be awarded to Apple for its defense of this Complaint.

AFFIRMATIVE DEFENSES

For the asserted affirmative and other defenses, Apple does not assume the burden of proof where such burden is not legally upon Apple. Apple asserts the following affirmative and other defenses and reserves the right to amend its answer to assert any other defense:

FIRST AFFIRMATIVE DEFENSE - FAILURE TO STATE A CLAIM

39. Kodak's Complaint fails to state a claim upon which relief can be granted for at least the reason that Kodak fails to provide factual allegations sufficient to support the relief that it seeks, including factual allegations regarding alleged statute of limitations, alleged laches, and alleged lack of inventorship and breach of contract.

SECOND AFFIRMATIVE DEFENSE - EQUITABLE BAR

40. Kodak's claims for relief are barred in whole or in part by equity, including a bar of Kodak's defense of laches with respect to Apple's rights in the Disputed Patents due to Kodak's own misconduct in failing to disclose the Disputed Patents to Apple.

THIRD AFFIRMATIVE DEFENSE - LACK OF APPROPRIATE FORUM

41. Kodak's claims for relief cannot and should not be adjudicated by the Bankruptcy Court, are in whole or in part outside the authority of the Bankruptcy Court, and should instead

be withdrawn to the District Court which has the appropriate authority to conduct necessary proceedings.

APPLE'S COUNTERCLAIMS

Apple asserts the following counterclaims against Kodak:

The Parties

1. Apple is a California corporation having its principal place of business at 1 Infinite Loop, Cupertino, California 95014.
2. On information and belief, Kodak is a New Jersey corporation with its principal place of business at 343 State Street, Rochester, New York 14650.

Jurisdiction and Venue

3. These Counterclaims arise, in part, under the patent laws of the United States, Title 35 of the United States Code, and/or the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202.
4. The Southern District of New York has jurisdiction over this subject matter pursuant to 28 U.S.C. § 1338(a) and 28 U.S.C. § 1367.
5. The Southern District of New York has personal jurisdiction over Kodak because Kodak has availed itself of the rights and privileges of this forum by suing Apple in this District, in response to which these counterclaims are filed.
6. Apple believes that the District Court is the proper venue to resolve these disputes, especially given the prominence of non-bankruptcy law in the disputes and the limits on the Bankruptcy Court's statutory and constitutional authority, and therefore moved to withdraw the reference on June 21, 2012.

BACKGROUND

7. Apple is a leading designer and manufacturer of personal computers, portable digital media players, and mobile communications devices. Apple's personal digital media and communications products, such as the iPhone, the iPod line of digital media players, and the iPad, are groundbreaking products that revolutionized their respective industries, enjoy enormous commercial success and popular acclaim, and continue to lead their fields in innovation, performance, and ease of use.

8. Apple's history of launching technically innovative and commercially successful products stems from its ongoing commitment to research and development ("R&D"). For decades, Apple has made substantial investments in R&D in a wide variety of technical fields, including digital camera technology, computer hardware and software, graphical and touch-based user interfaces, digital media players, digital imaging, and personal communications. Substantially all of this R&D has been conducted by employees located at the company headquarters in Cupertino, Santa Clara County, California. The U.S. Patent and Trademark Office has awarded Apple patent protection for many of Apple's innovations, including patents relating to digital cameras, and Apple continues to seek and obtain patent protection for its recent and ongoing innovations.

9. In the early 1990's, Apple was researching a variety of digital camera technologies within its Advanced Technology Group, including work on a novel computerized digital camera. In particular, Apple developed technology upon which the subject matter of each of the Disputed Patents is based.

10. To further develop and commercialize its technology, Apple sought help with camera hardware, such as lenses and image sensors. Apple therefore collaborated with Kodak, with the goal of developing and commercializing Apple's innovative technology.

11. During the course of several years of collaboration, Apple made numerous disclosures to Kodak regarding Apple's technology for innovative digital camera features. These disclosures were protected by confidentiality agreements, as well as a contractual obligation for Kodak to disclose and irrevocably assign to Apple any patents based upon technology disclosed by Apple.

12. In December 1994, Apple and Kodak entered into an agreement (the "1994 Agreement") defining the parties' obligations generally relating to certain joint development activities. The 1994 Agreement provides that each party retains the rights to their own intellectual property. The 1994 Agreement further provides that patents based upon intellectual property disclosed by a party must be disclosed and irrevocably assigned to the disclosing party.

13. Kodak terminated the parties' collaboration in mid-1996. Unbeknownst to Apple, Kodak had been and continued filing patent applications relating to technology that Apple had disclosed to Kodak in the course of the parties' joint work. Kodak's decision to file patent applications relating to technology disclosed by Apple was made in secret, without Apple's knowledge. These applications led to at least ten patents that claim technology conceived by Apple, including 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; and 7,936,391 (collectively, the "Disputed Patents"). (Exs. 1-10, Patents.)

14. Under the 1994 Agreement, Apple was entitled to rely on Kodak's contractual obligation to "promptly disclose" to Apple any patents derived from Apple's intellectual

property. Kodak failed to disclose the Disputed Patents to Apple, up until the point when Kodak sued Apple for alleged infringement in January 2010.

15. Shortly after Kodak terminated the parties' collaboration, Apple spun-off its digital camera business to FlashPoint in November 1996. After that time, Apple was no longer involved with the relevant digital camera projects.

16. In January 2010, Kodak accused Apple of patent infringement in actions filed with the Western District of New York and the ITC. In the course of its analysis of Kodak's claims, Apple discovered that the '218 patent, as well as numerous other Kodak patents, are based on technology that Apple had confidentially disclosed to Kodak many years earlier. Apple was not aware of the existence of its rights with respect to the Disputed Patents prior to undertaking this analysis, nor did Apple have any reason to become aware of these rights.

17. Apple subsequently sued Kodak in California, asserting that Kodak misappropriated Apple's technology and breached the parties' contractual agreement. Kodak moved to dismiss, or alternatively to transfer, on the grounds that Apple's assertions must be litigated in Kodak's previously-filed Western District of New York case. Kodak prevailed on this issue and Apple's assertions were effectively transferred to the Western District of New York. Apple also asserted certain of the facts relating to these issues as defenses in the ITC action.

18. After Apple amended its answer in the Western District of New York case to assert counterclaims regarding its rights in the relevant patents, Apple filed a motion requesting that the Bankruptcy Court lift the ITC-related stay so these counterclaims could be litigated. But Kodak opposed this motion by arguing that these counterclaims raised federal law issues intertwined with the ITC proceeding, and the District Court declined to lift the stay. Kodak

likewise opposed Apple's later request to have the bankruptcy stay lifted so that Apple could proceed with asserting its rights. As a result of the continued stay (at Kodak's insistence), Apple has not had an opportunity to plead its assertions regarding inventorship and regarding additional Kodak patents in the Western District of New York.

19. In January 2012, Kodak filed additional actions alleging infringement by Apple of several Disputed Patents in the Western District of New York and the ITC.

KODAK'S MISAPPROPRIATION OF APPLE'S TECHNOLOGY

1. The '218 and '406 Patents

20. The '218 and '406 patents relate generally to particular mechanisms for providing both a low-quality digital image for a live preview mode and a higher-quality image for capturing a final image in still mode. Apple disclosed to Kodak the technology upon which these patents are based, and which comprises at a minimum a substantial contribution to the claimed invention, at least as early as November 1992, during a meeting between the parties. Apple also provided additional technical materials to Kodak regarding this subject matter.

21. On December 30, 1994, Kodak filed patent application no. 367,399 (the "'399 application"). The '399 application matured into U.S. Patent No. 5,828,406 (the "'406 patent") on October 27, 1998. The '406 patent designates Kodak as the Assignee.

22. Kodak did not disclose to Apple that it had filed and begun prosecution of the '399 application, nor that the '406 patent had issued.

23. On July 16, 1997, Kodak filed patent application no. 08/895,094 (the "'094 application"). The '094 application matured into U.S. Patent No. 6,292,218 (the "'218 patent") on September 18, 2001. The '218 patent designates Kodak as the Assignee.

24. Kodak did not disclose to Apple that it had filed and begun prosecution of the '094 application, nor did Kodak disclose to Apple that the '218 patent had issued, prior to asserting this patent against Apple in January 2010.

2. The '161, '084, '605, and '391 Patents.

25. The '161, '084, '605, and '391 patents relate generally to various specific mechanisms for transmitting images directly from a digital camera—without the need for tethering the camera to a personal computer. Apple disclosed to Kodak the technology upon which these patents are based, and which at a minimum comprises a substantial contribution to the claimed invention, at least as early as 1994. Apple provided to Kodak several technical documents relating to this subject matter.

26. On May 15, 2001, Kodak filed patent application no. 09/855,375 (the “'375 application”). The '375 application claims priority to provisional application 60/037,962, filed on February 20, 1997. The '375 application matured into U.S. Patent No. 7,210,161 (the “'161 patent”) on April 24, 2007. The '161 patent designates Kodak as the Assignee.

27. Kodak did not disclose to Apple that it had filed and begun prosecution of the '375 application, nor did Kodak disclose to Apple the issuance of the '161 patent, prior to asserting the patent against Apple in January 2012.

28. On March 28, 2007, Kodak filed patent application no. 11/692,224 (the “'224 application”). The '224 application claims priority to provisional application 60/037,962, filed on February 20, 1997. The '224 application matured into U.S. Patent No. 7,742,084 (the “'084 patent”) on June 22, 2010. The '084 patent designates Kodak as the Assignee.

29. Kodak did not disclose to Apple that it had filed and begun prosecution of the '224 application, nor did Kodak disclose to Apple the issuance of the '084 patent, prior to asserting the patent against Apple in January 2012.

30. On July 1, 2005, Kodak filed patent application no. 11/174,370 (the "'370 application"). The '370 application claims priority to application 08/977,382, filed on November 24, 1997. The '370 application matured into U.S. Patent No. 7,453,605 (the "'605 patent") on June 22, 2010. The '605 patent designates Kodak as the Assignee.

31. Kodak did not disclose to Apple that it had filed and begun prosecution of the '370 application, nor did Kodak disclose to Apple the issuance of the '605 patent, prior to asserting the patent against Apple in January 2012.

32. On November 25, 2009, Kodak filed patent application no. 12/625,692 (the "'692 application"). The '692 application claims priority to provisional application 60/037,962, filed on February 20, 1997. The '692 application matured into U.S. Patent No. 7,936,391 (the "'391 patent") on June 22, 2010. The '391 patent designates Kodak as the Assignee.

33. Kodak did not disclose to Apple that it had filed and begun prosecution of the '692 application, nor did Kodak disclose to Apple the issuance of the '391 patent, prior to asserting the patent against Apple in January 2012.

3. The '335 Patent.

34. The '335 patent provides a particular mechanism for storing images in multiple resolutions, as well as a "burst" mode for rapidly capturing a sequence of images. Apple disclosed to Kodak the technology upon which at least a portion of this patent is based in 1992, and which at a minimum comprises a substantial contribution to the claimed invention, during a meeting between the parties.

35. On June 30, 1993, Kodak filed patent application no. 85,516 (the “’516 application”). The ’516 application matured into U.S. Patent No. 5,493,335 (the “’335 patent”) on February 20, 1996. The ’335 patent designates Kodak as the Assignee.

36. Kodak did not disclose to Apple that it had filed and begun prosecution of the ’516 application, nor did Kodak disclose to Apple the issuance of the ’335 patent prior to asserting the ’335 patent against Apple in January 2010.

4. The ’854, ’703, and ’342 Patents.

37. The ’854, ’703, and ’342 patents relate to various specific interfaces for providing displays of captured images to users, including a quick review of the last captured image. Apple disclosed to Kodak the technology upon which these patents are based, and which at a minimum comprises a substantial contribution to the claimed inventions, at least as early as 1994.

38. On February 20, 1997, Kodak filed patent application no. 08/803,342 (the “’342 application”). The ’342 application matured into U.S. Patent No. 6,441,854 (the “’854 patent”) on August 27, 2002. The ’854 patent designates Kodak as the Assignee.

39. Kodak did not disclose to Apple that it had filed and begun prosecution of the ’342 application, nor did Kodak disclose to Apple the issuance of the ’854 patent.

40. On December 19, 1996, Kodak filed patent application no. 08/769,573 (the “’573 application”). The ’573 application matured into U.S. Patent No. 6,147,703 (the “’703 patent”) on November 14, 2000. The ’703 patent designates Kodak as the Assignee.

41. Kodak did not disclose to Apple that it had filed and begun prosecution of the ’573 application, nor did Kodak disclose to Apple the issuance of the ’703 patent.

42. On June 21, 2000, Kodak filed patent application no. 09/598,125 (the “’125 application”). The ’125 application claims priority to application no 08/769,573, filed on

December 19, 1996. The '125 application matured into U.S. Patent No. 6,879,342 (the "'342 patent") on April 12, 2005. The '342 patent designates Kodak as the Assignee.

43. Kodak did not disclose to Apple that it had filed and begun prosecution of the '125 application, nor did Kodak disclose to Apple the issuance of the '342 patent.

44. At all times, Apple satisfied its confidentiality and other obligations under the 1994 Agreement with Kodak.

45. Kodak has stated that it has reaped over 3 billion dollars in litigating and licensing its Digital Capture Portfolio, which includes the Disputed Patents. Apple has suffered and will continue to suffer actual damages by Kodak's unlawful assertion of ownership rights in the Disputed Patents, including loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm. Indeed, Kodak has gone so far as to assert the Disputed Patents against Apple, thereby forcing Apple to incur attorneys' fees and other expenses in defending itself.

46. On January 19, 2012, Kodak and its affiliates filed voluntary petitions in the Bankruptcy Court for relief under chapter 11 of the Bankruptcy Code. As part of its restructuring plan, Kodak plans on selling the Digital Capture Portfolio, including the Disputed Patents.

COUNT I (Correction of Inventorship)

47. Apple incorporates by reference paragraphs 1 through 46 as though fully set forth herein.

48. Technology disclosed to Kodak by Apple during the course of collaboration between the parties forms the basis of, and at a minimum contributed to conception of, the Disputed Patents.

49. Apple employees were not named as inventors on the applications leading to the Disputed Patents.

50. The error in omitting Apple employees as inventor(s) on the applications leading to the Disputed Patents arose without any deceptive intent on the part of Apple or its employees.

51. One or more of Apple's employees, including at least Eric Anderson, are inventors of each of the Disputed Patents, in accordance with the inventorship requirements of the Patent Act.

52. At least one of Apple's employees is entitled to be named as an inventor on each of the Disputed Patents.

53. With one of its employees as an inventor on each of the Disputed Patents, Apple has a rightful ownership interest in the Disputed Patents pursuant to 35 U.S.C. § 256 and/or 35 U.S.C. § 116.

COUNT II (Breach of Contract)

54. Apple incorporates by reference paragraphs 1 through 53 as though fully set forth herein.

55. Kodak has committed significant acts in violation of the 1994 Agreement and failed to perform other significant acts that Kodak was required to perform under the 1994 Agreement. For example, Kodak breached the 1994 Agreement in multiple ways, including: 1) by failing to assign the Disputed Patents to Apple, 2) by failing to disclose the Disputed Patents to Apple, 3) by unlawfully using Apple's confidential information without Apple's consent, and 4) by claiming ownership of the Disputed Patents.

56. At no time was Kodak excused from having to perform all of the significant acts that the 1994 Agreement required, nor was Kodak permitted to commit acts in violation of the agreement. At all times, Apple has satisfied its obligations to Kodak under the 1994 Agreement.

57. Apple has been and continues to be harmed by Kodak's breach of contract, including due to loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm.

COUNT III (Conversion)

58. Apple incorporates by reference paragraphs 1 through 57 as though fully set forth herein.

59. Apple has rights to the intellectual property it disclosed to Kodak in the early 1990's concerning digital camera technology. Kodak received Apple's intellectual property and improperly used it in prosecuting the applications that led to the Disputed Patents. Kodak intentionally took possession of Apple's intellectual property for a significant period of time, and in claiming ownership to the Disputed Patents, prevented Apple from having access to its intellectual property.

60. Apple did not consent to Kodak's use, possession, or ownership of Apple's intellectual property and improvements thereon.

61. Apple has been and continues to be harmed significantly from Kodak's unlawful conversion of Apple's property, including due to loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm.

62. Kodak's conduct was the legal cause of Apple's harm.

COUNT IV (Unfair Competition)

(Unfair Competition Under California Law)

63. Apple incorporates by reference paragraphs 1 through 62 as though fully set forth herein.

64. Kodak has engaged in unfair competition under the California Business and Professions Code § 17200 and 17500 *et seq.*, which provide that “unfair competition shall mean and include any unlawful, unfair or fraudulent business act or practice.”

65. California Businesses and Professions Code § 17203 further provides that “[a]ny person who engages, has engaged, or proposes to engage in unfair competition may be enjoined in any court of competent jurisdiction. The court may make such orders or judgments...as may be necessary to prevent the use or employment by any person of any practice which constitutes unfair competition, as defined in this chapter, or as may be necessary to restore to any person in interest any money or property, real or personal, which may have been acquired by means of such unfair competition.”

66. The acts described in paragraphs 1 through 65 of this Counterclaim constitute unlawful, unfair, and/or fraudulent business acts or practices on the part of Kodak.

(Unfair and/or Deceptive Business Acts)

67. Given the exclusionary power that a patent conveys, Kodak’s actions have had a direct, discernible and anticompetitive impact on competition; that said anticompetitive conduct included, *inter alia*, Kodak’s unfair demand for the royalties that Kodak has exclusively extracted from competitors in the marketplace for access to the Disputed Patents; in addition, Kodak has unfairly asserted a right and an ability to exclude others, including Apple, from practicing the disclosed invention. The above mentioned conduct, which has occurred as a result of Kodak’s unfair use of the information disclosed to Kodak by Apple in confidence, has significantly threatened and harmed competition, and has therefore engaged in unfair conduct which constitutes unfair competition under § 17200 *et seq.* of the Business & Professions Code of the State of California

(Unlawful Business Acts)

68. Apple invested substantial sums of money in the research and development of digital camera technology. Apple disclosed that technology to Kodak in confidence and pursuant to non-disclosure agreements, in connection with collaborative work regarding digital camera projects. Kodak was prohibited from using Apple's technology, and from claiming ownership of Apple's technology. Kodak was further required to disclose to Apple any derivative works, and to assign to Apple the rights to any such derivative works. Rather than abiding its contractual obligations, Kodak instead used Apple's disclosure to prosecute patent applications and obtain U.S. patents, and claimed Apple's technology as its own. In addition, and by reason of said conduct, Kodak violated one or more of the following statutes and regulations: 35 U.S.C. §§ 115 and 116; and 37 C.F.R. 1.56 and 19 C.F.R. 210.4, and has therefore engaged in unlawful conduct which constitutes unfair competition under §§ 17200 *et seq.* of the Business & Professions Code of the State of California.

69. Apple has been and continues to be harmed significantly from Kodak's wrongful acts, including due to loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm.

70. Apple incorporates by reference paragraphs 1 through 69 as though fully set forth herein.

71. By reason of the facts and circumstances described in paragraphs 1 through 69 of this Counterclaim, Kodak has engaged in common law unfair competition under either or both California and New York law; Kodak and Apple had a confidential business relationship which was confirmed by one or more written agreements between the parties. Rather than abiding its

contractual obligations and, Kodak unlawfully used Apple's confidential disclosures to prosecute patent applications and obtain U.S. patents and thereby passed off Apple's technology as its own.

72. Apple has been and continues to be harmed significantly from Kodak's unfair acts, including due to loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm.

COUNT VI (Deceptive Business Acts Under New York Law)

73. Apple incorporates by reference paragraphs 1 through 72 as though fully set forth herein.

74. Kodak has engaged in unfair competition under New York State General Business Law § 349, which provides that "(a) [d]eceptive acts or practices in the conduct of any business, trade or commerce...are hereby declared unlawful."

75. New York State General Business Law § 349(h) further provides that "any person who has been injured by reason of any violation of this section may bring an action in his own name to enjoin such unlawful act or practice, an action to recover his actual damages or fifty dollars, whichever is greater, or both such actions."

76. The acts described in paragraphs 1 through 75 of this Counterclaim constitute deceptive acts by Kodak in the conduct of its business dealings with Apple.

77. Apple was present in New York State for one or more meetings at Kodak's Rochester headquarters during which Kodak engaged in the deceptive conduct described in paragraphs 1 through 76 of this Counterclaim.

78. Kodak's deceptive conduct has had an adverse affect on the public interest. By failing to disclose to the United States Patent and Trademark Office (PTO) that the invention described in the Disputed Patents originated within Apple, Kodak misled the PTO into granting

it the Disputed Patents, which have been asserted against numerous companies in litigation. These actions constitute harm to the public interest, as the public requires companies like Kodak to engage in fair dealing with the PTO.

79. As set forth in paragraphs 1 through 78 of this Counterclaim, Kodak's deceptive acts have been continuous and on-going.

80. Apple has been and continues to be harmed significantly from Kodak's deceptive acts, including due to loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm.

COUNT VIII (Breach of Confidence)

81. Apple incorporates by reference paragraphs 1 through 80 as though fully set forth herein.

82. The acts described in paragraphs 1 through 80 of this Counterclaim constitute a breach of confidence, including for example through breach of fiduciary duty, by Kodak against Apple under the common law of the State of California and/or the State of New York.

83. Apple entrusted Kodak with confidential information regarding Apple technology for the purpose of obtaining specialized assistance from Kodak in commercializing such technology through the parties' collaboration. The information that Apple disclosed to Kodak, as described above, was highly confidential in nature. Apple took steps to protect the confidentiality and proprietary nature of this information, including through the parties' 1994 Agreement. Apple disclosed the information to Kodak in confidence, pursuant to the non-disclosure agreements. Kodak had a fiduciary duty of confidence not to use the information that Apple disclosed, and to disclose to Apple any patents relating to information disclosed by Apple.

84. The fiduciary relationship between Kodak remained ongoing by virtue of Kodak's continuing duties to Apple. Kodak breached these duties by using Apple's confidential information to obtain the Disputed Patents and failing to disclose and assign the Disputed Patents to Apple. Kodak did not openly repudiate its obligations until after Apple became aware of the Disputed Patents through investigations following patent assertions by Kodak in 2010.

85. Apple has been and continues to be harmed significantly by Kodak's breach of duty, including due to loss of marketplace exclusivity, loss of potential licensing revenue, and other forms of harm.

DEMAND FOR JURY TRIAL

86. Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Apple hereby requests a trial by jury of all issues.

PRAYER FOR RELIEF

WHEREFORE, Apple prays for judgment as follows on Kodak's Complaint and Apple's Counterclaims as follows:

- (A) Kodak's claims against Apple be dismissed with prejudice and that Kodak take nothing by way of its Complaint;
- (B) Judgment be entered in favor of Apple and against Kodak on Kodak's Complaint;
- (C) Pursuant to 35 U.S.C. § 285 and/or other applicable laws, Kodak's conduct in commencing and pursuing this action be found to render this an exceptional case and that Apple be awarded its attorneys' fees incurred in connection with this action;
- (D) A judicial determination that Apple is the owner in equity and law of the Disputed Patents, including establishing a constructive trust for the benefit of Apple;

- (E) An order of specific performance regarding Apple's rights under the 1994 Agreement;
- (F) An order to correct inventorship on the Disputed Patents;
- (G) An injunction permanently enjoining Kodak from seeking to enforce the Disputed Patents or any other wrongfully obtained intellectual property right against Apple in any forum, including the United States International Trade Commission and the United States District Courts;
- (H) An award of compensatory damages;
- (I) An award of punitive damages;
- (J) Attorneys' fees, costs, and expenses, including costs incurred as a result of Kodak's misconduct and in defending itself against this action;
- (K) That the Court award Apple such other and further relief that it deems just and proper.

RESERVATION OF RIGHTS

Apple reserves all of its rights, and nothing contained herein should be construed as consent by Apple to the adjudication of its rights to the relevant patents in the Bankruptcy Court, assertion of a proof of claim (both formal and informal), as a waiver of Apple's right to a jury trial, or as a waiver of Apple's request for withdrawal of the reference.

New York, New York
Dated: June 22, 2012

/s/ Brian S. Lennon

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