Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

July 18, 2014

FINANCIAL DEALINGS HEAT UP

So, apparently nobody told the newsmakers in the document imaging industry that things were supposed to slow down in the summer. We took a few days off for the U.S. Independence Day holiday and the stuff really started hitting the fan when we got back.

Lexmark lays down the hammer

In our last issue, we reported that **Lexmark** had recently issued a second bid for **ReadSoft** of approximately $200 million that slightly topped **Hyland Software UK's** bid for the Swedish ISV. Like Lexmark's first bid of $182 million, this second bid was unanimously approved by ReadSoft's board, which recommended that shareholders accept it. However, we also stated that we wouldn't be surprised if someone upped the ante further.

Well, Hyland ended up doing just that by making a new bid worth approximately 4.7% more than Lexmark's second bid. What was curious, however, was that when the ReadSoft board accepted Lexmark's second offer, it included a provision, like it did for Lexmark's first offer, that for it to consider any other bids, they had to be at least 7% higher than Lexmark's bid. And for its first bid, Hyland had followed that request.

However, when ReadSoft's board accepted Lexmark's second bid, which was only a couple percentage points higher than Hyland's, the Cleveland, OH-based ECM ISV decided it was done playing by ReadSoft's rules. Instead, Hyland played an ace it had up its sleeve, revealing that it already owned approximately 11% of ReadSoft's shares. Therefore, it claimed that Lexmark's bid, which included a condition that the offer was only good if Lexmark became owner of more than 90% of ReadSoft's shares, was void. After all, Lexmark clearly couldn't

eGistics Key Ingredient for TIS' North American Strategy

Over the past couple years, **Top Image Systems** (TIS) has been focused on building its North American business by concentrating on three areas: mobile capture, the banking and financial services market, and the cloud. Its recent acquisition of **eGistics** hits on all three of those areas.

Based in Dallas, TX, eGistics provides hosted remittance process and document management solutions, primarily to the banking and financial services markets. Last week, TIS announced it had invested $18 million—half cash and half stock—in acquiring eGistics. TIS' share value maintained a steady trading level in the wake of the announcement. As a byproduct of the acquisition, Don Dixon, co-founder of **Trident Capital**— eGistics' largest shareholder, will join the TIS Board of Directors.

Michael Schrader, COO, Top Image Systems

"When we've said we wanted to do an acquisition, we've said it should be in one of our strategic growth areas," said Michael Schrader, COO of TIS. "The acquisition of eGistics combines the U.S. and the cloud, and it also important to our mobile strategy— that's because the real strength of our mobile apps is their ability to connect to our eFlow capture platform on the back-end. Especially, in North America, it's important that we can now run eFlow in a very compliant and secure cloud environment."

Founded in 1994 as a hosted document archive, eGistics underwent a makeover in the mid-2000s when it increased its venture capital backing and brought in technology and payments industry veteran Bob Lund as CEO. Since then, eGistics has focused on servicing the payment processing and healthcare markets. Its two primary offerings are iRemit for managing documents related to payments, and CloudDocs, which is a more general hosted document management offering.

eGistics advertises that its customer base includes four

of the top five banks in the U.S. **Citi**, **PNC**, **Wells Fargo**, **JP Morgan**, and **BB&T** are all listed as customers. So are leading payment processors like **TransCentra**, **Xerox**, **First Data**, and **FIS**. eGistics' 2013 revenue was $10.6 million with an EBITDA of $1.52 million.

"We have offered our technology on the cloud before, but nothing to this extent," said Schrader. "In the ECM market, it's unusual for vendors to have a high revenue stream from cloud solutions. eGistics is different because 100% of its revenue is from SaaS and the cloud. eGistics has the people, technology, infrastructure, and operations required for 24/7 support, business continuity, and PCI and SSAE-16 compliance.

"TIS now has all that and can go faster after the SaaS market in the U.S. It's not enough to have a software application that is cloud-ready. Nobody knows how fast our market is going to move to the cloud, but we want to have a complete technology stack that will meet future needs. Some customers may think we are getting ahead of the market by investing in the cloud now, but this will also make them more comfortable buying from TIS today. Customers know we will be able to meet their cloud needs when they arise."

Cloud-Based SPAs

In the press release announcing the acquisition, it's stated that TIS will leverage the "CloudDocs infrastructure to roll out on-demand smart processing applications (SPAs) for processes such as invoice processing, digital mailroom, bill pay, account opening, enrollment, mortgage processing, and employee onboarding (HR)." Some of these overlap with SPAs TIS has developed, or has plans to develop, utilizing workflow technology from its partner **K2** [*see DIR 6/27/14*].

"The direction we are going is to put our SPAs on the cloud," said Schrader. "We will certainly consider integrating a flexible BPM engine like K2's into CloudDocs. But there are also applications like mortgage processing, for example, that are similar to what eGistics has already in iRemit."

NEW TIS CFO BASED IN U.S.

This week **TIS** named a new CFO, Lyron L. Bentovim, who will be based at the company's Americas headquarters in New York City. Bentovim has been a member of the TIS Board since 2008, a position he will give up when he assumes his role as CFO on August 1. According to a press release, "The appointment of Mr. Bentovim, a seasoned CFO with a strong strategy, finance and operations background and many years of experience at public and private companies in the U.S., will further reinforce TIS' commitment to growing its presence, management, and business operations in the U.S."

Bentovim's first major assignment will be supervising the integration of TIS and eGistics.

For more information: http://bit.ly/TISnewCFO

"eGistics doesn't have any capture, but we could utilize eFlow to sort, categorize, and extract information from mortgage files and then pass on those files to a workflow similar to a remittance workflow. It might include requests for additional information from banks or clients, as well as the need to store files for x-number of years. In both cases, you also need exception workflows."

Schrader was hesitant to say that TIS has entered the ECM market. "We're not really going to be marketing ECM in the cloud," he said. "We are going to focus on specific applications. We plan to continue to integrate eFlow with whatever on-premise and cloud-based ECM applications our customers have."

TIS also has long-term plans that could involve integration with other cloud applications. "We are looking at solutions that might be easy to multiply in areas like document archiving, storage, and document handling," Schrader said.

A look at logistics

The acquisition of eGistics adds 65 North American employees to TIS' payroll. It also increases TIS Americas' projected revenue to more than a third of the total company revenue. Combined, TIS and eGistics produced more than $40 million in revenue in 2013.

Schrader said initially at least, TIS will focus on marketing its cloud solutions in North America. "There is potential, however, to take a solution like

iRemit into geographies like Latin and South America," he said. "Initially, however, we will be focused on joining CloudDocs with our products and then going to market. We need to take a step-by-step approach. Acquisitions need to be done right. We don't want to destroy anything in eGistics."

Schrader indicated that expanding the eGistics cloud platform into Europe will be complicated, due to eGistics' servers being hosted in the U.S. "Even if we utilized AWS or Azure to host the software, that doesn't address everything," he said. "That doesn't mean we are PCI compliant and can show a business continuity plan. Part of what we get with eGistics is operations people that watch the system 24/7 and know how to check and fix everything. With AWS and Azure, you are just getting an environment." [*About a year and a half ago, we did an article with eGistics' Bob Lund, with the message that "All Cloud Vendors are not Created Equal." See DIR 12/21/12*].

Schrader concluded that TIS is excited about the synergies it is gaining with eGistics. "It's not like we bought a competitor or an OCR or classification vendor," he said. "There is really no overlap between our and eGistics' products. Both can co-exist and more importantly, we need both to execute our vision. On top of that, the financial impact will be immediately accretive."

For more information: http://bit.ly/TIS-EGistics; http://www.egisticsinc.com/html/clouddocs.html

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TIS ANNOUNCES SOFTWARE BUYBACK PROGRAM

TIS recently launched a software buyback program targeting competitive document capture implementations. For the cost of a three-year maintenance and support agreement, TIS will replace competitive software with its eFLOW platform for no additional licensing fees.

"We are seeing companies who have implemented intelligent capture solutions two and three times, either due to their desire for a newer generation of technology or because they have not achieved the value they expected from the 'market leading' enterprise capture solutions they invested in," commented Michael Schrader, COO of TIS, in a press release. "We want to offer companies caught in this scenario a chance to upgrade to the most modern capture technology available in a manner that is easy for them."

This no licensing fee model has proven to be successful for capture ISV **Ephesoft**.

For more information: http://bit.ly/TISBuyback

HSA Capture Has Come a Long Way in 10 Years

In less than two months **Harvey Spencer Associates** (HSA) will be celebrating the 10th anniversary of its Capture Conference. The event is being held Sept. 3-4, once again at the Glen Cove Mansion on Long Island, which has been the site since the event was launched in 2005. From humble beginnings with representatives from somewhere around 30 companies, the conference has grown to reach annual attendance of close to the site capacity of approximately 100 people—typically including high-level representatives from several of the top capture hardware and software vendors around the world.

"It's very interesting if you look back at where we were when we started the conference to see how far we've come," noted Harvey Spencer, the principal of HSA. "Ten years ago, we were almost solely focused on batch scanning, forms processing, and some payments and remittance. There was no

mobile capture. The cloud didn't exist. Social media and big data were not talked about."

At the first conference (which was promoted by Dave Wood), Spencer did the bulk of the presenting with three guest speakers and a panel (on capturing with MFPs vs. dedicated scanners) moderated by *DIR* editor Ralph Gammon. This year's agenda includes eight guest speakers (including Gammon) and one presentation by Spencer with the help of Mike Spang who joined HSA last year. Erin Dempsey, formerly of Wood Associates, now does a great job with event promotion.

"When we launched the conference we thought of it partly as a recruiting tool," Spencer told *DIR*. "We thought that the audience would be made up mostly of people who were not HSA clients, so they wouldn't be familiar with my work. Much to my amazement, a large number of clients showed up."

Harvey Spencer, Principal, Harvey Spencer Associates

To address this Spencer began introducing more content not included in his regular reports. This content has been presented by guest speakers with knowledge on a wide range of topics. "From the beginning, one focus has been regulations that impact the industry," Spencer said. "We've had talks on topics like Check 21, Sarbanes-Oxley, Dodd-Frank, and XBRL. I also try and have someone present on a geography that people might be interested in expanding into [India, Russia, Brazil, etc.], as well as have an end user give their perspective.

"When the presentations focus on technology, I try to concentrate on peripheral topics that are important for capture vendors to be aware of. For example, we started talking about mobile capture very early on and it has now evolved to where it's mainstream. And we've had a couple of presentations on semantic understanding and now that is starting to manifest itself in the market. We also had presentations on topics like procure-to-pay and SharePoint before they started affecting the capture market. Of course, we had a **Microsoft** person come and talk about XPS, so not everything is going to work out."

Two of the cutting edge technology topics on this year's agenda include "Photo and Video Understanding: Augmented Reality Used in Transactional Information" and "CEM: Moving Capture to Real Time to Better Service Customer Needs." The first topic is indicative of capture's expanding number of input channels—note that the conference originally was called "Document Capture" which in recent years has evolved into the wider encompassing "Capture." The second topic covers the continuing integration of capture with other business applications.

Spencer noted that both trends related to these topics have contributed to driving up the average sales price of capture over the past 10 years. "The traditional view of capture has been that it is used for document batches with some automated indexing," he said. "Sales for this type of capture have typically gone through a VAR channel and are often under $10,000 for software. Some sales to service bureaus might have a much higher priced hardware component, but the software has still been pretty cheap. There are still some ISVs operating in this market.

"Historically, the forms processing space has had a much higher value, mostly because the data being extracted has higher value and it has to be extracted accurately. With hardware, these form processing solutions often have sold for well over $100,000, with the software element likely being $80,000 or more

"As the IDR market emerged, we began to see solutions such as invoice processing integrated with ERP and mortgage processing with auto-classification. These systems are selling for much higher prices than simple scanning solutions. The bottom line is that the cost of capture technology has increased with the complexity and points of integration.

"I also think that as capture moves beyond 'paper scanning' into things like understanding e-mail, the price increases. People value 'electronic processes,' even conversion, higher than paper conversion processes."

CEM stands for "customer engagement management" and Spencer views it as the next frontier for capture integration. "Most CEM vendors come from the call center world," he said. "But the market is really a merger of call center and case management software.

"Where capture comes into to play is through its ability to apply real-time understanding to multiple input channels. If you can analyze the semantics of customer correspondence as it streams in, you can control the dialogue. It's beyond what interactive voice response offers. Michael McBrien, the principal at **Merlion Consulting**, will present a session on opportunities for capture vendors in the CEM market."

The Photo and Video Understanding session will be presented by Christopher Surdak of **HP Autonomy**. "What I find exciting in this area is the ability to do something like lift up the hood on your car and take a video of the engine that can be used to determine what is the matter, and then potentially launch a workflow to ship the correct part to you," said Spencer. "I think this is an intriguing alternative to working with static documents. It has great applicability in areas like insurance claims."

A complete conference agenda is available online: http://www.hsassocs.com/capture/conference-seminar-agenda/. And yes, *DIR* Editor Gammon will once again review the news of the past year (well, actually the past 10 years in a special anniversary edition) as well as make predictions for the future.

Developing a capture network

As much as the sessions, networking is a big draw for the HSA Capture Conference. "A lot of the same people come back every year for this purpose," noted Spencer. "When you get away from a sales environment, oftentimes the discussions are very frank. Everybody talks about the industry. I'd say networking is half the conference.

"Over the years, our conference has led to several OEM deals. And from what I understand, ODT got sold to Captaris [at the 2007 event]."

Spencer feels the venue is also part of the attraction. "The mansion is small enough so that we can pretty much take over the place," he said. "And it's far enough away from New York City that people don't get distracted, but close enough that we can leverage the transportation infrastructure. Also, people can make appointments in the city before or after the event."

Spencer concluded that both the industry and his event have come a long way since 2005. "I think capture is mainstream now and when we started it wasn't," he said. "It was a little backwater application that only involved scanning paper. Some people still regard it as that, but as you can see from the evolution of our agenda, it is definitely changing."

As usual, the event will kick-off with a reception and networking dinner on Wednesday evening, followed by a full-day of sessions (with some breaks) on Thursday. A special lobster bake will be included as part of the Thursday night "Meet the Speakers" festivities. Hope to see you there.

For more information: http://www.hsassocs.com/capture/

On-Board Acuity Addresses Current & Future Scanning

Visioneer's new On-Board Acuity functionality has been implemented with an eye on improving scanner performance today, as well as better addressing future market requirements. By putting image processing functionality on a chip that can be embedded in its scanners, Visioneer has improved the throughput of its **Xerox** DocuMate 5445 and 5460 departmental devices when they are connected to PCs, as they typically are in today's environments. It has also future-proofed the scanners for a landscape where PCs are gradually being replaced by tablets, phones, and other mobile computing devices.

On-Board Acuity offers features like auto color detection, thresholding, color dropout, auto-cropping, despeckling, auto-straightening, and image rotation, which can now be done before images are released to the devices they're connected to. Additional image processing like auto-orientation, OCR, and PDF formatting can still be done through Acuity on a PC. But, according to Jon Harju, CTO of Visioneer, each step that can be done on the scanner helps improve throughput.

"All scanners run at rated speeds when all their image processing is turned off," Harju told *DIR*. "But once you turn on any IP features, the throughput visibly slows down. The scanner might finish running the stack through the feeder on time, but the processing time on the PC lags behind—that is unavoidable. And nobody really talks about that."

According to Harju, with all the On-Board Acuity image processing features turned on, the 5445 and 5460 will still run at rated speeds. "When these features are being run on the PC, each one slows down the throughput," he said. "It might only be a small amount, but when you are talking about a stack, it can become significant. It also helps speed up processing when you threshold images on a scanner because then you are only pushing through bi-tonal images to the PC —so you are working with smaller files."

Harju said some IP features were too complex to include on the initial version of the chip. "Auto-orientation, for example, requires additional image sharpening and potentially OCR," he said. "Acuity on the PC knows what has been done on the scanner and will complement it."

The 5445 is rated at 45 ppm and carries a list price of $1,195. The 5460 is rated at 60 ppm with a list of $1,595. "We'll see how this functionality stands up

on these models," said John Capurso, president and COO of Visioneer. "As the cost comes down to produce the chips, it's a natural progression that On-Board Acuity will move downstream."

Harju added that even the initial implementation is an example of downstream progression in the scanner market. "On-board image processing is something that started in production scanning," he said. "It's really just another higher-end feature that has found its way into lower-end scanners. There was a time when you couldn't find automatic double-feed detection in departmental models, now it's included in desktop workgroup scanners."

Harju noted that when Visioneer conceived the notion of On-Board Acuity, it was trying to do what no one else had done on the departmental level. Coincidentally, it seems, **Kodak Alaris** was actually working on similar functionality, which manifested itself in embedded PerfectPage, which it has included in the recently released i1180 workgroup model [see _DIR_ 6/13/14].

Kodak Alaris' stated strategy behind embedded PerfectPage was to accommodate browser-based scanning apps that might want to bypass a computer entirely and go straight from the scanner to a cloud. To encourage adoption of these types of applications Kodak Alaris even bundles a full license for the **EMC Captiva** Cloud toolkit with the i1180 [see _DIR_ 6/27/14].

Visioneer also has an eye toward enabling users to more easily scan documents with browser-based apps and non-traditional computers. "With On-Board Acuity, we've reduced the need for a high-end PC to run a scanner," said Harju. "And when you start looking further down the road, it's going to be more important for the scanner to do more of the work. We've gotten used to running scanners with quad-core computers and lots of memory. But, when you move to mobile computers, and you are looking at transmitting a file through a wireless network to a slower processor—having image processing on the scanner is important to preventing bottlenecks."

"If you look at the trends in mobile computing, users are not looking for more processing power," added Capurso. "They are looking for bigger screens, better batteries, and devices that won't scratch and break. Processing power is not high on their list of priorities, and we need to be in tune with that."

And while Visioneer scanners support applications built with the EMC Captiva Cloud Toolkit, Harju is heavily involved with the **TWAIN Working**

Group's SWORD (scanning without a required driver) initiative. As its name indicates, SWORD is designed to enable applications to talk directly to devices. "With the next generation of TWAIN, if you want a clean processed image, in many cases it will probably be better to get it straight from the device," said Harju.

DocuMate models with On-Board Acuity are on the market now.

Celebrating 20 years of innovation
Including On-Board Acuity in devices with list prices below $1,600 is the type of bang-for-your-buck ingenuity that has helped Visioneer succeed in the market. Visioneer recently issued a press release celebrating 20 years in business. If you didn't see it, here's a quote it includes from _DIR_ Editor Ralph Gammon:

"I've been covering Visioneer since it was a leading vendor of flatbed scanners. The company has done an amazing job evolving to meet the changing needs of the market. Its OneTouch technology was revolutionary when introduced in 1998 and Visioneer has continued to improve on it, while its competitors have given One Touch the ultimate stamp of approval by introducing similar functionality in their own devices. Visioneer's partnership with Xerox, its strong support of the TWAIN standard, and its Acuity image processing are all the result of innovative and market-driven thinking that has helped Visioneer grow from a fringe player in the document imaging space to one of the leaders in a still growing market."

For more information: http://bit.ly/OnBoardAcuitywhitepaper; http://bit.ly/Visioneer20years

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SUMMER DEALINGS, FROM PAGE 1

achieve a 90% ownership stake in ReadSoft without Hyland's cooperation.

Lexmark went back to the drawing board and Monday came up with its third offer for ReadSoft. This one is 11% higher than Hyland's second offer. We've seen Lexmark's new bid valued at $224 million (we apologize if these dollar figures and percentages don't exactly add up, but we are dealing with currency fluctuations between the Swedish Krona and the U.S. Dollar), and although the bid once again includes the 90% condition, it also includes a provision that Lexmark can waive that condition. Once again, the ReadSoft board unanimously recommends that shareholders take the Lexmark deal, with an acceptance period to run Aug. 7-Aug. 28, and the deal expected to close in early Sept.

In our last correspondence with a Swedish gentleman who is working on behalf of Hyland, it didn't sound like Hyland was quite ready to give up. "As we understand it, [Lexmark] have this time taken the right to waive the 90% condition," he said, "but we are uncertain if this is a possible scenario according to Swedish takeover rules. We will analyze the offer thoroughly."

And while $224 million is 23% higher than the reported price of Lexmark's first bid, it is still not an exorbitant amount to pay for an ISV with $117 million in annual revenue that participates in a market where most acquisitions have brought at least 2x revenue and often more. And, as we've said, as good a fit as ReadSoft is for Lexmark, Hyland might have even more to gain, so maybe it will be pushing the bidding even higher.

http://bit.ly/Lexmark3rdbid

Kofax reports Q4 shortfall

While all that was going on, ReadSoft's primary competitor in the capture market, **Kofax** announced preliminary fiscal year-end (June 30) 2014 results that "reflect software license revenue, total revenues, and adjusted EBITDA levels below the guidance previously provided to the financial community." Specifically, Kofax announced that its non-IFRS year-end revenue would be $295-$298 million, with software license revenue in the range of $122.5 to $124.5 million, and EBITDA of $41-43 million.

These numbers represent some sales growth over fiscal 2013, with about a 9% decrease in EBITDA. They also indicate a weak fourth quarter, with an approximately 8% decline in software license revenue compared to Q4 2013 and an approximately 2% gain in overall revenue.

Kofax CEO Reynolds Bish attributed the Q4 shortfalls to "several seven-figure software licensing transactions that slipped into future quarters." Bish then indicated, "We believe we will close these deals in the first and second quarter of fiscal 2015. We expect to close $3 million of sales in the next week and another $1.5 million in the next two weeks."

True to Bish's word, yesterday Kofax announced a $3.5 million sale to a "global information storage and management provider," which included $3 million in license revenue and $500,000 in maintenance. Of course, none of this helped Kofax's share value, and its stock has lost approximately 20% of its value over the past month, half of that in the last week.

On the positive side, Bish indicated he did not see any negative trends in the document capture market. "I don't see any core weakness in the market, or change in the competitive environment, or increased pricing pressure," he said during a conference call with investors. "However, we are seeing procurement processes take longer."

Bish added that despite a sales force realignment [*see DIR 3/28/14*] that produced a significant increase in the number six-figure deals that Kofax closed in its fourth quarter, the company remained too dependent on seven-figure deals, only two of which closed in Q4.

http://investor.kofax.com/releasedetail.cfm?ReleaseID=859171
http://bit.ly/Kofax3Msale

Nuance acquires Notable Solutions

Nuance struck quietly on the M&A front, buying its primary competitor in the MFP capture space—**Notable Solutions, Inc.** If you weren't aware of this, it's probably because Nuance didn't announce the deal. This is similar to the way it handled its Copitrak acquisition, which closed on Dec. 31, 2012, but wasn't reported in the press until a few weeks later. The Nuance—Notable Solutions deal closed some time in the past couple weeks. Nuance indicated it is planning a briefing following its fiscal Q3 financials release which is scheduled for a few weeks out.

Most people we've talked to think the acquisition is a good move for Nuance and a positive sign for its Document Imaging Division, which despite producing $250 million in annual revenue and being a market leader in our industry, still accounts for less than 15% of Nuance's overall revenue and often gets lost amidst discussions of Nuance's larger voice recognition business.

"This acquisition shows that Nuance is investing in its document imaging business," said Harvey Spencer, principal at industry analyst firm **Harvey Spencer Associates**. "Traditionally many people have looked at imaging as something Nuance uses to fund other stuff. This acquisition is good news because it shows a commitment to this market."

http://bit.ly/DIRTalkNuanceNSi

Captricity lands $10M more in funding

Speaking of commitment to the market, **Captricity**, an ISV with a cloud application that leverages automatic recognition and crowdsourcing to capture data from forms, recently announced a $10 million round of Series B financing. This is on top of a $2.4 million round the Berkeley, CA-based ISV received last year [*see DIR 6/21/13*] and brings

its total funding, including angel investments, to $14 million.

The lead investor in the Series B round is **Atlas Venture**, which also participated in Captricity's Series A round. Chris Lynch, a partner at Atlas, will now join Captricity's board. Also participating in the new round is **Social+Capital**, which led the Series A round. So, it would seem both these investors are committed to the vision of Captricity's founder and CEO Kuang Chen. We have a discussion with Chen scheduled for next week.

On the same day it announced the Series B funding, Captricity announced a partnership with New York Life Direct, a division of **New York Life**. Captricity will be capturing data from more than a half-million business leads that the life insurance company receives each year.

http://finance.yahoo.com/news/captricity-raises-10m-series-b-113000812.html

EPM and Kodak Alaris trading blows

Finally, **Eastman Park Micrographics** (EPM) has won the latest round in its battle with **Kodak Alaris** over micrographics equipment service. This week, the New York State Supreme Court, Monroe County, granted EPM's request for a preliminary injunction against Kodak Alaris. The order basically prohibits Kodak Alaris from competing against EPM for service contracts related to Imagelink equipment installed in the U.S. and Canada.

In May, EPM filed suit against Kodak Alaris "alleging that Kodak Alaris has breached its obligations to EPM by improperly soliciting business from EPM's micrographics service customers and misappropriating EPM's confidential and proprietary information." EPM is seeking damages upwards of $1 million.

In conjunction with the suit, EPM asked for, and initially received, a temporary restraining order against Kodak Alaris. That order was quickly overturned, but has apparently now been reinstated. "This injunction was requested by EPM to protect our interests while the suit proceeds," Tim Mortenson, VP, Global Operations, told *DIR*.

The bad blood between EPM and Kodak Alaris is related to EPM's acquisition of Imaging 411 [*see DIR 12/20/13*]. Imaging 411 was already in fierce competition for scanner service contracts with Kodak Alaris. In April, EPM announced that the former Imaging 411 would take over all service of EPM's Imagelink micrographics equipment in the U.S. and Canada [*see DIR 4/25/14*].

Prior to the acquisition, this service had been outsourced to Kodak Alaris. Making things even more complicated is the fact that EPM acquired the Imagelink business from Kodak—which is the same place that Kodak Alaris originated. So, Kodak Alaris has a long history with Imagelink, but EPM is now holding all the cards related to sales and service of the equipment—at least in the U.S. and Canada. You see, in May, EPM sold its European, Asian, and Latin American micrographics services business to—you guessed it, Kodak Alaris [*see DIR 5/30/14*]!

For more information:
http://bit.ly/EPMAlarisInjunction

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