ANNUAL REPORT 2015
Notice of 2016 Annual Meeting and Proxy Statement

InterDigital, Inc.

TO OUR SHAREHOLDERS

A MESSAGE FROM OUR CHAIRMAN OF THE BOARD AND OUR CHIEF EXECUTIVE OFFICER

InterDigital has always been about future technologies, and working to help define what the wireless network, architecture and device capabilities of tomorrow will be. Other companies work alongside us, each with their specific areas of expertise.

Our expertise is helping to tie it all together, making it work as a whole. We call it "the living network" and we've been building it for multiple generations of wireless. Today, the network is more alive than it has ever been, serving consumers better than ever. And it continues to grow, expand and evolve, incorporating new technologies and capabilities. As a result, the role that InterDigital plays, and the need for our contributions, is more salient than ever.

In 2015, our technology role was once again at the forefront. We started the year with two world's first demos at Mobile World Congress in Barcelona – one in each primary area of our business: next generation wireless networks (specifically 5G) and the Internet of Things (IoT). We followed that with several announcements regarding our central role in a number of groundbreaking technology development projects related to 5G networks, especially in areas like information-centric networking (ICN) and software-defined networking (SDN). Significantly, we also were awarded a lead role in the oneTRANSPORT smart city project in the UK, an integrated transport initiative based on our oneMPOWER™ platform, which continues to expand in scope. In both future wireless technologies and IoT, our technology footprint continues to grow, and our position at the leading edge is continuously affirmed.

While we focus on future technologies to increase our value, our business model, which involves monetizing the advanced research we have invested in, necessarily means that current value is driven by our past innovations that have been widely adopted by the market. Those innovations, protected by a large patent portfolio, support a licensing program that drove total revenues of $441.4 million in 2015 – 6% more than in 2014 and 36% more than in 2013.

While we're proud of our top-line growth, another key value proposition is the operating leverage in our company, namely driving top line growth with little to no increase in expense. We saw that leverage at work in 2015 as our total revenue increased from 2014 to 2015 while our total operating expenses decreased by $14 million over the same period.

Mapping our technologies onto our revenues is simple. The present is core wireless innovation and our ability to monetize it. The future is both that and the emerging IoT, which we anticipate will layer on top of our current revenues as the IoT begins to grow significantly in coming years. And while, like almost all transformative technologies, the IoT has slightly lagged initial expectations, we feel very strongly that, again like all transformative technologies, it will eventually become pervasive and a tremendous source of value.

To reflect that dual focus, and to drive clarity and accountability in each area, we recently separated each major technology area into its own unit, with dedicated research and development resources and leadership, and specific objectives. Our present, the wireless business, led by Larry Shay, is focused on monetizing our past contributions to mobile technology through licensing connecting devices while ensuring that we stay at the forefront of mobile technology in the run-up to 5G. Our future, the IoT business led by Jim Nolan, is charged with driving penetration of this new, exciting market with the platforms and capabilities that InterDigital has developed along the way. We think both are ideally positioned to succeed and drive our business forward.

On the governance side, 2015 saw Doug Hutcheson assume the role of Chairman of the Board when our outgoing Chairman, Terry Clontz, joined Gil Amelio and Ed Kamins in retiring from the Board of Directors at the end of their terms last June. Terry counted 17 years of board service, and his tenure was marked by business growth and success during a period in the mobile industry that saw many companies go down to defeat as part of the changes our industry has encountered. We are grateful for his service.

These changes were part of a continued transition at the Board level over the last two years. By the end of 2015, the company's average board tenure had been reduced to 7 years, and the Board now brings together former executives from major national and global telecommunications brands like Qualcomm, Nokia, Alcatel-Lucent, Cricket and LSI Corporation. The addition of Phil Trahanas to our Board of Directors in early 2016 adds another strong skillset in technology investment.

Finally, while we continue to work diligently to create value, we also continue to be focused on returning value to shareholders. In 2015, we repurchased more than 1.8 million shares of the company's common stock, and combined with repurchases in 2014 we've bought back over 5 million shares over the last two fiscal years. In first quarter 2016, we continued our stock buyback efforts, and early in the year crossed the threshold of having repurchased more than half the shares of the company that were ever outstanding.

Thank you for your continued support as a shareholder. We remain committed to further innovation and business growth, and building the value of InterDigital.

S. Douglas Hutcheson
Chairman of the Board

William J. Merritt
President and Chief Executive Officer

BUILDING NEW CAPABILITIES THROUGH

LEADERSHIP IN 5G

InterDigital's heritage in mobile technology development goes back to the earliest days of the wireless market, and while the market has expanded and attracted an ever-increasing number of players, our company continues to be at the very forefront of advanced research that will drive the capabilities of the future.

In 2015, InterDigital announced several major advances in research and development related to the future mobile generation. For example, the company demonstrated the world's first WiGig-based millimeter wave mesh backhaul system. Now branded EdgeHaul™, the technology features self-adapting adaptive phased array beamforming operating in spectrum that is expected to be a major component of 5G access and networks.

InterDigital Europe and its project partners made significant progress on three 5G projects that are part of the European Commission's Horizon 2020 research project, POINT (iP Over IcN the betTer IP), RIFE (aRchitecture for an Internet For Everybody) and XHAUL.

The **POINT** project seeks to develop technology, innovations, and business value chains that leverage emerging ICN technology in commercially viable ways. Significant success in the project was achieved in July 2015 when InterDigital announced the first IP-over-ICN-over-SDN demonstration, bringing together several network components that are expected to help underpin 5G.

Project **RIFE** leverages advanced emerging networking technology to address the major societal challenge of providing affordable internet access to those who cannot afford it by solving the technological challenge to increase the efficiency of the underlying transport networks and the involved architectures and protocols.

CREATING THE LIVING NETWORK

A milestone win for 5G Infrastructure Public Private Partnership (5GPPP), **XHAUL** aims to develop a 5G integrated backhaul and fronthaul transport network to flexibly and dynamically interconnect the 5G radio access and core network functions. Ultimately, this will help achieve the very low latency that will characterize the 5G networks of the future.

These efforts layer on top of InterDigital Labs' continued key role in major standards bodies that are driving 5G, including 3GPP and the IEEE and its 802 set of mobile technologies that include Wi-Fi. The company also worked diligently to position itself in various industry 5G efforts around the world. The company's Chief Technology Officer, Dr. B.K. Yi, joined the Board of Directors of the Telecom Industry Association (TIA) in the U.S., and the company's InterDigital Asia Lab in Seoul, South Korea joined the 5G Forum, a Korean 5G industry initiative. The company's 5G success was also highlighted in a research partnership, when the company announced that the scope of the Convida Wireless joint venture with Sony had been expanded to include 5G technology.

IoT : A FOOTHOLD

IN A NEW, POTENTIALLY MASSIVE MARKET

InterDigital's heritage in the IoT literally goes back to the birth of standards-driven approaches for the delivery of IoT capabilities and services. In 2009, the European Telecommunications Standards Institute (ETSI) met for the first time to begin the process of defining standards for machine-to-machine communications, with simple metering as the first and only use case. InterDigital was there. A year later, InterDigital hosted the first meeting to test the interoperability of equipment developed on the nascent ETSI standard, on a company-developed standards-compliant platform.

Today, other standards setting organizations like oneM2M™ and IETF, and other IoT industry consortia like the Industrial Internet Consortium, have taken over the effort to drive standards into the IoT. InterDigital is an active participant in these efforts, and the company's platform, oneMPOWER™, is one of the first fully standards-compliant interoperability platforms in the world, In September 2015, oneMPOWER™ was behind a breakthrough demonstration: the platform was used to drive the first successful public demonstration of the oneM2M™ standard, interconnecting solutions from market leaders like Qualcomm, Cisco, Huawei, KETI and Ricoh, among others.

Based on our platform and capabilities, InterDigital has assumed a leading role in some groundbreaking early initiatives, particularly in the area of smart cities – a key area of the IoT. In August 2015, the company was part of a consortium that was awarded a project to develop a smart city application for integrated transport through Innovate UK.

The project, oneTRANSPORT, is a commercially-focused project centered on key counties in the greater London area. oneTRANSPORT seeks to develop a platform for the integration and monetization of important current transport data, and InterDigital is playing a key role, with its partners, to develop and drive the project and expand it to other counties, municipalities and public authorities in the UK and beyond.

InterDigital is focused on continuing to drive the success of the IoT, whether it's in monetizing existing and new connections (devices need wireless connectivity, which includes Wi-Fi and cellular wireless, to join the IoT), building the market success of oneMPOWER™, oneTRANSPORT and other intelligent transport systems or creating a data exchange for legacy transport data or new data sources through its wot.io™ data service.

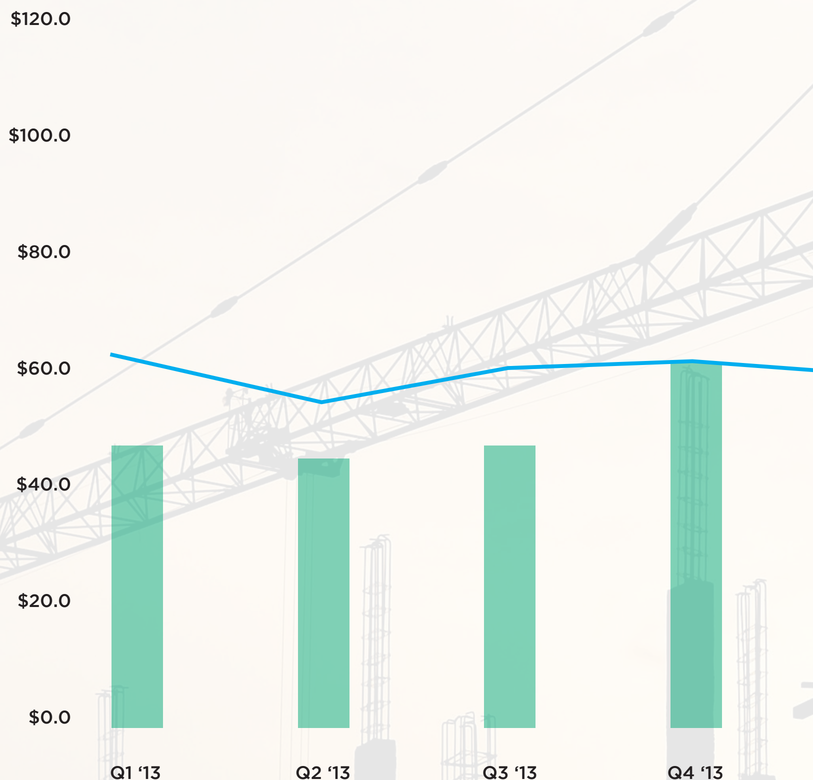
A MODEL THAT DRIVES

OPERATING LEVERAGE

In the 2015 financial year, InterDigital was successful in continuing to grow revenues while maintaining tight control over expenses, highlighting the operating leverage that is a hallmark of our R&D and licensing-based model.

In terms of revenues, our patent license agreement with Samsung, signed in 2014, anchored a licensing program that has seen significant growth based on the success of our per-unit licensees. Indeed, our recurring revenue (comprised of current patent royalties and current technology solutions revenue) of $92.6 million in fourth quarter 2015 represented a $31 million increase from the comparable period in 2013 – a more than 50% increase in quarterly recurring revenue over a two-year period.

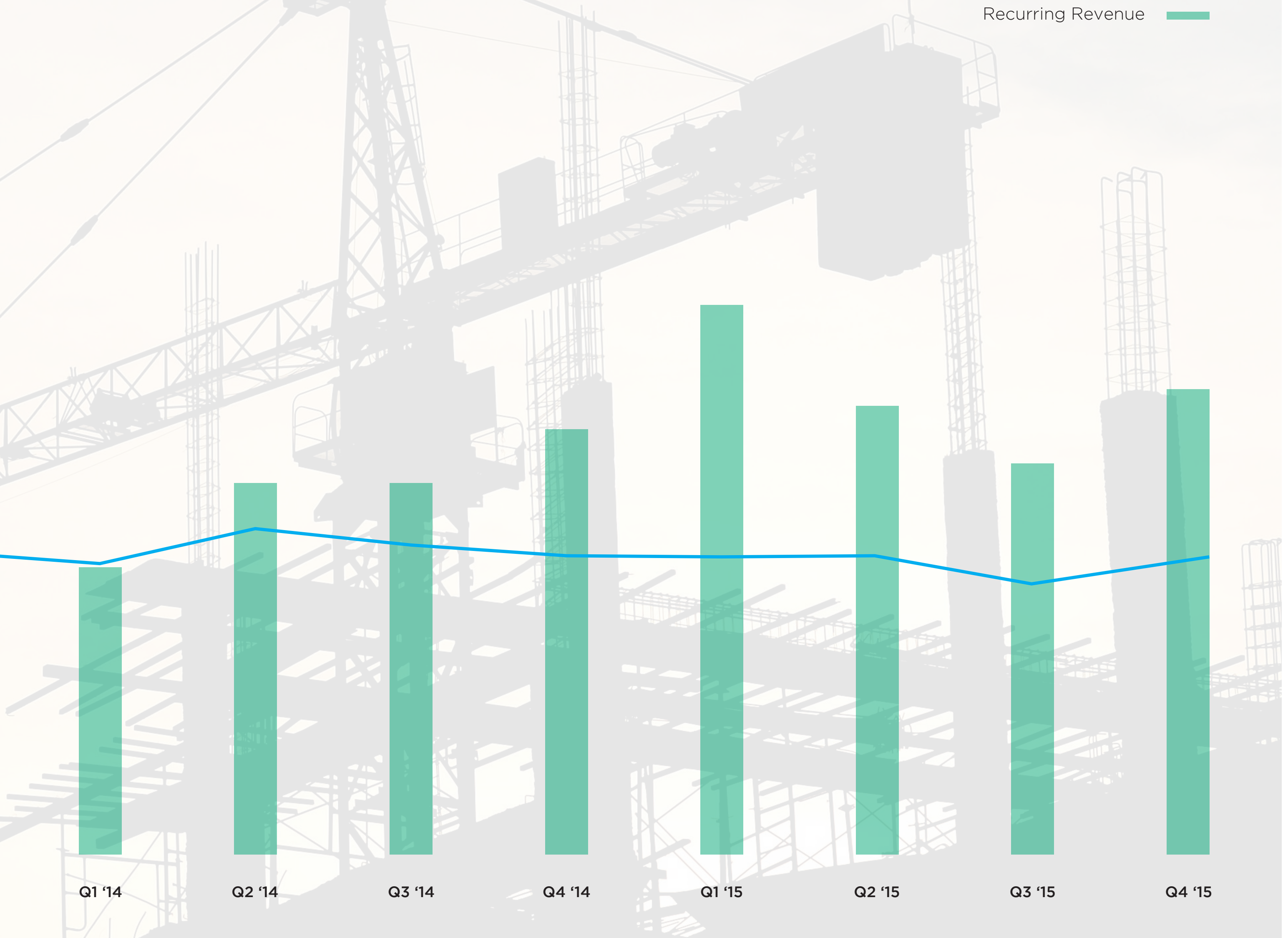
On the expense side, while some expense areas like litigation are more driven by external factors, our total operating expenses have remained within a relatively tight range over the past three years, and actually decreased by $14 million in 2015.



FINANCIAL HIGHLIGHTS

	2013			
Total Revenue	$47.4	$67.7	$110.6	$99.7
Income (Loss) From Operations	(15.1)	12.7	49.1	38.0
Net Income (Loss)	(12.9)	8.6	26.1	13.9
Net Income (Loss) Attributable to InterDigital, Inc.	(12.3)	9.2	26.7	14.6
Net Income (Loss) Per Common Share – Diluted	(0.30)	0.22	0.64	0.35
Total Cash, Cash Equivalents and Short-Term Investments	635.8	769.8	756.8	698.5
Total Assets	1,014.7	1,153.9	1,129.6	1,113.2
Total InterDigital, Inc. Shareholders' Equity	506.3	514.4	542.8	528.7
Total Equity	505.6	518.2	547.3	533.8
Total Recurring Revenue*	**$46.7**	**$43.5**	**$46.5**	**$61.6**
Total Operating Expenses	**$62.4**	**$55.0**	**$61.5**	**$61.7**

*Recurring revenue consists of current patent royalties and current technology solutions revenue.



2014				2015			
$57.9	$194.2	$77.6	$86.1	$110.4	$118.6	$100.4	$112.1
-	128.4	15.3	25.3	51.2	58.6	45.4	53.3
(2.5)	78.1	12.6	13.2	28.3	32.0	23.8	32.3
(1.8)	78.9	13.5	13.8	29.0	32.6	24.5	33.0
(0.05)	1.93	0.34	0.36	0.78	0.89	0.68	0.92
684.6	672.9	732.7	703.9	911.2	907.6	867.4	933.7
1,077.8	1,421.0	1,295.4	1,193.0	1,457.8	1,461.1	1,448.7	1,474.5
523.5	594.1	523.6	468.3	476.4	484.3	486.3	510.5
529.3	600.3	530.2	475.7	484.3	492.8	491.6	521.9
$56.2	**$74.3**	**$73.2**	**$85.1**	**$110.4**	**$91.2**	**$78.6**	**$92.6**
$57.9	**$65.9**	**$62.3**	**$60.8**	**$59.1**	**$60.0**	**$55.0**	**$58.8**

FORWARD-LOOKING STATEMENTS

Statements made in the letter to shareholders and in the introduction to this annual report that relate to our future plans, events, financial results or performance, including, without limitation, statements relating to our beliefs regarding the development and impact of our technologies, the anticipated growth of the IoT and our plans to penetrate the IoT market and drive the success of our IoT business, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current goals, estimates, information, and expectations.

Actual results might differ materially from those anticipated as a result of certain risks and uncertainties, including delays, difficulties, changed strategies, or unanticipated factors affecting the implementation of the company's plans. You should carefully consider the risks and uncertainties outlined in greater detail in the accompanying Form 10-K, including "Item 1A – Risk Factors," before making any investment decision with respect to our common stock. We undertake no obligation to revise or publicly update any forward-looking statement for any reason, except as otherwise required by law.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-33579

INTERDIGITAL, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-1882087**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
200 Bellevue Parkway, Suite 300 Wilmington, Delaware	**19809**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (302) 281-3600

Securities registered pursuant to Section 12(b) of the Act:

Common Stock (par value $0.01 per share)	**NASDAQ Stock Market LLC**
(title of class)	*(name of exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $2,026,553,956 as of June 30, 2015.

The number of shares outstanding of the registrant's common stock was 34,996,183 as of February 16, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with the registrant's 2016 annual meeting of shareholders are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

TABLE OF CONTENTS

	Page
PART I	
ITEM 1. BUSINESS	3
ITEM 1A. RISK FACTORS	13
ITEM 1B. UNRESOLVED STAFF COMMENTS	27
ITEM 2. PROPERTIES	27
ITEM 3. LEGAL PROCEEDINGS	28
ITEM 4. MINE SAFETY DISCLOSURES	41
PART II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	42
ITEM 6. SELECTED FINANCIAL DATA	45
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	46
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	70
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	72
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	121
ITEM 9A. CONTROLS AND PROCEDURES	121
ITEM 9B. OTHER INFORMATION	122
PART III	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	122
ITEM 11. EXECUTIVE COMPENSATION	122
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	122
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	122
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES	122
PART IV	
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	123
SIGNATURES	127

In this Form 10-K, the words "we," "our," "us," "the Company" and "InterDigital" refer to InterDigital, Inc. and/or its subsidiaries, individually and/or collectively, unless otherwise indicated or the context otherwise requires. InterDigital® is a registered trademark of InterDigital, Inc. All other trademarks, service marks and/or trade names appearing in this Form 10-K are the property of their respective holders.

PART I

Item 1. *BUSINESS.*

Overview

InterDigital, Inc. ("InterDigital") designs and develops advanced technologies that enable and enhance wireless communications and capabilities. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of intellectual property to the wireless communications industry.

Given our long history and focus on advanced research and development, InterDigital has one of the most significant patent portfolios in the wireless industry. As of December 31, 2015, InterDigital's wholly owned subsidiaries held a portfolio of approximately 20,400 patents and patent applications related to a range of technologies including the fundamental technologies that enable wireless communications. In that portfolio are a number of patents and patent applications that we believe are or may be essential or may become essential to cellular and other wireless standards, including 3G, 4G and the IEEE 802 suite of standards, as well as patent applications that we believe may become essential to 5G standards that are under development. That portfolio has largely been built through internal development, supplemented by joint development projects with other companies as well as select patent acquisitions. Products incorporating our patented inventions include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; wireless infrastructure equipment, such as base stations; and components, dongles and modules for wireless devices.

InterDigital derives revenues primarily from patent licensing and sales, with contributions from technology solutions licensing and sales and engineering services. In 2015, our total revenues were $441.4 million, an increase of $25.6 million compared to 2014. Our recurring revenues, consisting of current patent royalties and current technology solutions revenue, in 2015 were $372.8 million, an increase of $84.0 million compared to 2014. Additional information about our revenues, profits and assets, as well as additional financial data, is provided in the selected financial data in Part II, Item 6, and in the financial statements and accompanying Notes in Part II, Item 8, of this Form 10-K.

Our Strategy

Our objective is to continue to be a leading designer and developer of technology solutions and intellectual property for the mobile industry and to monetize those solutions and intellectual property through a combination of licensing, sales and other revenue opportunities.

To execute our strategy, we intend to:

- ***Develop and source innovative technologies related to wireless.*** We intend to grow or maintain a leading position in advanced mobile technology, the Internet of Things (IoT) and other related technology areas by leveraging our expertise to guide internal research and development capabilities and direct our efforts in partnering with leading inventors and industry players to source new technologies.
- ***Establish and grow our patent-based revenue.*** We intend to grow our licensing revenue base by adding licensees, expanding into adjacent technology areas that align with our intellectual property position and leveraging the continued growth of the overall mobile technology market. Those licensing efforts can be self-driven or executed in conjunction with licensing partnerships, trusts and other efforts, and may involve the vigorous defense of our intellectual property through litigation and other means. We also believe that our ongoing research efforts and associated patenting activities enable us to sell patent assets that are not vital to our core licensing programs, as well as to execute patent swaps that can strengthen our overall portfolio.

- ***Pursue commercial opportunities for our advanced platforms and solutions.*** We intend to pursue the commercialization of technology platforms and solutions that arise from our research efforts. As part of our ongoing research and development efforts, InterDigital often builds out entire functioning platforms in various technology areas. We seek to bring those technologies, as well as other technologies we may develop or acquire, to market through various methods including technology licensing, stand-alone commercial initiatives, joint ventures and partnerships.
- ***Maintain a collaborative relationship with key industry players and worldwide standards bodies***. We intend to continue contributing to the ongoing process of defining mobile standards and other industry-wide efforts and incorporating our inventions into those technology areas. Those efforts, and the knowledge gained through them, support internal development efforts and also help guide technology and intellectual property sourcing through partners and other external sources.

Technology Research and Development

InterDigital pursues a diversified approach to sourcing the innovations that underpin our business. That approach incorporates internally driven research and development efforts by InterDigital Labs, as well as externally focused efforts by our Innovation Partners unit. Our efforts are guided by our vision of the future of mobile communications — Creating the Living Network™ — which is articulated around the variables of content, context and connectivity, and how the interplay of these elements drives future technology capabilities and needs.

As of December 31, 2015, our patent portfolio consisted of close to 2,200 U.S. patents (approximately 210 of which were issued in 2015) and approximately 10,900 non-U.S. patents (approximately 1,300 of which were issued in 2015). As of the same date, we also had numerous patent applications pending worldwide, with close to 1,200 applications pending in the United States and approximately 6,100 pending non-U.S. applications. The patents and applications comprising our portfolio relate predominantly to digital wireless radiotelephony technology (including, without limitation, 3G and 4G technologies). Issued patents expire at differing times ranging from 2016 through 2034. We operate six research and development facilities in four countries: King of Prussia, PA; Melville, NY; San Diego, CA; Montreal, Canada; London, UK; and Seoul, South Korea.

InterDigital Labs

As an early and ongoing participant in the digital wireless market, InterDigital developed pioneering solutions for the primary cellular air interface technologies in use today, TDMA and CDMA. That early involvement, our continued development of those advanced digital wireless technologies and innovations in OFDM/OFDMA and MIMO technologies have enabled us to create our significant worldwide portfolio of patents. In addition, InterDigital was among the first companies to participate in standardization and platform development efforts related to Machine-to-Machine (M2M) communications and IoT technology. In conjunction with our participation in certain standards bodies, we have filed declarations stating that we have patents that we believe are or may be essential or may become essential to cellular and other wireless standards and that, with respect to our essential patents, we are prepared to grant licenses on fair, reasonable and non-discriminatory terms or similar terms consistent with the requirements of the respective standards organizations.

Our capabilities in the development of advanced mobile technologies are based on the efforts of a highly specialized engineering team, leveraging leading-edge equipment and software platforms. As of December 31, 2015, InterDigital employed approximately 170 engineers, approximately 80% of whom hold advanced degrees (including 57 doctorate degrees). Over the last three years, investment in development has ranged from $64.7 million to $75.3 million, and the largest portion of this expense has been personnel costs. Additional information about our development expenses is provided in the results of operations, under the heading "Operating Expenses," in Part II, Item 7, of this Form 10-K.

Our current research efforts are focused on two main technology areas: cellular wireless technology and IoT technology.

Cellular Wireless Technology

We have a long history of developing cellular technologies, including those related to CDMA and TDMA and, more recently, OFDM/OFDMA and MIMO. A number of our inventions are being used in all 2G, 3G and 4G wireless networks and mobile terminal devices. We led the industry in establishing TDMA-based TIA/EIA/IS-54 as a U.S. digital wireless standard in the 1980s and developed a substantial portfolio of TDMA-based patented inventions. These inventions include or relate to fundamental elements of TDMA-based systems in use around the world. We have also developed and patented innovative CDMA and OFDM/OFDMA technology solutions and today, we hold a significant worldwide portfolio of patents and patent applications for these technologies. Similar to our TDMA inventions, we believe that a number of our CDMA and OFDM/OFDMA inventions are, may be or may become essential to the implementation of CDMA and OFDM/OFDMA-based systems in use today.

We also continue to be engaged in development efforts to build and enhance our technology portfolio in areas including LTE, LTE-Advanced, and emerging 5G technologies for 3GPP. Some of our LTE inventions include or relate to MIMO technologies for reducing interference and increasing data rates; power control; hybrid-ARQ for fast error correction; control channel structures for efficient signaling; multi-carrier operation; low-complexity devices; vehicular-centric communications (V2X); and other areas. We also continue to develop additional technologies in response to existing or perceived challenges of connectivity, many of them within the scope of our efforts to define future generations of wireless including 5G. These include air interface enhancements, policy-driven bandwidth management, cognitive radio and optimized data delivery. We are developing technologies that will enable efficient multimedia content delivery across heterogeneous devices and networks, and creating evolved system architectures that enable operation in small cells and additional frequency bands and improved cell-edge performance as well as device-to-device communications.

Our strong wireless background includes engineering and corporate development activities that focus on solutions that apply to other wireless market segments. These segments primarily fall within the continually expanding scope of the IEEE 802, IETF and ETSI standards. We are building a portfolio of technology related to Wi-Fi, WLAN, WMAN and WRAN that includes, for example, improvements to the IEEE 802.11 PHY and MAC to increase peak data rates, the use of lower frequency bands for IoT and other new use cases such as TV-Whitespace (802.11af) and sub 1 GHz (802.11ah), and fast initial link setup (802.11ai) to enhance hotspot operation (WFA HOTSPOT 2.0).

IoT Technology

In the field of machine-to-machine (M2M) and IoT applications, we are developing technologies to enable seamless interconnection for multiple access types (cellular, WLAN, WPAN) and M2M service frameworks that can be managed by a customer and leveraged by a diverse set of vertical applications. These technologies build on our expertise in developing platforms and contributing technologies towards the advancement of global M2M and IoT standards. As part of, and in addition to, InterDigital's standards-focused development, we have developed two solutions that are being made available commercially.

In 2015, we launched our oneMPOWER™ platform, which enables interoperability and scalability across diverse verticals, networks, and devices. InterDigital's oneMPOWER platform is a secure and scalable horizontal platform that helps businesses launch and manage IoT data and applications. It features a comprehensive suite of application enabling services that span connectivity, device, data, security, and transaction management. Our oneMPOWER platform complies with oneM2M, the global standard for horizontal IoT platforms, and is designed for interoperability across diverse vertical markets, networks, and devices. The solution is based on an

open standard with a long-term features roadmap, which interworks with many existing industry protocols and alliances.

The wot.io™ data service exchange™ for connected device platforms was launched in 2014. The wot.io platform provides a common interface to multiple service providers, allowing companies to monetize IoT data in a simpler fashion via a real-time, low-latency service-oriented architecture.

Other Technology Areas and Sources

Because mobile technology today and into the future encompasses a very broad range of areas, we are also developing a range of technologies in the areas of video compression and delivery, security, analytics, and other areas. Some of those efforts are related to technology standards. In addition, to supplement our own development efforts, our Innovation Partners unit pursues an external sourcing model based around partnerships with leading inventors and research organizations, as well as the acquisition of technology and patent portfolios that align with InterDigital's roadmap. In 2015, in addition to existing relationships with VTT Technical Research Centre of Finland, BIO-key International Inc., McGill University and the Institute for Management Cybernetics (IfU), an elite private research institution in Germany, Innovation Partners added relationships with the Florida Institute for Human and Machine Cognition (IHMC) and igolgi, Inc., a provider of high-quality media transformation solutions.

Our Revenue Sources

Patent-Based Revenue

We believe that companies making, importing, using or selling products compliant with the standards covered by our patent portfolio, including all manufacturers of mobile handsets, tablets and other devices, require a license under our patents and will require licenses under patents that may issue from our pending patent applications. We have successfully entered into license agreements with many of the leading mobile communications companies globally, including Samsung Electronics Co., Ltd. ("Samsung"), Sony Corporation of America ("Sony"), Kyocera Corporation ("Kyocera"), HTC Corporation and BlackBerry Limited, among others.

Most of our patent license agreements are structured on a royalty-bearing basis, while others are structured on a paid-up basis or a combination thereof. Upon entering into a new patent license agreement, the licensee typically agrees to pay consideration for sales made prior to the effective date of the license agreement (i.e., past patent royalties) and also agrees to pay royalties or license fees on licensed products sold during the term of the agreement. We expect that, for the most part, new license agreements will follow this model. Almost all of our patent license agreements provide for the payment of royalties based on sales of licensed products designed to operate in accordance with particular standards (convenience-based licenses), as opposed to the payment of royalties if the manufacture, sale or use of the licensed product infringes one of our patents (infringement-based licenses).

In most cases, we recognize the revenue from per-unit royalties in the period when we receive royalty reports from licensees. In circumstances where we receive consideration for past patent royalties, we recognize such payments as revenue in the period in which the patent license agreement is signed. Some of these patent license agreements provide for the non-refundable prepayment of royalties that are usually made in exchange for prepayment discounts. As the licensee reports sales of covered products, the royalties are calculated and either applied against any prepayment or become payable in cash or other consideration. Additionally, royalties on sales of licensed products under the license agreement become payable or applied against prepayments based on the royalty formula applicable to the particular license agreement. These formulas include flat dollar rates per unit, a percentage of sales, a percentage of sales with a per-unit cap and other similar measures. The formulas can also vary by other factors, including territory, covered standards, quantity and dates sold.

Some of our patent licenses are paid up, requiring no additional payments relating to designated sales under agreed upon conditions. Those conditions can include paid-up licenses for a period of time, for a class of products, for a number of products sold, under certain patents or patent claims, for sales in certain countries or a combination thereof. Licenses have become paid-up based on the payment of fixed amounts or after the payment of royalties for a term. With the exception of amounts allocated to past patent royalties, we recognize revenues related to fixed amounts on a straight-line basis. Our license agreements typically contain provisions that give us the right to audit our licensees' books and records to ensure compliance with the licensees' reporting and payment obligations under those agreements. From time to time, these audits reveal underreporting or underpayments under the applicable agreements. In such cases, we seek payment for the amount owed and enter into negotiations with the licensee to resolve the discrepancy.

In addition, in 2013, InterDigital formed the Signal Trust for Wireless Innovation (the "Signal Trust"). The goal of the Signal Trust is to monetize a large patent portfolio related to cellular infrastructure. More than 500 patents and patent applications were transferred from InterDigital to the Signal Trust, focusing primarily on 3G and LTE technologies and developed by InterDigital's engineers and researchers over more than a decade. A number of these innovations have been contributed to the worldwide standards process, resulting in a portfolio that includes patents for pioneering inventions that we believe are used pervasively in the cellular wireless industry. InterDigital is the primary beneficiary of the Signal Trust. The distributions from the Signal Trust will support continued research related to cellular wireless technologies. A small portion of the proceeds from the Signal Trust will be used to fund, through the Signal Foundation for Wireless Innovation, scholarly analysis of intellectual property rights and the technological, commercial and creative innovations they facilitate.

We also pursue, on occasion, targeted sales of portions of our patent portfolio. This strategy is based on the expectation that our portfolio and continued research efforts extend well beyond the requirements for a successful licensing program. In addition, the strategy leverages the desire from new entrants in the mobile technology space to build strong intellectual property positions to support their businesses.

Other Potential Revenue Sources

Our strong technology expertise and research and development team also form the basis for other potential revenue opportunities, focused around areas such as engineering services, research joint ventures and the continued development, commercialization and licensing of research and development projects that have progressed to a pre-commercial or commercial phase. We also currently recognize revenue from the licensing of technology that has been developed by our engineering teams and is integrated into other companies' technology products.

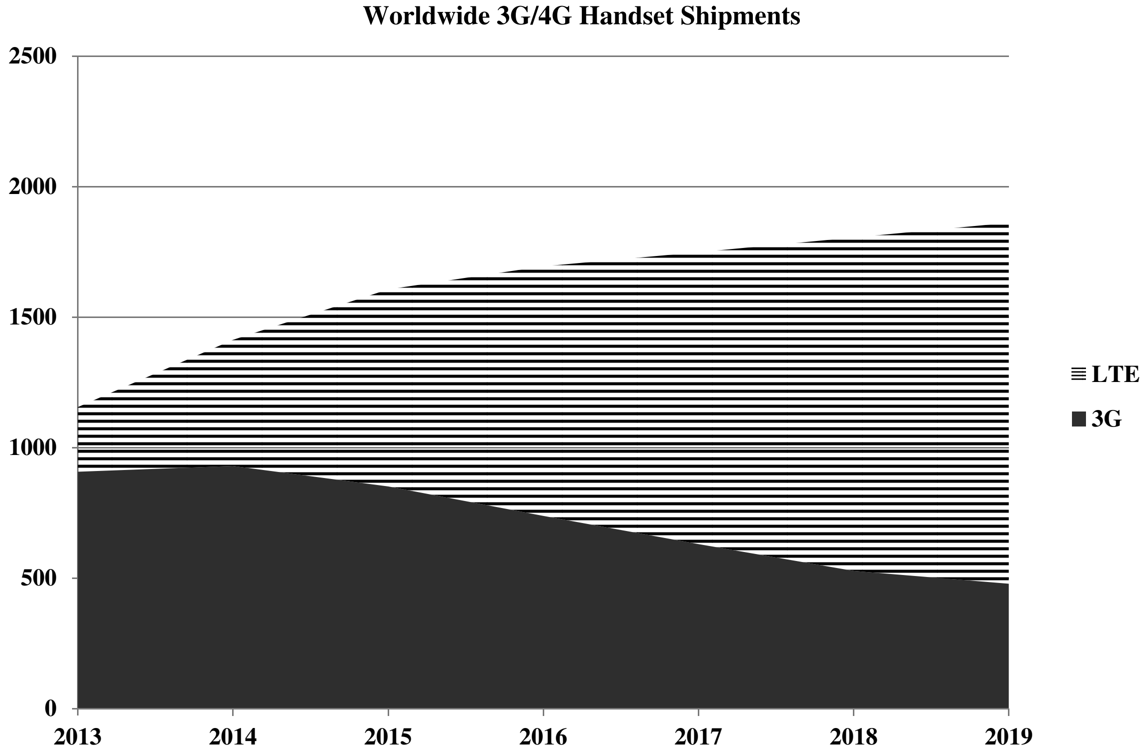
In both its cellular wireless and IoT technology areas, we work to incubate and commercialize market-ready technologies. These include technologies that were developed as part of our standards development efforts, as well as technologies developed outside the scope of those efforts.

In certain cases where we have identified a potential commercial opportunity, we have chosen to establish a separate commercial initiative focused on the specific opportunity and developing commercial products to address the identified need. For example, in 2014, XCellAir, Inc. was established. The XCellAir™ product is a cloud-based, multi-vendor, multi-technology mobile network management and optimization solution that enables mobile network operators, mobile system operators and Internet service providers to manage, optimize and monetize heterogeneous network resources. Although this and similar initiatives are in their early stages, they are potential revenue sources for the Company.

In 2012, we formed of a joint venture with Sony called Convida Wireless. The joint venture combined InterDigital's advanced M2M research capabilities with Sony's consumer electronics expertise with the purpose of driving new research in IoT communications and other connectivity areas. In 2015, this joint venture was renewed, and its focus was expanded to include advanced research and development into 5G and future wireless technologies.

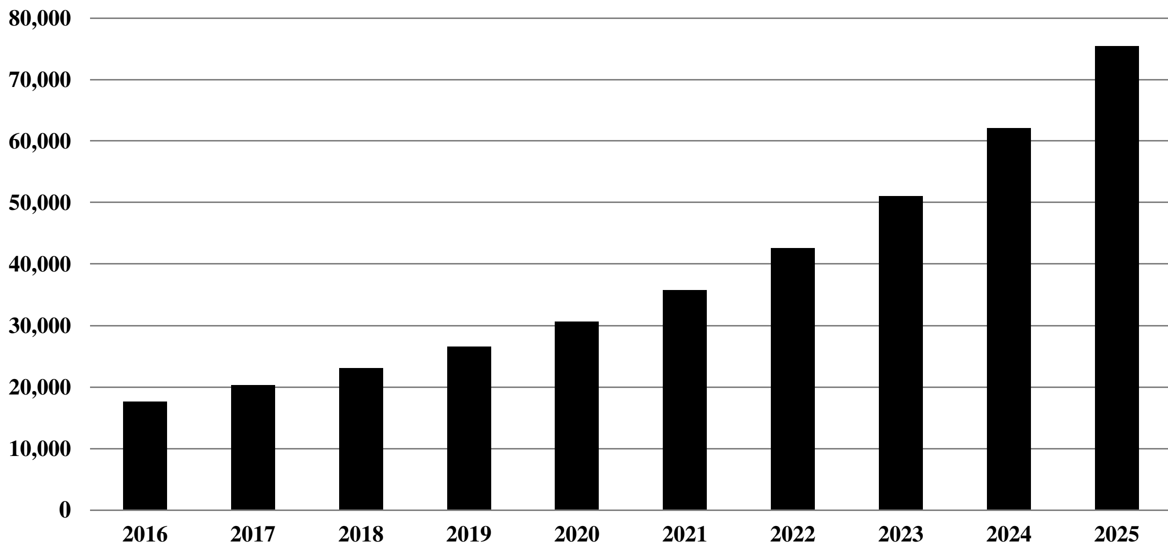
Wireless Communications Industry Overview

The wireless communications industry continues to experience rapid growth worldwide, as well as an expansion of device types entering the market. In smartphones alone, the market continues to see growth, with growth focused on higher-end 4G devices.

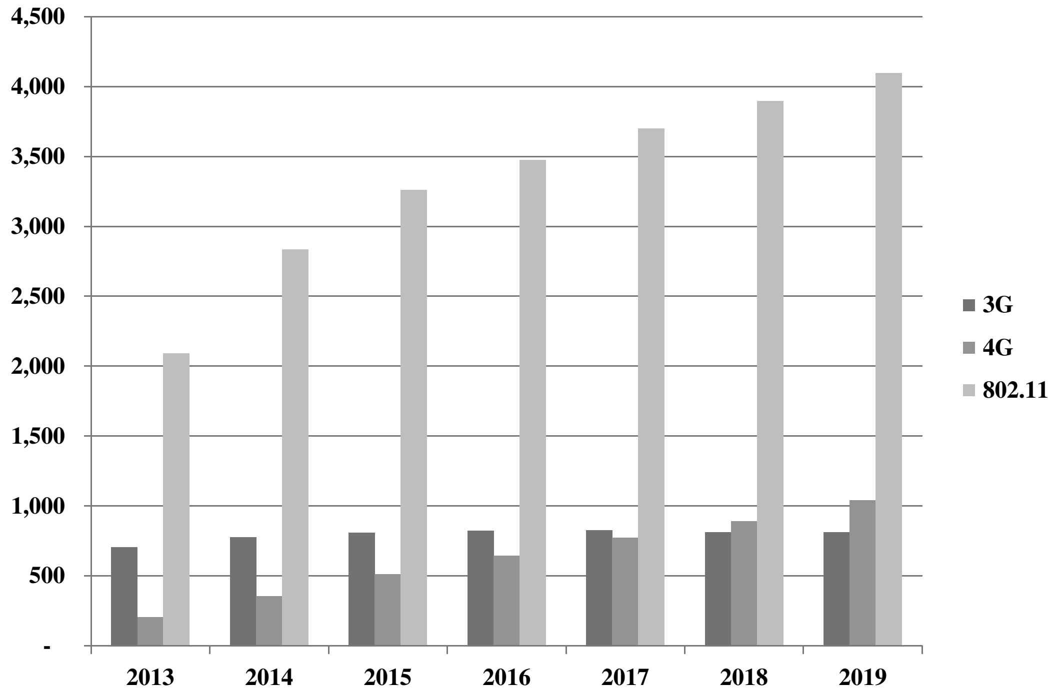


IHS Design Forecast Tool Mobile Handsets - H2 2015 (in millions)

In addition, new markets are emerging related to wireless connectivity. IoT is an important new market in the technology field, which is expected to result in a significant increase in the number of connections, and unlock new business capabilities. IoT is currently in its earliest stages, and estimates vary broadly as far as how many connections it will yield. IHS estimates that the IoT market will grow an installed base of more than 70 billion connected devices by 2025, with total new device shipments reaching more than 20 billion yearly by 2025 and particularly high growth in the automotive, industrial and medical fields. Shipments of 3G, 4G and 802.11 IoT connected devices alone are expected to reach close to 6 billion by 2019.



IHS IoT Connectivity Intelligence Service – Q3 2015 (in millions)



IHS IoT Connectivity Intelligence Service – Q3 2015 (in millions)

To achieve economies of scale and support interoperability among different participants, products for the wireless industry have typically been designed to operate in accordance with certain standards. Wireless communications standards are formal guidelines for engineers, designers, manufacturers and service providers that regulate and define the use of the radio frequency spectrum in conjunction with providing detailed specifications for wireless communications products. A primary goal of the standards is to ensure interoperability of products marketed by multiple companies. A large number of international and regional wireless Standards Development Organizations ("SDOs"), including the ITU, ETSI, TIA (USA), IEEE, ATIS (USA), TTA (Korea), ARIB (Japan) and ANSI, have responsibility for the development and administration of wireless communications standards. New standards are typically adopted with each new generation of products, are often compatible with previous generations and are defined to ensure equipment interoperability and regulatory compliance.

Standards have evolved in response to consumer demand for services and expanded capabilities of mobile devices. Cellular standards have evolved from voice-oriented services to multimedia services that exploit the higher speeds offered by newer technologies, such as LTE. The wireless communications industry has also made significant advances in non-cellular wireless technologies. In particular, IEEE 802.11 WLAN has gained momentum in recent years as a wireless broadband solution in the home, office and select public areas.

SDOs typically ask participating companies to declare formally whether they believe they hold patents or patent applications essential to a particular standard and whether they are willing to license those patents on either a royalty-bearing basis on fair, reasonable and nondiscriminatory terms or on a royalty-free basis. To manufacture, have made, sell, offer to sell or use such products on a non-infringing basis, a manufacturer or other entity doing so must first obtain a license from the holder of essential patent rights. The SDOs do not have enforcement authority against entities that fail to obtain required licenses, nor do they have the ability to protect the intellectual property rights of holders of essential patents.

InterDigital often publicly characterizes aspects of its business, including license agreements and development projects, as pertaining to broad mobile industry standards such as, for example, 3G, 4G and Wi-Fi. In doing this, we generally rely on the positions of the applicable standards-setting organizations in defining the relevant standards. However, the definitions may evolve or change over time, including after we have characterized certain transactions.

Business Activities

2015 Patent Licensing Activity

During third quarter 2015, we entered into a new patent license agreement with Sony (the "new Sony PLA"). In addition, we renewed our joint venture with Sony, Convida Wireless, to continue investments in the development of IoT technologies and expanded it to include development efforts in 5G technologies. The new Sony PLA covers the sale by Sony of covered products for the three-year period that commenced on December 1, 2015. In addition, the new Sony PLA covers Sony's covered product sales that occurred during certain prior periods and that were not covered under our prior agreement with Sony.

During fourth quarter 2015, we entered into a new worldwide, non-exclusive, royalty bearing patent license agreement with Kyocera. The agreement covers Kyocera's sale of certain cellular terminal unit products.

Customers Generating Revenues Exceeding 10% of Total 2015 Revenues

Pegatron Corporation ("Pegatron"), Samsung and Sony comprised approximately 31%, 16% and 14% of our total 2015 revenues, respectively.

In 2008, we entered into a patent license agreement with Pegatron (the "2008 Pegatron PLA") that covers Pegatron and its affiliates. Under the terms of the 2008 Pegatron PLA, we granted Pegatron a non-exclusive, non-

transferable, world-wide royalty-bearing license covering the sale of certain products designed to operate in accordance with 2G and 3G wireless standards ("Licensed Products"). In second quarter and fourth quarter 2013, we received arbitration awards in separate proceedings we initiated against Pegatron and Apple, respectively. Taken together, these arbitration awards clarified that Pegatron owes us royalties on certain products it produces for Apple. The Pegatron arbitration award confirmed that, to the extent that Pegatron manufactures Licensed Products for Apple that are not licensed under our 2007 patent license agreement with Apple (the "2007 Apple PLA"), those products are covered by the 2008 Pegatron PLA and are royalty bearing under that agreement. Upon the expiration of the 2007 Apple PLA at the end of June 2014, Apple has become unlicensed as to all products that were covered under the agreement and therefore all Apple sales are unlicensed, except to the extent certain products are licensed under the terms of our license agreements with certain Apple suppliers, including Pegatron. In 2015, we recognized $137.9 million of revenue under the 2008 Pegatron PLA, all of which was associated with sales of Apple products. We are engaged in a legal dispute with Pegatron, a Taiwan-based company, regarding, among other things, the terms of the 2008 Pegatron PLA, and we are the subject of an investigation by the Taiwan Fair Trade Commission. See Item 3, Legal Proceedings in this Form 10-K for a discussion of these matters.

In second quarter 2014, we entered into a patent license agreement with Samsung. The multi-year agreement also resolved all pending litigation between the companies. The royalty-bearing license agreement sets forth terms covering the sale by Samsung of 3G, 4G and certain future generation wireless products. The agreement provides Samsung the ability to terminate certain rights and obligations under the license for the period after 2017 but has the potential to provide a license to Samsung for a total of ten years, including 2013. During 2015, we recognized $69.0 million of revenue associated with this agreement.

As discussed above, during third quarter 2015, we entered into the new Sony PLA. Our prior fixed-fee patent license agreement with Sony, entered into in fourth quarter 2012, expired at the end of November 2015. During 2015, we recognized a total of $60.1 million of revenue associated with this prior agreement and the new Sony PLA, which included $21.8 million of past sales under the new Sony PLA.

Patent Infringement and Declaratory Judgment Proceedings

From time to time, if we believe any party is required to license our patents in order to manufacture, use and/or sell certain products and such party refuses to do so, we may agree with such party to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators) or, in certain circumstances, we may institute legal action against them. This legal action has typically taken the form of a patent infringement lawsuit or an administrative proceeding such as a Section 337 proceeding before the United States International Trade Commission ("USITC" or the "Commission"). In a patent infringement lawsuit, we would typically seek damages for past infringement and an injunction against future infringement. In a USITC proceeding, we would seek an exclusion order to bar infringing goods from entry into the United States, as well as a cease and desist order to bar further sales of infringing goods that have already been imported into the United States. Parties may bring administrative and/or judicial challenges to the validity, enforceability, essentiality and/or applicability of our patents to their products. Parties may also allege that our efforts to enter into a license with that party do not comply with any obligations we may have in connection with our participation in standards-setting organizations, and therefore that we are not entitled to the relief that we seek. For example, a party may allege that we have not complied with an obligation to offer a license to that party on fair, reasonable and non-discriminatory terms and conditions, and may also file antitrust claims or regulatory complaints on that or other bases, and may seek damages or other relief based on such claims. In addition, a party might file a declaratory judgment action to seek a court's declaration that our patents are invalid, unenforceable, not infringed by the other party's products or are not essential. Our response to such a declaratory judgment action may include claims of infringement. When we include claims of infringement in a patent infringement lawsuit, a favorable ruling for the Company can result in the payment of damages for past patent royalties, the setting of a royalty for future sales or issuance by the court of an injunction enjoining the infringer from manufacturing, using and/or selling the infringing product.

Contractual Arbitration Proceedings

We and our customers, in the normal course of business, may have disagreements as to the rights and obligations of the parties under applicable agreements. For example, we could have a disagreement with a licensee as to the amount of reported sales and royalties. Our license agreements typically provide for audit rights as well as private arbitration as the mechanism for resolving disputes. Arbitration proceedings can be resolved through an award rendered by the arbitrators or by settlement between the parties. Parties to arbitration might have the right to have the award reviewed in a court of competent jurisdiction. However, based on public policy favoring the use of arbitration, it is generally difficult to have arbitration awards vacated or modified. The party securing an arbitration award may seek to have that award converted into a judgment through an enforcement proceeding. The purpose of such a proceeding is to secure a judgment that can be used for, if need be, seizing assets of the other party.

Competition

With respect to our technology development activities, we face competition from companies, including in-house development teams at other wireless device companies and semiconductor companies and wireless operators, developing other and similar technologies that are competitive with our solutions that we may market or set forth into the standards-setting arena.

Due to the exclusionary nature of patent rights, we do not compete, in a traditional sense, with other patent holders for licensing relationships or sale transactions. Other patent holders do not have the same rights to the inventions and technologies encompassed by our patent portfolio. In any device or piece of equipment that contains intellectual property, the manufacturer may need to obtain licenses from multiple holders of intellectual property. In licensing our patent portfolio, we compete with other patent holders for a share of the royalties that certain licensees may argue to be the total royalty that is supported by a certain product or products, which may face practical limitations. We believe that licenses under a number of our patents are required to manufacture and sell 3G, 4G and other wireless products. However, numerous companies also claim that they hold 3G, 4G and other wireless patents that are or may be essential or may become essential to cellular and other wireless standards. To the extent that multiple parties all seek royalties on the same product, the manufacturers could claim to have difficulty in meeting the financial requirements of each patent holder. In the past, certain manufacturers have sought antitrust exemptions to act collectively on a voluntary basis. In addition, certain manufacturers have sought to limit aggregate licensing fees or rates for essential patents. Similarly, potential purchasers of our patents often amass patent portfolios for defensive and/or cross-licensing purposes and could choose to acquire patent assets within the same general technology space from other patent holders.

Employees

As of December 31, 2015, we had approximately 330 employees. None of our employees are represented by a collective bargaining unit.

Geographic Concentrations

See Note 4, "*Geographic/Customer Concentration*," in the Notes to Condensed Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K for financial information about geographic areas for the last three years.

Corporate Information

The ultimate predecessor company of InterDigital, Inc. was incorporated in 1972 under the laws of the Commonwealth of Pennsylvania and conducted its initial public offering in November 1981. Our corporate headquarters and administrative offices are located in Wilmington, Delaware, USA. Our research and technology

development centers are located in the following locations: King of Prussia, Pennsylvania, USA; Melville, New York, USA; San Diego, California, USA; Montreal, Quebec, Canada; London, England, United Kingdom; and Seoul, South Korea.

Our Internet address is *www.interdigital.com,* where, in the "Investors" section*,* we make available, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, certain other reports and filings required to be filed under the Securities Exchange Act of 1934, as amended, and all amendments to those reports or filings as soon as reasonably practicable after such material is electronically filed with or furnished to the United States Securities and Exchange Commission. The information contained on or connected to our website is not incorporated by reference into this Form 10-K.

Item 1A. *RISK FACTORS.*

We face a variety of risks that may affect our business, financial condition, operating results, the trading price of our common stock, or any combination thereof. You should carefully consider the following information and the other information in this Form 10-K in evaluating our business and prospects and before making an investment decision with respect to our common stock. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially and adversely affected. In such an event, the market price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties we describe below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also affect our business.

Risks Related to Our Business

Potential patent and litigation reform legislation, potential USPTO and international patent rule changes, potential legislation affecting mechanisms for patent enforcement and available remedies, and potential changes to the intellectual property rights ("IPR") policies of worldwide standards bodies, as well as rulings in legal proceedings may affect our investments in research and development and our strategies for patent prosecution, licensing and enforcement and could have a material adverse effect on our licensing business as well as our business as a whole.

Potential changes to certain U.S. and international patent laws, rules and regulations may occur in the future, some or all of which may affect our research and development investments, patent prosecution costs, the scope of future patent coverage we secure, remedies that we may be entitled to in patent litigation, and attorneys' fees or other remedies that could be sought against us, and may require us to reevaluate and modify our research and development activities and patent prosecution, licensing and enforcement strategies.

Similarly, legislation designed to reduce the jurisdiction and remedial authority of the USITC has periodically been introduced in Congress. Any potential changes in the law, the IPR policies of standards bodies or other developments that reduce the number of forums available or the type of relief available in such forums (such as injunctive relief), restrict permissible licensing practices (such as our ability to license on a worldwide portfolio basis) or that otherwise cause us to seek alternative forums (such as arbitration or state court), would make it more difficult for us to enforce our patents, whether in adversarial proceedings or in negotiations. Because we have historically depended on the availability of certain forms of legal process to enforce our patents and obtain fair and adequate compensation for our investments in research and development and the unauthorized use of our intellectual property, developments that undermine our ability to do so could have a negative impact on future licensing efforts.

Rulings in our legal proceedings as well as those of third parties may affect our strategies for patent prosecution, licensing and enforcement. For example, in recent years, the United States International Trade Commission (the "USITC") and U.S. courts, including the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit, have taken some actions that have been viewed as unfavorable to patentees, including the Company. Decisions that occur in U.S. or in international forums may change the law applicable to various

patent law issues, such as, for example, patentability, validity, patent exhaustion, patent misuse, remedies, permissible licensing practices, claim construction, and damages, in ways that are detrimental to the abilities of patentees to enforce patents and obtain damages awards.

We continue to monitor and evaluate our strategies for prosecution, licensing and enforcement with regard to these developments; however, any resulting change in such strategies may have an adverse impact on our business and financial condition.

Increased scrutiny by antitrust authorities may affect our strategies for patent prosecution, licensing and enforcement and may increase our costs of doing business and/or lead to monetary fines, penalties or other remedies or sanctions.

Domestic and foreign antitrust authorities have increased their scrutiny of the use of standards-essential patents in the mobile wireless industry, including the enforcement of such patents against competitors. Such scrutiny has resulted in, and may lead to additional, inquiries that may lead to enforcement actions against the Company and/or impact the availability of injunctive and monetary relief, which may adversely affect our strategies for patent prosecution, licensing and enforcement and increase our costs of operation. Such inquiries and/or enforcement actions could result in monetary fines, penalties or other remedies or sanctions that could adversely affect our business and financial condition.

Royalty rates, or other terms, under our patent license agreements could be subject to determination through arbitration or other third party adjudications or regulatory proceedings, and arbitrators or other third party adjudicators or regulators could determine that our patent royalty rates should be at levels lower than our agreed or historical rates or otherwise make determinations resulting in less favorable terms and conditions under our patent license agreements.

Historically, the terms of our patent license agreements, including our royalty rates, have been reached through arms-length bilateral negotiations with our licensees. We could agree, as we did with Huawei pursuant to our December 2013 settlement agreement, to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators) and it is also possible that courts or regulators could decide to set or otherwise determine the fair, reasonable and non-discriminatory ("FRAND") consistency of such terms. Changes to or clarifications of our obligations to be prepared to offer licenses to standards-essential patents on FRAND terms and conditions could require such terms, including our royalty rates, to be determined through third party adjudications. Finally, certain of our current and prospective licensees have already instigated, and others could in the future instigate, legal proceedings or regulatory proceedings requesting third party adjudicators or regulators, such as China's National Development and Reform Commission and Taiwan's Fair Trade Commission, to set FRAND terms and conditions for, or determine the FRAND-consistency of current terms and conditions in, our patent license agreements. To the extent that our patent royalty rates for our patent license agreements are determined through arbitration or other third party adjudications or regulatory proceedings rather than through bilateral negotiations, because such proceedings are inherently unpredictable and uncertain and there are currently few precedents for such determinations, it is possible that royalty rates may be lower than our agreed or historical rates and could also have a negative impact on royalties we are able to obtain from future licensees, which may have an adverse effect on our revenue and cash flow. In addition, to the extent that other terms and conditions for our patent license agreements are determined through such means, such terms and conditions could be less favorable than our historical terms and conditions, which may have an adverse effect on our licensing business.

Challenges relating to our ability to enter into new license agreements could cause our revenue and cash flow to decline.

We face challenges in entering into new patent license agreements. One of the most significant challenges we face is that most potential licensees do not voluntarily seek to enter into license agreements with us before they commence manufacturing and/or selling devices that use our patented inventions. As a result, we must approach companies that are reluctant to take licenses and attempt to establish license agreements with them. The

process of identifying potential users of our inventions and negotiating license agreements with reluctant prospective licensees requires significant time, effort and expense. Once discussions with unlicensed companies have commenced, we face the additional challenges imposed by the significant negotiation issues that arise from time to time. Given these challenges relating to our ability to enter into new license agreements, we cannot assure that all prospective licensees will be identified or, if they are identified, will be persuaded during negotiations to enter into a patent license agreement with us, either at all or on terms acceptable to us, and, as a result, our revenue and cash flow could materially decline. The length of time required to negotiate a license agreement also leads to delays in the receipt of the associated revenue stream, which could also cause our revenue and cash flow to decline.

In addition, as discussed more fully above, we are currently operating in a challenging regulatory and judicial environment, which may, under certain circumstances, lead to delays in the negotiation of and entry into new patent license agreements. Also, as discussed below and in Item 3, Legal Proceedings, in this Form 10-K, we are also currently, and may in the future be, involved in legal proceedings with potential licensees, with whom we do not yet have a patent license agreement. Any such delays in the negotiation or entry into new patent license agreements and receipt of the associated revenue stream could cause our revenue and cash flow to decline.

Setbacks in defending and enforcing our patent rights could cause our revenue and cash flow to decline.

Major telecommunications equipment manufacturers have challenged, and we expect will continue to challenge, the infringement, validity and enforceability of certain of our patents. In some instances, certain of our patent claims could be substantially narrowed or declared invalid, unenforceable, not essential or not infringed. We cannot assure that the validity and enforceability of our patents will be maintained or that our patents will be determined to be applicable to any particular product or standard. Moreover, third parties could attempt to circumvent certain of our patents through design changes. Any significant adverse finding as to the validity, infringement, enforceability or scope of our patents and/or any successful design-around of our patents could result in the loss of patent licensing revenue from existing licensees, through termination or modification of agreements or otherwise, and could substantially impair our ability to secure new patent licensing arrangements, either at all or on beneficial terms.

Our revenues are derived primarily from a limited number of licensees or customers.

We earn a significant amount of our revenues from a limited number of licensees or customers, and we expect that a significant portion of our revenues will continue to come from a limited number of licensees or customers for the foreseeable future. For example, in 2015, Pegatron, Samsung and Sony accounted for approximately 31%, 16% and 14% of our total revenues, respectively. In the event that we are unable to renew one or more of such license agreements upon expiration, our future revenue and cash flow could be materially adversely affected. In addition, in the event that one or more of our significant licensees or customers fail to meet their payment or reporting obligations (for example, due to a credit issue or in connection with a legal dispute or similar proceeding) under their respective license agreements, our future revenue and cash flow could be materially adversely affected. See Item 3, Legal Proceedings, in this Form 10-K for a description of our material legal proceedings. In addition, in the event that there is a material decrease in shipments of licensed products by one of our significant per-unit licensees, such as Pegatron (as a result of a change in the Apple supply chain or otherwise), our revenues from such licensee would significantly decline and our future revenue and cash flow could be materially adversely affected.

Due to the nature of our business, we could continue to be involved in a number of costly litigation, arbitration and administrative proceedings to enforce or defend our intellectual property rights and to defend our licensing practices.

While some companies seek licenses before they commence manufacturing and/or selling devices that use our patented inventions, most do not. Consequently, we approach companies and seek to establish license

agreements for using our inventions. We expend significant time and effort identifying users and potential users of our inventions and negotiating license agreements with companies that may be reluctant to take licenses. However, if we believe that a third party is required to take a license to our patents in order to manufacture, sell, offer for sale, import or use products, we have in the past commenced, and may in the future, commence legal or administrative action against the third party if they refuse to enter into a license agreement with us. In turn, we have faced, and could continue to face, counterclaims and other legal proceedings that challenge the essential nature of our patents, that our patents are invalid, unenforceable or not infringed or that we have not complied with certain commitments to standards-setting organizations (for example, that our royalty rates or other licensing terms and conditions are allegedly other than FRAND). Litigation adversaries have also filed against us, and other third parties may in the future file, validity challenges such as Inter Partes Review proceedings in the USPTO, which can lead to delays of our patent infringement actions as well as potential findings of invalidity.

Litigation may be also required to enforce our intellectual property rights, protect our trade secrets, enforce patent license and confidentiality agreements or determine the validity, enforceability and scope of proprietary rights of others.

Third parties could commence litigation against us seeking to invalidate our patents or obtain a determination that our patents are not infringed, are not essential, are invalid or are unenforceable. In addition, current and prospective licensees have initiated proceedings against us claiming, and others in the future may claim, that we have not complied with our FRAND commitments and/or engaged in anticompetitive licensing activities.

The cost of enforcing and defending our intellectual property and of defending our licensing practices has been and may continue to be significant. As a result, we could be subject to significant legal fees and costs, including the costs and fees of opposing counsel in certain jurisdictions if we are unsuccessful. In addition, litigation, arbitration and administrative proceedings require significant key employee involvement for significant periods of time, which could divert these employees from other business activities.

Setbacks in defending our patent licensing practices could cause our cash flow and revenue to decline and could have an adverse effect on our licensing business.

Adverse decisions in litigation or regulatory actions relating to our licensing practices, including, but not limited to, findings that we have not complied with our FRAND commitments and/or engaged in anticompetitive licensing activities or that any of our license agreements are void or unenforceable, could have an adverse impact on our cash flow and revenue. Regulatory bodies may assess fines in the event of adverse findings, and in court or arbitration proceedings, an adverse decision could lead to a judgment requiring us to pay damages (including the possibility of treble damages for antitrust claims). In addition, to the extent that legal decisions find patent license agreements to be void or unenforceable in whole or in part, that could lead to a decrease in the revenue associated with and cash flow generated by such agreements. Finally, adverse legal decisions related to our licensing practices could have an adverse effect on our ability to enter into to license agreements, which, in turn, could cause our cash flow and revenue to decline.

Royalty rates could decrease for future license agreements due to downward product pricing pressures and competition over a finite pool of patent royalties.

Royalty payments to us under future license agreements could be lower than anticipated. Certain licensees and others in the wireless industry, individually and collectively, are demanding that royalty rates for patents be lower than historic royalty rates. There is also increasing downward pricing pressure on certain wireless products, including handsets, that we believe implement our patented inventions, and some of our royalty rates are tied to the pricing of handsets. In addition, a number of other companies also claim to hold patents that are essential with respect to products for the cellular market. Demands by certain licensees to reduce royalties due to

pricing pressure or the number of patent holders seeking royalties on their cellular technologies, could result in a decrease in the royalty rates we receive for use of our patented inventions, thereby decreasing future revenue and cash flow.

Our plans to broaden our patent-based revenue sources through enhanced intellectual property sourcing, joint ventures, and developing technology in new areas, such as in the IoT space, may not be successful and could materially adversely affect our long-term business, financial condition and operating results.

As part of our business strategy, we are seeking to broaden our patent-based revenue sources through targeted acquisitions, research partnerships, joint ventures and the continued development of new technologies, including relating to IoT. There is no guarantee that we will succeed in acquiring or developing technology and patents or partnering with inventors and research organizations to add new dimensions to our existing portfolio of intellectual property and potentially create new patent licensing programs. Also, our development activities may experience delays, which could reduce our opportunities for patent sales and licensing. In the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

We may engage in acquisitions or other strategic transactions or make investments that could result in significant changes, costs and/or management disruption and fail to enhance shareholder value.

We may acquire companies, businesses, technology and/or intellectual property, enter into joint ventures or other strategic transactions. In addition, we may make investments in other entities by purchasing minority equity interests or corporate bonds/notes in publicly traded or privately held companies. Acquisitions or strategic investments may increase our costs, including but not limited to accounting and legal fees, and may not generate financial returns or result in increased adoption or continued use of our technologies. Most strategic investments entail a high degree of risk and may not become liquid for a period of time, if at all. In some cases, strategic investments may serve as consideration for a license in lieu of cash royalties. In addition, other investments may not generate financial returns or may result in losses due to market volatility, the general level of interest rates and inflation expectations. We could make strategic investments in early-stage companies, which require us to consolidate or record our share of the earnings or losses of those companies. Our share of any such losses may adversely affect our financial results until we exit from or reduce our exposure to these investments.

Achieving the anticipated benefits of acquisitions depends in part upon our ability to integrate the acquired companies, businesses and/or assets in an efficient and effective manner. The integration of acquired companies or businesses may result in significant challenges, including, among others: successfully integrating new employees, technology and/or products; consolidating research and development operations; minimizing the diversion of management's attention from ongoing business matters; and consolidating corporate and administrative infrastructures. As a result, we may be unable to accomplish the integration smoothly or successfully. In addition, we cannot be certain that the integration of acquired companies, businesses, technology and/or intellectual property with our business will result in the realization of the full benefits we anticipate to result from such acquisitions. In addition, any acquired company or business would be subject to its own risks that may or may not be the same as the risks already disclosed herein. We may not derive any commercial value from the acquired technology or intellectual property or from future technologies or products based on the acquired technology and/or intellectual property, and we may be subject to liabilities that are not covered by the indemnification protection we may obtain.

Our plans to expand our revenue sources through commercializing our market-ready technologies and developing new technology with commercial applicability may not be successful and could materially adversely affect our long-term business, financial condition and operating results.

As part of our business strategy, we are seeking to expand our revenue sources through the continued development, commercialization and licensing of technology projects. Our technology development activities

may experience delays, or the markets for our technology solutions may fail to materialize to the extent or at the rate we expect, each of which could reduce our opportunities for technology sales and licensing. In addition, there could be fewer applications for our technology and products than we expect. The development of technology markets also could be affected by general economic conditions, customer buying patterns, timeliness of equipment development, and the availability of capital for, and the high cost of, infrastructure improvements. Additionally, investing in technology development is costly and may require structural changes to the organization that could require additional costs, including without limitation legal and accounting fees. Furthermore, delays or failures to enter into additional partnering relationships to facilitate technology development efforts or delays or failures to enter into technology licensing agreements to secure integration of additional functionality could impair our ability to introduce into the market portions of our technology and resulting products, cause us to miss critical market windows, or decrease our ability to remain competitive. In addition, the commercialization of certain technologies could potentially lead to patent exhaustion or implied license issues that could limit our ability to derive licensing revenue from certain patents under our patent licensing program. In the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

Our investments in new commercial initiatives may not be successful or generate meaningful revenues.

We have invested, and may continue to invest, in new businesses focused on commercializing technology that we have developed, incubated internally and/or acquired. Commercial success depends on many factors, including the demand for the technology, the highly competitive markets for our technology products, regulatory issues associated with such technology products, and effective marketing and licensing or product sales. In addition, our new technology offerings may require robust ecosystems of customers and service providers that may fail to materialize. Further, the establishment and operation of these commercial initiatives requires significant support, including technical, legal and financial resources. It is possible that these commercial initiatives will not be successful and/or will not achieve meaningful revenues for a number of years, if at all. Further, we may attempt to develop technologies or services that we believe we would be able to sell or license commercially using inside or outside technical, legal and financial resources. If our new commercial initiatives are not successful, or are not successful in the timeframe we anticipate, we may incur significant costs, our business may not grow as anticipated and/or our reputation may be harmed. The commercialization of certain technologies could potentially lead to patent exhaustion or implied license issues that could limit our ability to derive licensing revenue from certain patents under our patent licensing program. In the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

Our strategy to diversify our patent-based revenue by pursuing alternative patent licensing arrangements and patent sales may not be successful.

There is no guarantee that we will succeed in our pursuit of select patent licensing arrangements or patent sales, and, if we are successful, there is no guarantee that the revenue and cash flow generated through such patent sales or alternative licensing arrangements (including trust arrangements) will be greater than the revenue and cash flow we would have generated if we had retained and licensed the patents ourselves. In addition, potential licensees may be reluctant to enter into new patent license agreements, and current licensees may be reluctant to renew their agreements, either at all or on terms acceptable to the Company, based on the fact that we have sold portions of our patent portfolio or the belief that we plan to sell or transfer some of the patents we are asking them to license.

Our revenue and cash flow are dependent upon our licensees' sales and market conditions and other factors that are beyond our control or are difficult to forecast.

A significant portion of our licensing revenues are running royalty-based and dependent on sales by our licensees that are outside our control and that could be negatively affected by a variety of factors, including global and/or country-specific economic conditions, country-specific natural disasters impacting licensee

manufacturing and sales, buying patterns of end users, competition for our licensees' products and any decline in the sale prices our licensees receive for their covered products. In addition, our operating results also could be affected by general economic and other conditions that cause a downturn in the market for the licensees of our products or technologies. Our revenue and cash flow also could be affected by (i) the unwillingness of any licensee to satisfy all of their royalty obligations on the terms or within the timeframe we expect, (ii) a decline in the financial condition of any licensee or (iii) the failure of sales to meet market forecasts due to global economic conditions, political instability, natural disasters, competitive technologies or otherwise. It is also difficult to predict the timing, nature and amount of licensing revenue associated with past infringement and new licenses, strategic relationships and the resolution of legal proceedings. The foregoing factors are difficult to forecast and could adversely affect both our quarterly and annual operating results and financial condition. In addition, some of our patent license agreements provide for fixed payments or prepayments that cover our licensees' future sales for a specified period and reduce future cash receipts from those licensees. As a result, our cash flow has historically fluctuated from period to period. Depending upon the payment structure of any new patent license agreements into which we may enter, such cash flow fluctuations may continue in the future.

Our revenue may be affected by the deployment of future-generation wireless standards in place of 3G and 4G technologies or by the need to extend or modify certain existing license agreements to cover subsequently issued patents.

Although we own an evolving portfolio of issued and pending patents related to 3G, 4G and 5G cellular technologies and non-cellular technologies, our patent portfolio licensing program for future-generation wireless standards may not be as successful in generating licensing income as our current licensing programs. Although we continue to participate in worldwide standards bodies and contribute our intellectual property to future-generation wireless standards, our technologies might not be adopted by the relevant standards, we may not be as successful in the licensing of future-generation products as we have been in licensing 3G and 4G products, or we may not achieve a level of royalty revenues on such products that is comparable to that which we have historically received on 3G and 4G products.

The licenses that we grant under our patent license agreements typically only cover products designed to operate in accordance with specified cellular technologies and that were manufactured or deployed or anticipated to be manufactured or deployed at the time of entry into the agreement. Also, we have patent license agreements with licensees that now offer for sale types of products that were not sold by such licensees at the time the patent license agreements were entered into and, thus, are not licensed by us. We do not derive patent licensing revenue from the sale of products by our licensees that are not covered by a patent license agreement. In order to grant a patent license for any such products, we will need to extend or modify our patent license agreements or enter into new license agreements with such licensees. We may not be able to extend or modify these license agreements, or enter into new license agreements, on financial terms acceptable to us, without affecting the other material terms and conditions of our license agreements with such licensees or at all. Further, such extensions, modifications or new license agreements may adversely affect our revenue on the sale of products covered by the license prior to any extension, modification or new license.

We face risks from doing business in international markets.

A significant portion of our licensees, potential licensees and customers are international, and our licensees, potential licensees and customers sell their products to markets throughout the world. Accordingly, we could be subject to the effects of a variety of uncontrollable and changing factors, including, but not limited to: difficulty in protecting our intellectual property in foreign jurisdictions; enforcing contractual commitments in foreign jurisdictions or against foreign corporations; government regulations, tariffs and other applicable trade barriers; biased enforcement of foreign laws and regulations to promote industrial or economic policies at our expense; currency control regulations and variability in the value of the U.S. dollar against foreign currency; social, economic and political instability; natural disasters, acts of terrorism, widespread illness and war; potentially adverse tax consequences; and general delays in remittance of and difficulties collecting non-U.S. payments. In

addition, we also are subject to risks specific to the individual countries in which we and our licensees, potential licensees and customers do business.

We depend on key senior management, engineering, patent and licensing resources.

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel. Our success also depends on our ability to continue to attract, retain and motivate qualified personnel with specialized patent, licensing, engineering and other skills. The market for such talent in our industry is extremely competitive. In particular, competition exists for qualified individuals with expertise in patents and in licensing and with significant engineering experience in cellular and air interface technologies. Our ability to attract and retain qualified personnel could be affected by any adverse decisions in any litigation, arbitration or regulatory proceeding, by our ability to offer competitive cash and equity compensation and work environment conditions and by the geographic location of our various offices. The failure to attract and retain such persons with relevant and appropriate experience could interfere with our ability to enter into new license agreements and undertake additional technology and product development efforts, as well as our ability to meet our strategic objectives.

Our technologies may not be become patented, adopted by wireless standards or widely deployed.

We invest significant resources in the development of advanced technology and related solutions. However, certain of our inventions that we believe will be employed in current and future products, including 4G and beyond, are the subject of patent applications where no patent has been issued to us yet by the relevant patent issuing authorities. There is no assurance that these applications will issue as patents, either at all or with claims that would be required by products in the market currently or in the future. Our investments may not be recoverable or may not result in meaningful revenue if a sufficient number of our technologies are not patented and adopted by the relevant standards or if products based on the technologies in which we invest are not widely deployed. Competing technologies could reduce the opportunities for the adoption or deployment of technologies we develop. If the technologies in which we invest do not become patented or are not adopted by the relevant standards or deployed in the mainstream markets, at all or at the rate or within time periods we expect, or if we are unable to secure partner support for our technologies, our business, financial condition and operating results could be adversely affected.

Concentration and consolidation in the wireless communications industry could adversely affect our business.

There is some concentration among participants in the wireless communications industry, and the industry has experienced consolidation of participants and sales of participants or their businesses, and these trends may continue. For example, in 2015, Samsung, Apple and Huawei collectively accounted for more than 40% of worldwide shipments of 3G and 4G handsets. Any further concentration or sale within the wireless industry among handset providers and/or original design manufacturers ("ODMs") may reduce the number of licensing opportunities or, in some instances, result in the reduction, loss or elimination of existing royalty obligations. In addition, acquisitions of or consolidation among ODMs could cause handset providers who outsource manufacturing to make supply chain changes, which in turn could result in the reduction, loss or elimination of existing royalty obligations (for example, if manufacturing is moved from an ODM with which we have a patent license agreement to an ODM with which we do not). Further, if wireless carriers consolidate with companies that utilize technologies that are competitive with our technologies or that are not covered by our patents, we could lose market opportunities, which could negatively impact our revenues and financial condition.

Changes to our tax assets or liabilities could have an adverse effect on our consolidated financial condition or results of operations.

The calculation of tax assets and liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. We are subject to examinations by the Internal Revenue Service (IRS) and other taxing jurisdictions on various tax matters, including challenges to various positions we

assert in our filings and foreign tax liability and withholding. With our January 1, 2007 adoption of the guidance for accounting for uncertainty in income taxes, certain tax contingencies are recognized when they are determined to be more likely than not to occur. Although we believe we have adequately recorded tax assets and accrued for tax contingencies that meet this criterion, we may not fully recover our tax assets or may be required to pay taxes in excess of the amounts we have accrued. As of December 31, 2015 and 2014, there were certain tax contingencies that did not meet the applicable criteria to record an accrual. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have an adverse effect on our consolidated financial condition or results of operations.

It can be difficult for us to verify royalty amounts owed to us under our licensing agreements, and this may cause us to lose potential revenue.

The standard terms of our license agreements require our licensees to document the sale of licensed products and report this data to us on a quarterly basis. Although our standard license terms give us the right to audit books and records of our licensees to verify this information, audits can be expensive, time consuming, incomplete and subject to dispute. From time to time, we audit certain of our licensees to verify independently the accuracy of the information contained in their royalty reports in an effort to decrease the likelihood that we will not receive the royalty revenues to which we are entitled under the terms of our license agreements, but we cannot give assurances that these audits will be numerous enough and/or effective to that end.

Delays in renewing or an inability to renew existing license agreements could cause our revenue and cash flow to decline.

Many of our license agreements have fixed terms. Although we endeavor to renew license agreements with fixed terms prior to the expiration of the license agreements, due to various factors, including the technology and business needs and competitive positions of our licensees and, at times, reluctance on the part of our licensees to participate in renewal discussions, we may not be able to renegotiate the license agreements on acceptable terms before the expiration of the license agreement, on acceptable terms after the expiration of the license agreement, or at all. If there is a delay in renegotiating and renewing a license agreement prior to its expiration, there could be a gap in time during which we may be unable to recognize revenue from that licensee or we may be forced to renegotiate and renew the license agreement on terms that are more favorable to such licensee, and, as a result, our revenue and cash flow could be materially adversely affected. In addition, if we fail to renegotiate and renew our license agreements at all, we could lose existing licensees, and our revenue and cash flow could be materially adversely affected.

Our industry is subject to rapid technological change, uncertainty and shifting market opportunities.

Our success depends, in part, on our ability to define and keep pace with changes in industry standards, technological developments and varying customer requirements. Changes in industry standards and needs could adversely affect the development of, and demand for, our technology, rendering our technology currently under development obsolete and unmarketable. The patents and applications comprising our portfolio have fixed terms, and, if we fail to anticipate or respond adequately to these changes through the development or acquisition of new patentable inventions, patents or other technology, we could miss a critical market opportunity, reducing or eliminating our ability to capitalize on our patents, technology solutions or both.

The high amount of capital required to obtain radio frequency licenses, deploy and expand wireless networks and obtain new subscribers could slow the growth of the wireless communications industry and adversely affect our business.

Our growth is dependent upon the increased use of wireless communications services that utilize our technology. In order to provide wireless communications services, wireless operators must obtain rights to use specific radio frequencies. The allocation of frequencies is regulated in the United States and other countries throughout the world, and limited spectrum space is allocated to wireless communications services. Industry

growth may be affected by the amount of capital required to obtain licenses to use new frequencies, deploy wireless networks to offer voice and data services, expand wireless networks to grow voice and data services and obtain new subscribers. The significant cost of licenses, wireless networks and subscriber additions may slow the growth of the industry if wireless operators are unable to obtain or service the additional capital necessary to implement or expand advanced wireless networks. The growth of our business could be adversely affected if this occurs.

Market projections and data are forward-looking in nature.

Our strategy is based on our own projections and on analyst, industry observer and expert projections, which are forward-looking in nature and are inherently subject to risks and uncertainties. The validity of their and our assumptions, the timing and scope of wireless markets, economic conditions, customer buying patterns, timeliness of equipment development, pricing of products, growth in wireless telecommunications services that would be delivered on wireless devices and availability of capital for infrastructure improvements could affect these predictions. In addition, market data upon which we rely is based on third party reports that may be inaccurate. The inaccuracy of any of these projections and/or market data could adversely affect our operating results and financial condition.

We face competition from companies developing other or similar technologies.

We face competition from companies developing other and similar technologies that are competitive with our solutions that we may market or set forth into the standards-setting arena. Due to competing solutions, our solutions may not find a viable commercial marketplace or be adopted by the relevant standards. In addition, in licensing our patent portfolio, we may compete with other companies, many of whom also claim to hold essential patents, for a share of the royalties that certain licensees may argue to be the total royalty that is supported by a certain product or products. In any device or piece of equipment that contains intellectual property, the manufacturer may need to obtain a license from multiple holders of intellectual property. To the extent that multiple parties all seek royalties on the same product, the manufacturers could claim to have difficulty in meeting the financial requirements of each patent holder.

Our technology development activities may experience delays.

We may experience technical, financial, resource or other difficulties or delays related to the further development of our technologies. Delays may have adverse financial effects and may allow competitors with comparable technology offerings to gain an advantage over us in the marketplace or in the standards setting arena. There can be no assurance that we will continue to have adequate staffing or that our development efforts will ultimately be successful. Moreover, certain of our technologies have not been fully tested in commercial use, and it is possible that they may not perform as expected. In such cases, our business, financial condition and operating results could be adversely affected, and our ability to secure new licensees and other business opportunities could be diminished.

We rely on relationships with third parties to develop and deploy technology solutions.

Successful exploitation of our technology solutions is partially dependent on the establishment and success of relationships with equipment producers and other industry participants. Delays or failure to enter into licensing or other relationships to facilitate technology development efforts or delays or failure to enter into technology licensing agreements to secure integration of additional functionality could impair our ability to introduce into the market portions of our technology and resulting products, cause us to miss critical market windows or impair our ability to remain competitive.

Our engineering services business could subject us to specific costs and risks that we might fail to manage adequately.

We derive a portion of our revenues from engineering services. Any mismanagement of, or negative development in, a number of areas, including, among others, the perceived value of our intellectual property portfolio, our ability to convince customers of the value of our engineering services and our reputation for performance under our service contracts, could cause our revenues from engineering services to decline, damage our reputation and harm our ability to attract future licensees, which would in turn harm our operating results. If we fail to deliver as required under our service contracts, we could lose revenues and become subject to liability for breach of contract. We need to monitor these services adequately in order to ensure that we do not incur significant expenses without generating corresponding revenues. Our failure to monitor these services adequately may harm our business, financial position, results of operations or cash flows.

Changes in financial accounting standards or policies may affect our reported financial condition or results of operations.

From time to time the Financial Accounting Standards Board (the "FASB") and the SEC change their guidance governing the form and content of our external financial statements. In addition, accounting standard setters and those who interpret U.S. generally accepted accounting principles ("GAAP"), such as the FASB and the SEC may change or even reverse their previous interpretations or positions with regard to how these standards should be applied. A change in accounting principles or their interpretation can have a significant effect on our reported results. In certain cases, we could be required to apply new or revised guidance retroactively or apply existing guidance differently. For example, in May 2014, the FASB and International Accounting Standards Board issued revenue guidance, *Revenue from Contracts with Customers*, that, once adopted by the Company could significantly impact the timing of revenue recognition for new and existing contracts with licensees. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — New Accounting Guidance. This and other potential changes in reporting standards could substantially change our reporting practices in a number of areas, including revenue recognition and recording of assets and liabilities, and affect our reported financial condition or results of operations.

Currency fluctuations could negatively affect future product sales or royalty revenues or increase the U.S. dollar cost of our activities and international strategic investments.

We are exposed to risk from fluctuations in currencies, which may change over time as our business practices evolve, that could impact our operating results, liquidity and financial condition. We operate and invest globally. Adverse movements in currency exchange rates may negatively affect our business due to a number of situations, including the following:

- If the effective price of products sold by our licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for the products could fall, which in turn would reduce our royalty revenues.
- Assets or liabilities of our consolidated subsidiaries may be subject to the effects of currency fluctuations, which may affect our reported earnings. Our exposure to foreign currencies may increase as we expand into new markets.
- Certain of our operating and investing costs, such as foreign patent prosecution, are based in foreign currencies. If these costs are not subject to foreign exchange hedging transactions, strengthening currency values in selected regions could adversely affect our near-term operating expenses, investment costs and cash flows. In addition, continued strengthening of currency values in selected regions over an extended period of time could adversely affect our future operating expenses, investment costs and cash flows.

Our business and operations could suffer in the event of security breaches.

Attempts by others to gain unauthorized access to information technology systems are becoming more sophisticated. These attempts, which in some cases could be related to industrial or other espionage, include covertly introducing malware to computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but, in some cases, we might be unaware of an incident or its magnitude and effects. While we have not identified any material incidents of unauthorized access to date, the theft, unauthorized use or publication of our intellectual property and/or confidential business or personal information could harm our competitive or negotiating positions, reduce the value of our investment in research and development and other strategic initiatives, compromise our patent enforcement strategies or outlook, damage our reputation or otherwise adversely affect our business. In addition, to the extent that any future security breach results in inappropriate disclosure of our employees', licensees', or customers' confidential and /or personal information, we may incur liability or additional costs to remedy any damages caused by such breach. We could also be impacted by existing and proposed laws and regulations, as well as government policies and practices related to cybersecurity, privacy and data protection.

If wireless handsets are perceived to pose health and safety risks, demand for products of our licensees could decrease.

Media reports and certain studies have suggested that radio frequency emissions from wireless handsets may be linked to health concerns, such as brain tumors, other malignancies and genetic damage to blood, and may interfere with electronic medical devices, such as pacemakers, telemetry and delicate medical equipment. Growing concerns over radio frequency emissions, even if unfounded, could discourage the use of wireless handsets and cause a decrease in demand for the products of our licensees. In addition, concerns over safety risks posed by the use of wireless handsets while driving and the effect of any resulting legislation could reduce demand for the products of our licensees.

Risks Relating to Our Common Stock and the Notes

The price of our common stock is volatile and may decline regardless of our operating performance.

Historically, we have had large fluctuations in the price of our common stock, and such fluctuations could continue. From January 3, 2013 to February 17, 2016, the trading price of our common stock has ranged from a low of $26.25 per share to a high of $60.69 per share. The market price for our common stock is volatile and may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC and announcements relating to licensing, technology development, litigation, arbitration and other legal proceedings in which we are involved and intellectual property impacting us or our business;
- announcements concerning strategic transactions, such as commercial initiatives, joint ventures, strategic investments, acquisitions or divestitures;
- financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- changes in financial estimates or ratings by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;
- investor perceptions as to the likelihood of achievement of near-term goals;
- changes in market share of significant licensees;
- changes in operating performance and stock market valuations of other wireless communications companies generally; and
- market conditions or trends in our industry or the economy as a whole.

In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Our increased indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under such indebtedness.

Our total indebtedness as of December 31, 2015 was approximately $546.0 million. This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under our 2.50% Senior Convertible Notes due 2016 (the "2016 Notes) and our 1.50% Senior Convertible Notes due 2020 (the "2020 Notes and, together with the 2016 Notes, the "Notes");
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes.

Our ability to meet our payment and other obligations under the Notes depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot be certain that our business will generate cash flow from operations, or that future borrowings will be available to us, in an amount sufficient to enable us to meet our payment obligations under the Notes and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes, and this default could cause us to be in default on any other currently existing or future outstanding indebtedness.

Our stockholders may not receive the level of dividends provided for in our dividend policy or any dividend at all, and any decrease in or suspension of the dividend could cause our stock price to decline.

Our current dividend policy, contemplates the payment of a regular quarterly cash dividend of $0.20 per share on our outstanding common stock. We expect to continue to pay quarterly cash dividends on our common stock at the rate set forth in our current dividend policy. However, the dividend policy and the payment and timing of future cash dividends under the policy are subject to the final determination each quarter by our Board of Directors that (i) the dividend will be made in compliance with laws applicable to the declaration and payment of cash dividends, including Section 1551(b) of the Pennsylvania Business Corporation Law, and (ii) the policy remains in our best interests, which determination will be based on a number of factors, including our earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by any existing debt, economic conditions and other factors considered relevant by the Board of Directors. Given these considerations, our Board of Directors may increase or decrease the amount of the dividend at any time and may also decide to vary the timing of or suspend or discontinue the payment of cash dividends in the future. Any decrease in the amount of the dividend, or suspension or discontinuance of payment of a dividend, could cause our stock price to decline.

If securities or industry analysts fail to continue publishing research about our business, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

The convertible note hedge transactions and warrant transactions that we entered into in connection with the offering of the Notes may affect the value of the Notes and the market price of our common stock.

In connection with each offering of the Notes, we entered into convertible note hedge transactions with certain financial institutions (the "option counterparties") and sold warrants to the option counterparties. These transactions will be accounted for as an adjustment to our stockholders' equity. The convertible note hedge transactions are expected to reduce the potential equity dilution upon conversion of the Notes. The warrants will have a dilutive effect on our earnings per share to the extent that the market price of our common stock exceeds the applicable strike price of the warrants on any expiration date of the warrants.

In connection with establishing their initial hedge of these transactions, the option counterparties (and/or their affiliates) purchased our common stock in open market transactions and/or privately negotiated transactions and/or entered various cash-settled derivative transactions with respect to our common stock concurrently with, or shortly after, the pricing of the Notes. These activities could have the effect of increasing (or reducing the size of any decrease in) the price of our common stock concurrently with or following the pricing of the Notes. In addition, the option counterparties (and/or their affiliates) may modify their respective hedge positions from time to time (including during any observation period related to a conversion of the Notes) by entering into or unwinding various derivative transactions with respect to our common stock and/or by purchasing or selling our common stock in open market transactions and/ or privately negotiated transactions.

The potential effect, if any, of any of these transactions and activities on the market price of our common stock will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the market price of our common stock.

Future sales or other dilution of our equity could depress the market price of our common stock.

Sales of our common stock in the public market, or the perception that such sales could occur, could negatively impact the market price of our common stock. We also have several institutional stockholders that own significant blocks of our common stock. If one or more of these stockholders were to sell large portions of their holdings in a relatively short time, for liquidity or other reasons, the prevailing market price of our common stock could be negatively affected.

Under certain circumstances, shares of our common stock could be issued upon conversion of the Notes, which would dilute the ownership interest of our existing stockholders. In addition, the issuance of additional common stock, or issuances of securities convertible into or exercisable for our common stock or other equity linked securities, including preferred stock or warrants, would dilute the ownership interest of our common stockholders and could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

Approved stock repurchase programs may not result in a positive return of capital to stockholders.

Our board-approved stock repurchase program may not return value to stockholders because the market price of the stock may decline significantly below the levels at which we repurchased shares of stock. Stock repurchase programs are intended to deliver stockholder value over the long term, but stock price fluctuations can reduce the effectiveness of such programs.

Provisions of the Notes could discourage an acquisition of us by a third party.

Certain provisions of the Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Notes will have the right, at their option, to require us to repurchase all of their Notes or any portion of the principal amount of such Notes in integral multiples of $1,000. We may also be required to issue additional shares upon conversion in the event of certain fundamental change transactions. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that the option counterparties may default under the respective convertible note hedge transactions. Our exposure to the credit risk of the option counterparties is not secured by any collateral. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the convertible note hedge transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in our common stock market price and in volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and dilution with respect to our common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

The accounting method for convertible debt securities, such as the Notes, could have a material adverse effect on our reported financial results.

In May 2008, the FASB, issued ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of convertible debt instruments, such as the Notes, that may be settled partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the fair value of the conversion option of the Notes be reported as a component of stockholders' equity and included in the additional paid-in-capital on our consolidated balance sheet. The value of the conversion option of the Notes will be reported as discount to the Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount (non-cash interest) and the instrument's cash interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

Item 1B. *UNRESOLVED STAFF COMMENTS.*

None.

Item 2. *PROPERTIES.*

Our headquarters are located in Wilmington, Delaware, USA. Our research and development activities are conducted primarily in facilities located in King of Prussia, Pennsylvania, USA; Melville, New York, USA; San Diego, California, USA; and Montreal, Quebec, Canada. During second quarter 2015, we sold our facility in King of Prussia, Pennsylvania, to a third party and entered into a limited leaseback arrangement for a period not to exceed one year. We expect to transfer the personnel and research and development activities currently performed in the King of Prussia, Pennsylvania, facility to a leased facility in Conshohocken, Pennsylvania, in second quarter 2016.

The following table sets forth information with respect to our principal properties:

Location	Approximate Square Feet	Principal Use	Lease Expiration Date
Conshohocken, Pennsylvania	30,300	Administrative office and research space	October 2026*
King of Prussia, Pennsylvania . . .	32,000	Administrative office and research space	May 2016*
Melville, New York	44,800	Administrative office and research space	February 2020
Wilmington, Delaware	36,200	Corporate headquarters	November 2022
Montreal, Quebec	17,300	Office and research space	June 2021
San Diego, California	11,800	Office and research space	April 2018

* As discussed above, we expect to move from the King of Prussia, Pennsylvania, facility to the Conshohocken, Pennsylvania, facility in second quarter 2016.

We are also a party to leases for several smaller spaces, including our offices in London, England, United Kingdom, and Seoul, South Korea that contain office and research space. In addition, we own a building in Washington, District of Columbia, USA, that houses administrative office space.

We believe that the facilities described above are suitable and adequate for our present purposes and our needs in the near future.

Item 3. *LEGAL PROCEEDINGS.*

ARBITRATIONS AND COURT PROCEEDINGS (OTHER THAN DE DISTRICT COURT ACTIONS RELATED TO USITC PROCEEDINGS)

Huawei Arbitration

On December 23, 2013, InterDigital and Huawei agreed to engage in an expedited binding arbitration to resolve their licensing disputes. Pursuant to their agreement, on April 9, 2014, InterDigital and Huawei initiated an arbitration with the International Court of Arbitration of the International Chamber of Commerce (ICC) jointly seeking a determination by an arbitral tribunal of FRAND royalty terms and conditions to be included in a binding worldwide patent license agreement to take effect upon issuance of the arbitration award. An arbitration hearing was held on January 12-16, 2015. On May 26, 2015, the panel convened by the ICC delivered a confidential partial award. The panel convened by the ICC delivered a confidential final award dated July 14, 2015.

On July 9, 2015, InterDigital filed a petition in the District Court for the Southern District of New York for an order confirming the arbitration award (the “New York Proceeding”). On the same day, Huawei filed an action in the Paris Court of Appeal requesting annulment of the arbitration award (the “Paris Proceeding”).

On July 24, 2015, Huawei opposed InterDigital’s petition in the New York Proceeding and filed a motion to stay the New York Proceeding pending the Paris Proceeding. On August 14, 2015, InterDigital amended its petition in the New York Proceeding to take into account the issuance of the arbitration panel’s final award. A hearing in the New York Proceeding was held on February 16, 2016. On February 17, 2016, the judge notified the parties that he had rendered a decision on Huawei’s motion to stay the New York Proceeding, finding that the New York Proceeding should be stayed pending the Paris Proceeding, subject to a requirement that Huawei post suitable security, pursuant to Article VI of the New York Convention, in the amount of the final award, together with interest. The stay is subject to revision should circumstances change, and InterDigital can renew its petition for an order confirming the award after the outcome of the Paris Proceeding is determined.

Huawei filed its brief seeking annulment in the Paris Proceeding on July 24, 2015. A hearing in the Paris Proceeding is scheduled for March 8, 2016.

To date, Huawei has not made any payments under the arbitration award. We will recognize any related revenue in the period in which the amount of revenue is fixed or determinable and collectability is reasonably assured.

Huawei China Proceedings

On February 21, 2012, InterDigital was served with two complaints filed by Huawei Technologies Co., Ltd. in the Shenzhen Intermediate People's Court in China on December 5, 2011. The first complaint named as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, LLC (now InterDigital Communications, Inc.), and alleged that InterDigital had abused its dominant market position in the market for the licensing of essential patents owned by InterDigital by engaging in allegedly unlawful practices, including differentiated pricing, tying and refusal to deal. The second complaint named as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. and alleged that InterDigital had failed to negotiate on FRAND terms with Huawei. Huawei asked the court to determine the FRAND rate for licensing essential Chinese patents to Huawei and also sought compensation for its costs associated with this matter.

On February 4, 2013, the Shenzhen Intermediate People's Court issued rulings in the two proceedings. With respect to the first complaint, the court decided that InterDigital had violated the Chinese Anti-Monopoly Law by (i) making proposals for royalties from Huawei that the court believed were excessive, (ii) tying the licensing of essential patents to the licensing of non-essential patents, (iii) requesting as part of its licensing proposals that Huawei provide a grant-back of certain patent rights to InterDigital and (iv) commencing a USITC action against Huawei while still in discussions with Huawei for a license. Based on these findings, the court ordered InterDigital to cease the alleged excessive pricing and alleged improper bundling of InterDigital's Chinese essential and non-essential patents, and to pay Huawei 20.0 million RMB (approximately $3.2 million) in damages related to attorneys' fees and other charges, without disclosing a factual basis for its determination of damages. The court dismissed Huawei's remaining allegations, including Huawei's claim that InterDigital improperly sought a worldwide license and improperly sought to bundle the licensing of essential patents on multiple generations of technologies. With respect to the second complaint, the court determined that, despite the fact that the FRAND requirement originates from ETSI's Intellectual Property Rights policy, which refers to French law, InterDigital's license offers to Huawei should be evaluated under Chinese law. Under Chinese law, the court concluded that the offers did not comply with FRAND. The court further ruled that the royalties to be paid by Huawei for InterDigital's 2G, 3G and 4G essential Chinese patents under Chinese law should not exceed 0.019% of the actual sales price of each Huawei product.

On March 11, 2013, InterDigital filed notices of appeal with respect to the judgments in both proceedings, seeking reversal of the court's February 4, 2013 rulings. On October 16, 2013, the Guangdong Province High Court issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the second proceeding, and on October 21, 2013, issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the first proceeding.

InterDigital believes that the decisions are seriously flawed both legally and factually. For instance, in determining a purported FRAND rate, the Chinese courts applied an incorrect economic analysis by evaluating InterDigital's lump-sum patent license agreement with Apple in hindsight to posit a running royalty rate. Indeed, the ALJ in USITC Inv. No. 337-TA-800 rejected that type of improper analysis. Moreover, the Chinese courts had an incomplete record and applied incorrect facts, including with respect to InterDigital's now-expired license agreement with Apple, which had been found in an arbitration between InterDigital and Apple to be limited in scope.

On April 14, 2014, InterDigital filed a petition for retrial of the second proceeding with the Chinese Supreme People's Court ("SPC"), seeking dismissal of the judgment or at least a higher, market-based royalty rate for a license to InterDigital's Chinese standards-essential patents ("SEPs"). The petition for retrial argues, for example, that (1) the lower court improperly determined a Chinese FRAND running royalty rate by using as a benchmark the Apple lump sum fixed payment license agreement, and looking in hindsight at the unexpectedly successful sales of Apple iPhones to construct an artificial running royalty rate that neither InterDigital nor Apple could have intended and that would have varied significantly depending on the relative success or failure in hindsight of Apple iPhone sales; (2) the Apple license agreement was also an inappropriate benchmark because its scope of product coverage was significantly limited as compared to the license that the court was considering for Huawei, particularly when there are other more comparable license agreements; and (3) if the appropriate benchmarks had been used, and the court had considered the range of royalties offered by other similarly situated SEP holders in the wireless telecommunications industry, the court would have determined a FRAND royalty that was substantially higher than 0.019%, and would have found, consistent with findings of the ALJ's initial determination in the USITC 337-TA-800 proceeding, that there was no proof that InterDigital's offers to Huawei violated its FRAND commitments.

The SPC held a hearing on October 31, 2014, regarding whether to grant a retrial and requested that both parties provide additional information regarding the facts and legal theories underlying the case. The SPC convened a second hearing on April 1, 2015 regarding whether to grant a retrial. InterDigital continues to provide additional information to the SPC in support of its petition for retrial. If the retrial is granted, the SPC will likely schedule one or more additional hearings before it issues a decision on the merits of the case.

ZTE China Proceedings

On July 10 and 11, 2014, InterDigital was served with two complaints filed by ZTE Corporation in the Shenzhen Intermediate People's Court in China on April 3, 2014. The first complaint names as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, Inc., InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. This complaint alleges that InterDigital has failed to comply with its FRAND obligations for the licensing of its Chinese standards-essential patents. ZTE is asking the court to determine the FRAND rate for licensing InterDigital's standards-essential Chinese patents to ZTE and also seeks compensation for its litigation costs associated with this matter. The second complaint names as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, Inc. This complaint alleges that InterDigital has a dominant market position in China and the United States in the market for the licensing of essential patents owned by InterDigital, and abused its dominant market position in violation of the Chinese Anti-Monopoly Law by engaging in allegedly unlawful practices, including excessively high pricing, tying, discriminatory treatment, and imposing unreasonable trading conditions. ZTE seeks relief in the amount of 20.0 million RMB (approximately $3.1 million based on the exchange rate as of December 31, 2015), an order requiring InterDigital to cease the allegedly unlawful conduct and compensation for its litigation costs associated with this matter.

On August 7, 2014, InterDigital filed petitions challenging the jurisdiction of the Shenzhen Intermediate People's Court to hear the actions. On August 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the anti-monopoly law case. InterDigital filed an appeal of this decision on September 26, 2014. On September 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the FRAND case, and InterDigital filed an appeal of that decision on October 27, 2014. On December 18, 2014, the Guangdong High Court issued decisions on both appeals upholding the Shenzhen Intermediate Court's decisions that it had jurisdiction to hear these cases. On February 10, 2015, InterDigital filed a petition for retrial with the Supreme People's Court regarding its jurisdictional challenges to both cases.

The Shenzhen Court held hearings on the anti-monopoly law case on May 11, 13, 15 and 18, 2015. At the May hearings, ZTE withdrew its claims alleging discriminatory treatment and the imposition of unfair trading conditions and increased its damages claim to 99.8 million RMB (approximately $15.4 million based on the

exchange rate as of December 31, 2015). The Shenzhen Court held hearings in the FRAND case on July 29-31, 2015 and held a second hearing on the anti-monopoly law case on October 12, 2015. It is possible that the court may schedule further hearings in these cases before issuing its decisions.

LG Arbitration

On March 19, 2012, LG Electronics, Inc. filed a demand for arbitration against the Company's wholly owned subsidiaries InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Communications, LLC (now InterDigital Communications, Inc.) with the American Arbitration Association's International Centre for Dispute Resolution ("ICDR"), initiating an arbitration in Washington, D.C. LG sought a declaration that it held a continuing license to certain technology owned by InterDigital under the parties' patent license agreement dated January 1, 2006 (the "2006 LG PLA"). On April 18, 2012, InterDigital filed an Answering Statement objecting to the jurisdiction of the ICDR on the ground that LG's claims are not arbitrable, and denying all claims made by LG in its demand for arbitration. The issue of whether LG's claim to arbitrability is wholly groundless was appealed to the Federal Circuit. On June 7, 2013, the Federal Circuit issued an opinion holding that the USITC erred in terminating USITC Proceeding (337-TA-800) as to LG because "there is no plausible argument that the parties' dispute in this case arose under their patent license agreement" and finding that "LG's assertion of arbitrability was 'wholly groundless.'" The Federal Circuit reversed the USITC's order terminating the USITC proceeding as to LG and remanded to the USITC for further proceedings.

On June 25, 2013, the arbitration tribunal granted the parties' joint request to stay the arbitration pending the exhaustion of all appellate rights from the Federal Circuit's decision. As noted above, LG filed a petition for a writ of certiorari with the U.S. Supreme Court challenging the Federal Circuit's ruling on December 31, 2013, and on April 21, 2014, the Supreme Court granted LG's petition, vacating the underlying Federal Circuit decision and remanding the case to the Federal Circuit with instructions to dismiss the case as moot (in light of InterDigital's decision to terminate the 337-TA-800 investigation as to LG).

On June 9, 2014, the arbitration tribunal lifted the temporary stay at the request of the parties. The arbitration tribunal held an evidentiary hearing on July 20-22, 2015 and a supplemental oral argument on October 19, 2015. On December 29, 2015, the arbitration tribunal issued its final award. Rejecting LG's arguments, the arbitration tribunal found that LG's license with respect to 3G products under the 2006 LG PLA had terminated as of December 31, 2010, at the expiration of the 2006 LG PLA's five-year term, and that only LG's paid-up license with respect to 2G-only products survived the expiration of the term. On February 5, 2016, InterDigital filed a petition in the District Court for the Southern District of New York for an order confirming the arbitration award.

Pegatron Actions

In first quarter 2015, we learned that on or about February 3, 2015, Pegatron Corporation ("Pegatron"), one of our licensees, filed a civil suit in Taiwan Intellectual Property Court against InterDigital, Inc. and certain of its subsidiaries alleging breach of the Taiwan Fair Trade Act (the "Pegatron Taiwan Action"). On May 26, 2015, InterDigital, Inc. received a copy of the civil complaint filed by Pegatron in the Taiwan Intellectual Property Court. The complaint named as defendants InterDigital, Inc. as well as InterDigital's wholly owned subsidiaries InterDigital Technology Corporation and IPR Licensing, Inc. (together, for purposes of this discussion, "InterDigital"). The complaint alleged that InterDigital abused its market power by improperly setting, maintaining or changing the royalties Pegatron is required to pay under their 2008 patent license agreement (the "Pegatron PLA"), and engaging in unreasonable discriminatory treatment and other unfair competition activities in violation of the Taiwan Fair Trade Act. The complaint sought minimum damages in the amount of approximately $52 million, which amount could be expanded during the litigation, and that the court order multiple damages based on its claim that the alleged conduct was intentional. The complaint also sought an order requiring InterDigital to cease enforcing the royalty provisions of the Pegatron PLA, as well as all other conduct that allegedly violates the Fair Trade Act.

On June 5, 2015 InterDigital filed an Arbitration Demand with the American Arbitration Association's International Centre for Dispute Resolution ("ICDR") seeking declaratory relief denying all of the claims in Pegatron's Taiwan Action and for breach of contract. On or about June 10, 2015, InterDigital filed a complaint in the United States District Court for the Northern District of California, San Jose Division (the "CA Northern District Court") seeking a Temporary Restraining Order, Preliminary Injunction, and Permanent Anti-suit Injunction against Pegatron prohibiting Pegatron from prosecuting the Pegatron Taiwan Action. The complaint also seeks specific performance by Pegatron of the dispute resolution procedures set forth in the Pegatron PLA and compelling arbitration of the disputes in the Pegatron Taiwan Action. On June 29, 2015, the court granted InterDigital's motion for a temporary restraining order and preliminary injunction requiring Pegatron to take immediate steps to dismiss the Taiwan Action without prejudice. On July 1, 2015, InterDigital was informed that Pegatron had withdrawn its complaint in the Taiwan Intellectual Property Court and that the case had been dismissed without prejudice.

On August 3, 2015, Pegatron filed an answer and counterclaims to InterDigital's CA Northern District Court complaint. Pegatron accused InterDigital of violating multiple sections of the Taiwan Fair Trade Act, violating Section Two of the Sherman Act, breaching ETSI, IEEE, and ITU contracts, promissory estoppel (pled in the alternative), violating Section 17200 of the California Business & Professions Code, and violating the Delaware Consumer Fraud Act. These counterclaims stem from Pegatron's accusation that InterDigital violated FRAND obligations. As relief, Pegatron seeks a declaration regarding the appropriate FRAND terms and conditions for InterDigital's "declared essential patents," a declaration that InterDigital's standard essential patents are unenforceable due to patent misuse, an order requiring InterDigital to grant Pegatron a license on FRAND terms, an order enjoining InterDigital's alleged ongoing breaches of its FRAND commitments, and damages in the amount of allegedly excess non-FRAND royalties Pegatron has paid to InterDigital, plus interest and treble damages. On August 7, 2015, Pegatron responded to InterDigital's arbitration demand, disputing the arbitrability of Pegatron's claims. On September 24, 2015, InterDigital moved to compel arbitration and dismiss Pegatron's counterclaims or, in the alternative, stay the counterclaims pending the parties' arbitration. Pegatron's opposition to this motion was filed on October 22, 2015, and InterDigital's reply was filed on November 12, 2015. On January 20, 2016, the court granted InterDigital's motion to compel arbitration of Pegatron's counterclaims and to stay the counterclaims pending the arbitrators' determination of their arbitrability. On January 27, 2016, the parties stipulated to stay all remaining aspects of the CA Northern District case pending such an arbitrability determination. On the same day, the court granted the stay and administratively closed the case.

Microsoft Sherman Act Delaware Proceedings

On August 20, 2015, Microsoft Mobile, Inc. and MMO (collectively "Microsoft") filed a complaint in the United States District Court for the District of Delaware against InterDigital, Inc., InterDigital Communications, Inc., InterDigital Technology Corporation, InterDigital Patent Holdings, Inc., InterDigital Holdings, Inc., and IPR Licensing, Inc. The complaint alleges that InterDigital has monopolized relevant markets for 3G and 4G cellular technology in violation of Section 2 of the Sherman Act. As relief, Microsoft seeks declaratory judgments that InterDigital has violated Section 2 of the Sherman Act, that "each of InterDigital's U.S. patents declared by it to be Essential" to the 3G and 4G standards is unenforceable, and that all agreements InterDigital has entered into in furtherance of its alleged unlawful conduct are void. Microsoft also seeks an award of treble damages and the following injunctive relief: requiring InterDigital to grant Microsoft a non-confidential license to its U.S. standards essential patents ("SEPs") on FRAND terms as determined by a court, requiring InterDigital to disclose to Microsoft the terms of its other SEP licenses, preventing InterDigital from enforcing any exclusion orders it might receive with respect to its SEPs, and requiring InterDigital to re-assign any declared SEPs that it has assigned to controlled entities.

On November 4, 2015, InterDigital filed a motion to dismiss and to strike Microsoft's complaint. InterDigital asserts that Microsoft failed to (i) state a Sherman Act claim, (ii) adequately allege the essential elements of monopoly power and exclusionary conduct, (iii) plead its fraud claims with specificity, and (iv) plead any cognizable antitrust injury. InterDigital also claimed that Microsoft's complaint is barred by the *Noerr-Pennington* doctrine and that the court should strike Microsoft's improper prayers for relief and damages arising prior to the applicable statute of limitations. A hearing on this motion is scheduled for March 1, 2016.

REGULATORY PROCEEDINGS

Investigation by Taiwan Fair Trade Commission

On December 6, 2013, InterDigital received notice from the Taiwan Fair Trade Commission ("TFTC") that the TFTC had initiated an investigation to examine alleged anti-competitive behavior under Taiwan's Fair Trade Act (FTA). Companies found to violate the FTA may be ordered to cease and rectify the unlawful conduct, take other necessary corrective action, and/or pay an administrative fine. InterDigital is fully cooperating with the TFTC's investigation.

Investigation by National Development and Reform Commission of China

On September 23, 2013, counsel for InterDigital was informed by China's National Development and Reform Commission ("NDRC") that the NDRC had initiated a formal investigation into whether InterDigital has violated China's Anti-Monopoly Law ("AML") with respect to practices related to the licensing of InterDigital's standards-essential patents to Chinese companies. Companies found to violate the AML may be subject to a cease and desist order, fines and disgorgement of any illegal gains. On March 3, 2014, the Company submitted to NDRC, pursuant to a procedure set out in the AML, a formal application for suspension of the investigation that included proposed commitments by the Company. On May 22, 2014, NDRC formally suspended its investigation of the Company based on the commitments proposed by the Company. The Company's commitments with respect to the licensing of its patent portfolio for wireless mobile standards to Chinese manufacturers of cellular terminal units ("Chinese Manufacturers") are as follows:

1. Whenever InterDigital engages with a Chinese Manufacturer to license InterDigital's patent portfolio for 2G, 3G and 4G wireless mobile standards, InterDigital will offer such Chinese Manufacturer the option of taking a worldwide portfolio license of only its standards-essential wireless patents, and comply with F/RAND principles when negotiating and entering into such licensing agreements with Chinese Manufacturers.
2. As part of its licensing offer, InterDigital will not require that a Chinese Manufacturer agree to a royalty-free, reciprocal cross-license of such Chinese Manufacturer's similarly categorized standards-essential wireless patents.
3. Prior to commencing any action against a Chinese Manufacturer in which InterDigital may seek exclusionary or injunctive relief for the infringement of any of its wireless standards-essential patents, InterDigital will offer such Chinese Manufacturer the option to enter into expedited binding arbitration under fair and reasonable procedures to resolve the royalty rate and other terms of a worldwide license under InterDigital's wireless standards-essential patents. If the Chinese Manufacturer accepts InterDigital's binding arbitration offer or otherwise enters into an agreement with InterDigital on a binding arbitration mechanism, InterDigital will, in accordance with the terms of the arbitration agreement and patent license agreement, refrain from seeking exclusionary or injunctive relief against such company.

The commitments contained in item 3 above will expire five years from the effective date of the suspension of the investigation, or May 22, 2019.

USITC PROCEEDINGS AND RELATED DELAWARE DISTRICT COURT PROCEEDINGS

Nokia and ZTE 2013 USITC Proceeding (337-TA-868) and Related Delaware District Court Proceedings

USITC Proceeding (337-TA-868)

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed a complaint with the United States International Trade Commission (the "USITC" or "Commission") against Samsung Electronics

Co., Ltd., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd., Huawei Device USA, Inc. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-868 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G and 4G wireless devices (including WCDMA-, cdma2000- and LTE-capable mobile phones, USB sticks, mobile hotspots, laptop computers and tablets and components of such devices) that infringe one or more of up to seven of InterDigital's U.S. patents. The complaint also extended to certain WCDMA and cdma2000 devices incorporating Wi-Fi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States infringing 3G or 4G wireless devices (and components), including LTE devices, that are imported by or on behalf of the 337-TA-868 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. Certain of the asserted patents were also asserted against Nokia, Huawei and ZTE in earlier pending USITC proceedings (including the Nokia, Huawei and ZTE 2011 USITC Proceeding (337-TA-800) and the Nokia 2007 USITC Proceeding (337-TA-613), as set forth below) and therefore were not asserted against those 337-TA-868 Respondents in this investigation.

On December 23, 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing disputes (see "Huawei Arbitration" below). Pursuant to the settlement agreement, InterDigital and Huawei moved to dismiss all litigation matters pending between the parties except the action filed by Huawei in China to set a fair, reasonable and non-discriminatory ("FRAND") rate for the licensing of InterDigital's Chinese standards-essential patents (discussed below under "Huawei China Proceedings"), the decision in which InterDigital is permitted to further appeal. As a result, effective February 12, 2014, the Huawei Respondents were terminated from the 337-TA-868 investigation.

From February 10 to February 20, 2014, ALJ Essex presided over the evidentiary hearing in this investigation. The patents in issue in this investigation as of the hearing were U.S. Patent Nos. 7,190,966 (the "'966 patent") and 7,286,847 (the "'847 patent") asserted against ZTE and Samsung, and U.S. Patent No. 7,941,151 (the "'151 patent") asserted against ZTE, Samsung and Nokia.

On June 3, 2014, InterDigital and Samsung filed a joint motion to terminate the investigation as to Samsung on the basis of settlement. The ALJ granted the joint motion by initial determination issued on June 9, 2014, and the USITC determined not to review the initial determination on June 30, 2014.

On June 13, 2014, the ALJ issued an Initial Determination ("ID") in the 337-TA-868 investigation. In the ID, the ALJ found that no violation of Section 337 had occurred in connection with the importation of 3G/4G devices by ZTE or Nokia, on the basis that the accused devices do not infringe asserted claims 1-6, 8-9, 16-21 or 23-24 of the '151 patent, claims 1, 3, 6, 8, 9, or 11 of the '966 patent, or claims 3 or 5 of the '847 patent. The ALJ also found that claim 16 of the '151 patent was invalid as indefinite. Among other determinations, the ALJ further determined that InterDigital did not violate any FRAND obligations, a conclusion also reached by the ALJ in the 337-TA-800 investigation, and that Respondents have engaged in patent "hold out."

On June 30, 2014, InterDigital filed a Petition for Review with the USITC seeking review and reversal of certain of the ALJ's conclusions in the ID. On the same day, Respondents filed a Conditional Petition for Review urging alternative grounds for affirmance of the ID's finding that Section 337 was not violated and a Conditional Petition for Review with respect to FRAND issues.

In June 2014, Microsoft Mobile Oy ("MMO") was added as a respondent in the investigation.

On August 14, 2014, the Commission determined to review in part the June 13, 2014 ID but terminated the investigation with a finding of no violation.

On October 10, 2014, InterDigital filed a petition for review with the Federal Circuit, appealing certain of the adverse determinations in the Commission's August 8, 2014 final determination including those related to the '966 and '847 patents. On June 2, 2015, InterDigital moved to voluntarily dismiss the Federal Circuit appeal, because, even if it were to prevail, it did not believe there would be sufficient time following the court's decision and mandate for the USITC to complete its proceedings on remand such that the accused products would be excluded before the '966 and '847 patents expire in June 2016. The court granted the motion and dismissed the appeal on June 18, 2015.

Related Delaware District Court Proceedings

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed four related district court actions in the United States District Court for the District of Delaware (the "Delaware District Court") against the 337-TA-868 Respondents. These complaints allege that each of the defendants infringes the same patents with respect to the same products alleged in the complaint filed by InterDigital in USITC Proceeding (337-TA-868). The complaints seek permanent injunctions and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs.

On January 24, 2013, Huawei filed its answer and counterclaims to InterDigital's Delaware District Court complaint. Huawei asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered or granted Huawei licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability of the asserted patents. In addition to the declaratory relief specified in its counterclaims, Huawei seeks specific performance of InterDigital's purported contracts with Huawei and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On January 31, 2013, ZTE filed its answer and counterclaims to InterDigital's Delaware District Court complaint; ZTE asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered ZTE licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, ZTE seeks specific performance of InterDigital's purported contracts with ZTE and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On February 28, 2013, Nokia filed its answer and counterclaims to InterDigital's Delaware District Court complaint, and then amended its answer and counterclaims on March 5, 2013. Nokia asserted counterclaims for breach of contract, breach of implied contract, unfair competition under Cal. Bus. & Prof. Code § 17200, equitable estoppel, a declaration setting FRAND terms and conditions, a declaration that InterDigital is estopped from seeking an exclusion order based on its U.S. declared-essential patents, a declaration of patent misuse, a declaration that InterDigital has failed to offer FRAND terms, a declaration that Nokia has an implied license to the asserted patents, and declarations of non-infringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, Nokia seeks an order that InterDigital specifically perform its purported contracts by not seeking a USITC exclusion order for its essential patents and by granting Nokia a license on FRAND terms and conditions, an injunction preventing InterDigital from participating in a USITC investigation based on essential patents, appropriate damages in an amount to be determined, including all attorney's fees and costs spent in participating in all three USITC Investigations (337-TA-868, 337-TA-800 and 337-TA-613), and any other relief as the court may deem just and proper.

On March 13, 2013, InterDigital filed an amended Delaware District Court complaint against Nokia and Samsung, respectively, to assert allegations of infringement of the recently issued '244 patent. On April 1, 2013,

Nokia filed its answer and counterclaims to InterDigital's amended Delaware District Court complaint. On April 24, 2013, Samsung filed its answer and a counterclaim to InterDigital's amended Delaware District Court complaint.

On March 21, 2013, pursuant to stipulation, the Delaware District Court granted InterDigital leave to file an amended complaint against Huawei and ZTE, respectively, to assert allegations of infringement of the '244 patent. On March 22, 2013, Huawei and ZTE filed their respective answers and counterclaims to InterDigital's amended Delaware District Court complaint. On April 9, 2013, InterDigital filed a motion to dismiss Huawei's and ZTE's counterclaims relating to their FRAND allegations. On April 22, 2013, InterDigital filed a motion to dismiss Nokia's counterclaims relating to its FRAND allegations. On July 12, 2013, the Delaware District Court held a hearing on InterDigital's motions to dismiss. By order issued the same day, the Delaware District Court granted InterDigital's motions, dismissing counterclaims for equitable estoppel, implied license, waiver of the right to injunction or exclusionary relief, and violation of California Bus. & Prof. Code § 17200 with prejudice. It further dismissed the counterclaims for breach of contract and declaratory relief related to InterDigital's FRAND commitments with leave to amend.

On August 6, 2013, Huawei, Nokia, and ZTE filed answers and amended counterclaims for breach of contract and for declaratory judgments seeking determination of FRAND terms. The counterclaims also continue to seek declarations of noninfringement, invalidity, and unenforceability. Nokia also continued to assert a counterclaim for a declaration of patent misuse. On August 30, 2013, InterDigital filed a motion to dismiss the declaratory judgment counterclaims relating to the request for determination of FRAND terms. On May 28, 2014, the court granted InterDigital's motion and dismissed defendants' FRAND-related declaratory judgment counterclaims, ruling that such declaratory judgments would serve no useful purpose.

On December 30, 2013, InterDigital and Huawei filed a stipulation of dismissal on account of the confidential settlement agreement and agreement to arbitrate their disputes in this action. On the same day, the Delaware District Court granted the stipulation of dismissal.

On February 11, 2014, the Delaware District Court judge entered an InterDigital, Nokia, and ZTE stipulated Amended Scheduling Order that bifurcated issues relating to damages, FRAND-related affirmative defenses, and any FRAND-related counterclaims.

On August 28, 2014, the court granted in part a motion by InterDigital for summary judgment that the asserted '151 patent is not unenforceable by reason of inequitable conduct, holding that only one of the references forming the basis of defendants' allegations would remain in issue, and granted a motion by InterDigital for summary judgment that the asserted claims of the '966 and '847 patents are not invalid for lack of enablement.

On August 5, 2014, InterDigital and Samsung filed a stipulation of dismissal in light of the parties' settlement agreement. On the same day, the court granted the stipulation of dismissal and dismissed the action with prejudice.

By order dated August 28, 2014, MMO was joined in the case as a defendant.

The ZTE trial addressing infringement and validity of the '966, '847, '244 and '151 patents was held from October 20 to October 27, 2014. During the trial, the judge determined that further construction of certain claim language of the '151 patent was required, and the judge decided to hold another trial as to ZTE's infringement of the '151 patent at a later date. On October 28, 2014, the jury returned a unanimous verdict in favor of InterDigital, finding that the '966, '847 and '244 patents are all valid and infringed by ZTE 3G and 4G cellular devices. The court issued formal judgment to this effect on October 29, 2014.

On November 26, 2014, ZTE filed a motion for judgment as a matter of law that the asserted claims of the '966, '847 and '244 patents are not infringed and, in the alternative, for a new trial. InterDigital filed an

opposition on December 15, 2014, and ZTE filed a reply on January 7, 2015. The motion is fully briefed and remains pending.

The ZTE trial addressing infringement of the ’151 patent was held from April 20 to April 22, 2015. On April 22, 2015, the jury returned a verdict in favor of ZTE, finding that the ‘151 patent is not infringed by ZTE 3G and 4G cellular devices.

On April 23, 2015, InterDigital filed a motion to partially dismiss its complaint pertaining to the ‘151 patent against Nokia and MMO, as well as Nokia and MMO’s counterclaims that relate to the ‘151 patent (including inequitable conduct), and on April 27, 2015, the judge granted the motion.

On April 27, 2015, the court ruled that Nokia Corporation should be severed for a separate trial addressing infringement of the ’244 patent.

On May 5, 2015, the court scheduled the Nokia Inc./MMO jury trial addressing infringement of the ’244 patent for November 16, 2015. On May 29, 2015, the court entered a new scheduling order for damages and FRAND-related issues due to changes in the schedule of the liability portion of the MMO proceedings, scheduling trials related to damages and FRAND-related issues for October 2016 with ZTE and November 2016 with MMO.

On September 14, 2015, a panel of Administrative Law Judges of the United States Patent and Trademark Office Patent Trial and Appeal Board (the “PTAB”) issued a final written decision in two Inter Partes Review (“IPR”) cases concerning the ’244 patent. These IPR proceedings were commenced on petitions filed by ZTE Corporation and ZTE (USA) Inc. and by Microsoft Corporation, respectively. Specifically, the panel determined that a number of claims of the ’244 patent are unpatentable as obvious. IPR Licensing, Inc. appealed to the U.S. Court of Appeals for the Federal Circuit seeking review of the PTAB’s decision. The appeals are pending. On October 13, 2015, by stipulation of the parties, the Delaware District Court stayed the action involving MMO and Nokia Inc., including the November 2015 and November 2016 trials concerning infringement of the ‘244 patent and damages and FRAND-related issues, respectively, pending completion of the IPR, including all appeals and subsequent proceedings before the PTAB. This stay is with respect to MMO and Nokia Inc. only, and does not apply to the Delaware action pending against ZTE.

On May 12, 2015, Nokia/MMO moved for summary judgment of non-infringement of the ’244 patent, alleging that the accused devices do not practice a particular claim element of the ’244 patent. On June 2, 2015, InterDigital opposed Nokia/MMO’s motion, and filed a cross-motion for partial summary judgment that the accused devices infringe the claim element at issue in Nokia/MMO’s motion for summary judgment. On October 13, 2015, the Delaware District Court denied the pending summary judgment cross-motions without prejudice in light of the stay discussed above, indicating that the motions could be considered refiled if and when the stay is lifted if either party requests it.

On December 21, 2015, the court entered another scheduling order that vacated the October 2016 date for the ZTE trial related to damages and FRAND-related issues as set forth in the May 2015 scheduling order. The parties will discuss a new schedule for the ZTE FRAND-related issues in a joint status report in March 2016.

Nokia and ZTE 2011 USITC Proceeding (337-TA-800) and Related Delaware District Court Proceeding

USITC Proceeding (337-TA-800)

On July 26, 2011, InterDigital’s wholly owned subsidiaries InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Technology Corporation and IPR Licensing, Inc. filed a complaint with the USITC against Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc.

(collectively, the "337-TA-800 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G wireless devices (including WCDMA- and cdma2000-capable mobile phones, USB sticks, mobile hotspots and tablets and components of such devices) that infringe several of InterDigital's U.S. patents. The action also extended to certain WCDMA and cdma2000 devices incorporating WiFi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States any infringing 3G wireless devices (and components) that are imported by or on behalf of the 337-TA-800 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. In May 2012, Huawei Device USA, Inc. was added as a 337-TA-800 Respondent.

The ALJ held an evidentiary hearing from February 12-21, 2013. The patents in issue as of the hearing were U.S. Patent Nos. 8,009,636 (the "'636 patent"), 7,706, 830 (the "'830 patent"), 7,502,406 (the "'406 patent"), 7,616,970 (the "'970 patent"), 7,706,332 (the "'332 patent"), 7,536,013 (the "'013 patent") and 7,970,127 (the "'127 patent"). The ALJ's Initial Determination ("ID") issued on June 28, 2013, finding no violation because the asserted patents were not infringed and/or invalid. Among other determinations, with respect to the 337-TA-800 Respondents' FRAND and other equitable defenses, the ALJ found that Respondents had failed to prove either that InterDigital violated any FRAND obligations, that InterDigital failed to negotiate in good faith, or that InterDigital's licensing offers were discriminatory. The ALJ also found that InterDigital is not precluded from seeking injunctive relief based on any alleged FRAND commitments.

Petitions for review of the ID to the Commission were filed by InterDigital and the 337-TA-800 Respondents on July 15, 2013. On September 4, 2013, the Commission determined to review the ID in its entirety.

On December 19, 2013, the Commission issued its final determination. The Commission adopted, with some modification, the ALJ's finding of no violation of Section 337 as to Nokia, Huawei, and ZTE. The Commission did not rule on any other issue, including FRAND and domestic industry, and stated that all other issues remain under review.

On December 20, 2013, InterDigital filed in the Federal Circuit a petition for review seeking reversal of the Commission's final determination. On February 18, 2015, the Federal Circuit issued a decision affirming the USITC's determinations that the claims of the '830, '636, '406 and '332 patents were not infringed, that the claims of the '970 patent are invalid, and that the Respondents did not violate Section 337. On April 6, 2015, InterDigital filed a combined petition for panel rehearing and rehearing e*n banc* as to the '830 and '636 patents. The petition was denied on May 12, 2015, and the court's mandate issued on May 19, 2015.

Related Delaware District Court Proceeding

On July 26, 2011, the same date that InterDigital filed USITC Proceeding (337-TA-800), it filed a parallel action in the United States District Court for the District of Delaware against the 337-TA-800 Respondents alleging infringement of the same asserted patents identified in USITC Proceeding (337-TA-800). The Delaware District Court complaint seeks a permanent injunction and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs. On September 23, 2011, the defendants in the Delaware District Court complaint filed a motion to stay the Delaware District Court action pending the parallel proceedings in the USITC. Because the USITC has instituted USITC Proceeding (337-TA-800), the defendants have a statutory right to a mandatory stay of the Delaware District Court proceeding pending a final determination in the USITC. On October 3, 2011, InterDigital amended the Delaware District Court complaint, adding LG as a defendant and adding the same additional patent that InterDigital requested be added to USITC Proceeding (337-TA-800). On October 11, 2011, the Delaware District Court granted the defendants' motion to stay. The case is currently stayed through March 16, 2016.

On January 14, 2014, InterDigital and Huawei filed a stipulation of dismissal of their disputes in this action on account of the confidential settlement agreement mentioned above. On the same day, the Delaware District Court granted the stipulation of dismissal.

Nokia 2007 USITC Proceeding (337-TA-613), Related Delaware District Court Proceeding and Federal Circuit Appeal

USITC Proceeding (337-TA-613)

In August 2007, InterDigital filed a USITC complaint against Nokia Corporation and Nokia, Inc., alleging a violation of Section 337 of the Tariff Act of 1930 in that Nokia engaged in an unfair trade practice by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G mobile handsets and components that infringe two of InterDigital's patents. In November and December 2007, a third patent and a fourth patent were added to the Company's complaint against Nokia. The complaint sought an exclusion order barring from entry into the United States infringing 3G mobile handsets and components that are imported by or on behalf of Nokia. InterDigital's complaint also sought a cease-and-desist order to bar further sales of infringing Nokia products that have already been imported into the United States.

On August 14, 2009, the ALJ overseeing USITC Proceeding (337-TA-613) issued an Initial Determination finding no violation of Section 337 of the Tariff Act of 1930. The Initial Determination found that InterDigital's patents were valid and enforceable, but that Nokia did not infringe these patents. In the event that a Section 337 violation were to be found by the Commission, the ALJ recommended the issuance of a limited exclusion order barring entry into the United States of infringing Nokia 3G WCDMA handsets and components, as well as the issuance of appropriate cease-and-desist orders.

On October 16, 2009, the Commission issued a notice that it had determined to review in part the Initial Determination, and that it affirmed the ALJ's determination of no violation and terminated the investigation. The Commission determined to review the claim construction of the patent claim terms "synchronize" and "access signal" and also determined to review the ALJ's validity determinations. On review, the Commission modified the ALJ's claim construction of "access signal" and took no position with regard to the claim term "synchronize" or the validity determinations. The Commission determined not to review the remaining issues decided in the Initial Determination.

On November 30, 2009, InterDigital filed with the Federal Circuit a petition for review of certain rulings by the USITC. In its appeal, InterDigital sought reversal of the Commission's claim constructions and non-infringement findings with respect to certain claim terms in the '966 and '847 patents, vacatur of the Commission's determination of no Section 337 violation and a remand for further proceedings before the Commission. On August 1, 2012, the Federal Circuit issued its decision in the appeal, holding that the Commission had erred in interpreting the claim terms at issue and reversing the Commission's finding of non-infringement. The Federal Circuit adopted InterDigital's interpretation of such claim terms and remanded the case back to the Commission for further proceedings. In addition, the Federal Circuit rejected Nokia's argument that InterDigital did not satisfy the domestic industry requirement. On September 17, 2012, Nokia filed a combined petition for rehearing by the panel or en banc with the Federal Circuit. On January 10, 2013, the Federal Circuit denied Nokia's petition.

On January 17, 2013, the Federal Circuit issued its mandate remanding USITC Proceeding (337-TA-613) to the Commission for further proceedings. On February 12, 2014, the Commission issued a notice, order and opinion remanding the investigation to an ALJ. In doing so, the Commission determined certain issues and identified others that would be subject to further proceedings by the ALJ. The Commission assigned the investigation to an ALJ for limited remand proceedings consistent with its February 12, 2014 opinion.

In June 2014, MMO was added as a respondent in the investigation.

The evidentiary hearing in the remand proceeding was held January 26—28, 2015. On April 27, 2015, the ALJ issued his Remand Initial Determination ("RID"). The ALJ found that the imported accused handsets (1) contain chips that were not previously adjudicated and (2) infringe the asserted claims of the '966 and '847 patents, that there was no evidence of patent hold-up by InterDigital, that there is evidence of reverse hold-up by the respondents, and that the public interest does not preclude issuance of an exclusion order.

On May 11, 2015, Nokia Corporation and MMO each filed petitions to the Commission to review the RID. On June 25, 2015, the Commission issued a notice of its decision to review the RID in part. The Commission determined to review the RID's findings concerning the application of the Commission's prior construction of one claim limitation in Investigation Nos. 337-TA-800 and 337-TA-868, the RID's findings as to whether the accused products satisfy that claim limitation, and the RID's public interest findings. The Commission issued its final determination on August 28, 2015, finding that issue preclusion applied with respect to the construction of the claim limitations at issue, and issue preclusion also required a finding of non-infringement. The Commission determined there was no violation of Section 337 and terminated the 337-TA-613 investigation. The Commission found that consideration of the public interest issues was moot and did not address them.

Related Delaware District Court Proceeding

In addition, in August 2007, on the same date as the filing of USITC Proceeding (337-TA-613), InterDigital also filed a complaint in the Delaware District Court alleging that Nokia's 3G mobile handsets and components infringe the same two InterDigital patents identified in the original USITC complaint. The complaint seeks a permanent injunction and damages in an amount to be determined. This Delaware action was stayed on January 10, 2008, pursuant to the mandatory, statutory stay of parallel district court proceedings at the request of a respondent in a USITC investigation. The Delaware District Court permitted InterDigital to add to the stayed Delaware action the third and fourth patents InterDigital asserted against Nokia in the USITC action.

Nokia Delaware Proceeding

In January 2005, Nokia filed a complaint in the Delaware District Court against InterDigital Communications Corporation (now InterDigital, Inc.) and its wholly owned subsidiary InterDigital Technology Corporation, alleging that InterDigital has used false or misleading descriptions or representations regarding the Company's patents' scope, validity and applicability to products built to comply with 3G standards (the "Nokia Delaware Proceeding"). Nokia's amended complaint seeks declaratory relief, injunctive relief and damages, including punitive damages, in an amount to be determined. InterDigital subsequently filed counterclaims based on Nokia's licensing activities as well as Nokia's false or misleading descriptions or representations regarding Nokia's 3G patents and Nokia's undisclosed funding and direction of an allegedly independent study of the essentiality of 3G patents. InterDigital's counterclaims seek injunctive relief as well as damages, including punitive damages, in an amount to be determined.

On December 10, 2007, pursuant to a joint request by the parties, the Delaware District Court entered an order staying the proceedings pending the full and final resolution of USITC Proceeding (337-TA-613). Specifically, the full and final resolution of USITC Proceeding (337-TA-613) includes any initial or final determinations of the ALJ overseeing the proceeding, the USITC and any appeals therefrom and any remand proceedings thereafter. Pursuant to the order, the parties and their affiliates are generally prohibited from initiating against the other parties, in any forum, any claims or counterclaims that are the same as the claims and counterclaims pending in the Nokia Delaware Proceeding, and should any of the same or similar claims or counterclaims be initiated by a party, the other parties may seek dissolution of the stay.

On November 24, 2015, InterDigital and Nokia voluntarily dismissed this case without prejudice to either party.

Nokia Arbitration Concerning Presentations

In November 2006, InterDigital Communications Corporation (now InterDigital, Inc.) and its wholly owned subsidiary InterDigital Technology Corporation filed a request for arbitration with the International Chamber of Commerce against Nokia (the "Nokia Arbitration Concerning Presentations"), claiming that certain presentations Nokia has attempted to use in support of its claims in the Nokia Delaware Proceeding (described above) are confidential and, as a result, may not be used in the Nokia Delaware Proceeding pursuant to the parties' agreement.

The December 10, 2007 order entered by the Delaware District Court to stay the Nokia Delaware Proceeding also stayed the Nokia Arbitration Concerning Presentations pending the full and final resolution of USITC Proceeding (337-TA-613).

On November 24, 2015, InterDigital and Nokia jointly withdrew from this arbitration without prejudice to either party.

OTHER

We are party to certain other disputes and legal actions in the ordinary course of business, including arbitrations and legal proceedings with licensees regarding the terms of their agreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows. None of the above matters have met the requirements for accrual as of December 31, 2015.

Item 4. ***MINE SAFETY DISCLOSURES.***

Not applicable.

PART II

Item 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.***

Market Information

The NASDAQ Stock Market ("NASDAQ") is the principal market for our common stock, which is traded under the symbol "IDCC." The following table sets forth the high and low sales prices of our common stock for each quarterly period in 2015 and 2014, as reported by NASDAQ.

	High	Low
2015		
First quarter	$56.27	$47.76
Second quarter	60.69	49.57
Third quarter	57.77	44.28
Fourth quarter	54.95	46.78

	High	Low
2014		
First quarter	$33.60	$26.25
Second quarter	49.10	31.45
Third quarter	48.93	39.40
Fourth quarter	54.90	38.64

Holders

As of February 16, 2016, there were 657 holders of record of our common stock.

Dividends

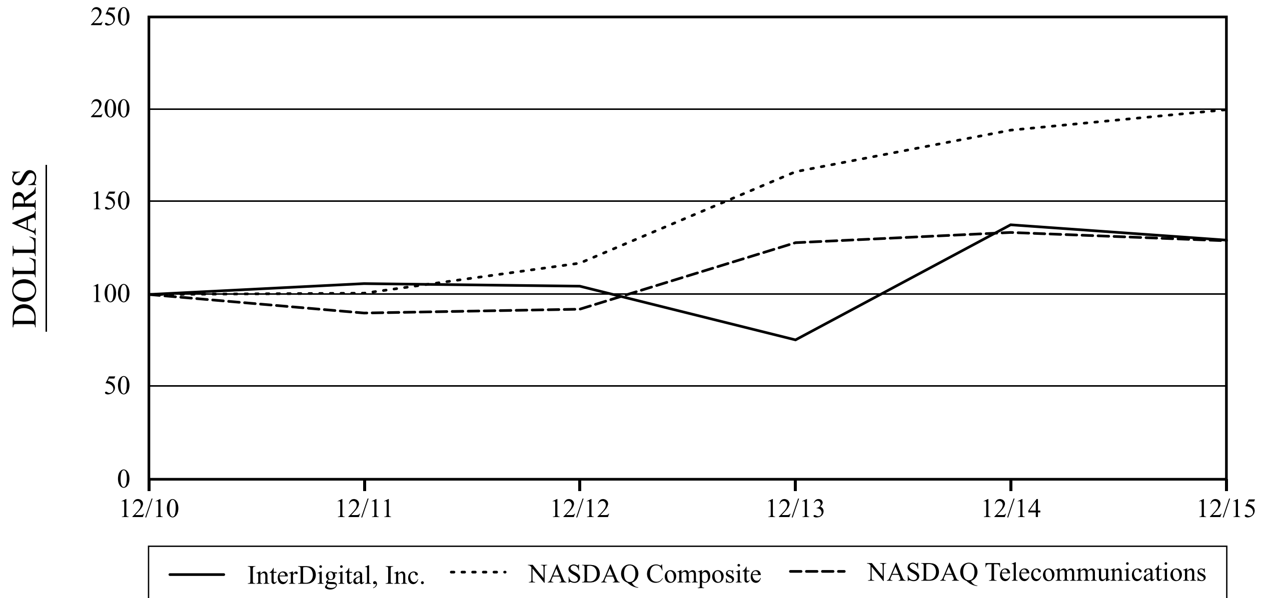
Cash dividends on outstanding common stock declared in 2015 and 2014 were as follows (in thousands, except per share data):

	Per Share	Total	Cumulative by Fiscal Year
2015			
First quarter	$0.20	$ 7,232	$ 7,232
Second quarter	0.20	7,243	14,475
Third quarter	0.20	7,183	21,658
Fourth quarter	0.20	7,068	28,726
	$0.80	$28,726	
2014			
First quarter	$0.10	$ 3,954	$ 3,954
Second quarter	0.20	8,033	11,987
Third quarter	0.20	7,666	19,653
Fourth quarter	0.20	7,500	27,153
	$0.70	$27,153	

In June 2014, we announced that our Board of Directors had approved a 100% increase in the Company's quarterly cash dividend, to $0.20 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.20 per share cash dividend in the future; however, continued payment of cash dividends and changes in the Company's dividend policy will depend on the Company's earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by any existing debt, economic conditions and other factors considered relevant by our Board of Directors.

Performance Graph

The following graph compares five-year cumulative total returns of the Company, the NASDAQ Composite Index and the NASDAQ Telecommunications Stock Index. The graph assumes $100 was invested in the common stock of InterDigital and each index as of December 31, 2010 and that all dividends were re-invested. Such returns are based on historical results and are not intended to suggest future performance.



	12/10	12/11	12/12	12/13	12/14	12/15
InterDigital, Inc.	100.00	105.78	104.41	75.51	137.59	129.53
NASDAQ Composite	100.00	100.53	116.92	166.19	188.78	199.95
NASDAQ Telecommunications	100.00	89.84	91.94	128.06	133.34	128.91

The above performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing of InterDigital under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Issuer Purchases of Equity Securities

Repurchase of Common Stock

The following table provides information regarding Company purchases of its common stock during fourth quarter 2015.

Period	Total Number of Shares (or Units) Purchased(1)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchases as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (3)
October 1, 2015 — October 31, 2015	147,000	$50.03	147,000	$150,965,564
November 1, 2015 — November 30, 2015	—	$ —	—	$150,965,564
December 1, 2015 — December 31, 2015	—	$ —	—	$150,965,564
Total	147,000	$50.03	147,000	$150,965,564

(1) Total number of shares purchased during each period reflects share purchase transactions that were completed (i.e., settled) during the period indicated.

(2) Shares were purchased pursuant to our $400.0 million share repurchase program (the "2014 Repurchase Program"), $300 million of which was authorized by the Company's Board of Directors on June 11, 2014 and announced on June 12, 2014 and $100 million of which was authorized by the Company's Board of Directors and announced on June 11, 2015. The 2014 Repurchase Program has no expiration date. The Company may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans, or privately negotiated purchases.

(3) Amounts shown in this column reflect the amounts remaining under the 2014 Repurchase Program.

In addition, from January 1, 2016 through February 17, 2016, we repurchased 0.6 million shares at a cost of $24.7 million under the 2014 Repurchase Program.

Item 6. *SELECTED FINANCIAL DATA.*

The following data should be read in conjunction with the Consolidated Financial Statements, related Notes and other financial information contained in this Form 10-K.

	2015	2014	2013	2012	2011
	(in thousands except per share data)				
Consolidated statements of operations data:					
Revenues (a)	$ 441,435	$ 415,821	$ 325,361	$ 663,063	$301,742
Income from operations (b)	$ 208,549	$ 168,960	$ 84,756	$ 419,030	$134,757
Income tax provision (c)	$ (64,621)	$ (52,108)	$ (25,836)	$ (136,830)	$ (35,140)
Net income applicable to InterDigital, Inc. common shareholders	$ 119,225	$ 104,342	$ 38,165	$ 271,804	$ 89,468
Net income per common share — basic	$ 3.31	$ 2.65	$ 0.93	$ 6.31	$ 1.97
Net income per common share — diluted	$ 3.27	$ 2.62	$ 0.92	$ 6.26	$ 1.94
Weighted average number of common shares outstanding — basic	36,048	39,420	41,115	43,070	45,411
Weighted average number of common shares outstanding — diluted	36,463	39,879	41,424	43,396	46,014
Cash dividends declared per common share (d)	$ 0.80	$ 0.70	$ 0.40	$ 1.90	$ 0.40
Consolidated balance sheets data:					
Cash and cash equivalents	$ 510,207	$ 428,567	$ 497,714	$ 349,843	$342,211
Short-term investments	423,501	275,361	200,737	227,436	335,783
Working capital	610,994	582,688	703,576	603,134	540,441
Total assets	1,474,485	1,192,962	1,110,251	1,052,374	991,430
Total debt	486,769	216,206	205,881	196,156	187,171
Total InterDigital, Inc. shareholders' equity	510,519	468,328	528,650	518,705	471,682
Noncontrolling interest	11,376	7,349	5,170	—	—
Total shareholders' equity	$ 521,895	$ 475,677	$ 533,820	$ 518,705	$471,682

(a) In 2015, our revenues included $65.8 million in past sales primarily related to new patent license and settlement agreements. In 2014, our revenues included $125.0 million in past sales primarily related to new patent license agreements. In 2013, our revenues included $127.0 million of past sales primarily related to arbitration awards. In 2012, our revenues included $384 million associated with patent sales.

(b) Our income from operations included charges of $1.5 million and $12.5 million in 2013 and 2012, respectively, associated with actions to reposition the company's operations.

(c) In 2014, our income tax provision included the impact of a $4.2 million net tax benefit, primarily attributable to available U.S. federal research and development tax credits, which was partially offset by an audit settlement. In 2012, our income tax provision included a tax benefit of $6.7 million related to the release of valuation allowances on deferred tax assets, which we now expect to utilize. In 2011, our income tax provision included benefits of $6.8 million related to the favorable resolution of tax contingencies and $1.5 million associated with after-tax interest income on tax refunds.

(d) In June 2014, we announced that our Board of Directors had approved a 100% increase in the Company's quarterly cash dividend, to $0.20 per share. On December 5, 2012, we announced that our Board of Directors had declared a special cash dividend of $1.50 per share on InterDigital common stock. The special cash dividend was payable on December 28, 2012 to stockholders of record as of the close of business on December 17, 2012.

Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

OVERVIEW

The following discussion should be read in conjunction with the Selected Financial Data, the Consolidated Financial Statements and the Notes thereto contained in this Form 10-K.

Throughout the following discussion and elsewhere in this Form 10-K, we refer to "recurring revenues" and "past sales." Recurring revenues are comprised of "current patent royalties" and "current technology solutions revenue." Past sales are comprised of "past patent royalties" and "past technology solutions revenue."

Business

InterDigital designs and develops advanced technologies that enable and enhance wireless communications and capabilities. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of intellectual property to the wireless communications industry.

Given our long history and focus on advanced research and development, InterDigital has one of the most significant patent portfolios in the wireless industry. As of December 31, 2015, InterDigital's wholly owned subsidiaries held a portfolio of approximately 20,400 patents and patent applications related to a range of technologies including the fundamental technologies that enable wireless communications. In that portfolio are a number of patents and patent applications that we believe are or may be essential or may become essential to cellular and other wireless standards, including 3G, 4G and the IEEE 802 suite of standards, as well as patent applications that we believe may become essential to 5G standards that are under development. That portfolio has largely been built through internal development, supplemented by joint development projects with other companies as well as select patent acquisitions. Products incorporating our patented inventions include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; wireless infrastructure equipment, such as base stations; and components, dongles and modules for wireless devices.

InterDigital derives revenues primarily from patent licensing and sales, technology solutions licensing and sales and engineering services. In 2015, 2014, and 2013, our total revenues were $441.4 million, $415.8 million and $325.4 million, respectively. Our recurring revenues in 2015, 2014, and 2013 were $372.8 million, $288.8 million and $198.3 million, respectively.

In 2015, the amortization of fixed-fee royalty payments accounted for approximately 35% of our recurring revenues. These fixed-fee revenues are not affected by the related licensees' success in the market or the general economic climate. The majority of the remaining portion of our recurring revenue is variable in nature due to the per-unit structure of the related license agreements. Approximately 79% of this per-unit, variable portion for 2015 related to sales by our collection of Taiwanese licensees, the majority of which revenue was derived from the sale of Apple products.

Revenue

Recurring revenue in 2015 of $372.8 million increased 29% from the prior year. This $84.0 million year-over-year increase in recurring revenue was primarily driven by an increase in per-unit royalties driven by increased shipments by Pegatron, as well as an increase in fixed-fee revenues. The increase in fixed-fee revenues was primarily attributable to a full year of revenue amortization for new agreements signed in 2014, which was partially offset by the absence of revenue from patent license agreements that expired during 2014.

Additionally, during 2015, we recognized $68.7 million of past sales revenue, primarily attributable to the new patent license agreements and settlement agreements discussed below, as compared to $125.0 million

recognized in 2014. The 2014 past sales amount was primarily attributable to revenue recognized as a result of new patent license agreements.

Refer to "*Results of Operations — 2015 Compared with 2014*" for further discussion of our 2015 revenue.

New Agreements and Settlements

During second quarter 2015, we entered into a settlement agreement with Arima Communications Corporation ("Arima"). The agreement maintains the existing patent license agreement and resolves all pending payment disputes between the companies. In addition, the agreement resulted in the dismissal of all current litigations and arbitrations between the companies in all jurisdictions. We recognized $27.2 million of past patent royalties related to this settlement.

During third quarter 2015, we entered into a new patent license agreement with Sony (the "new Sony PLA"). In addition, we renewed our joint venture with Sony, Convida Wireless, to continue investments in the development of IoT technologies and expanded it to include development efforts in 5G technologies. As discussed more fully in Note 14, "*Variable Interest Entities*," Convida Wireless is a variable interest entity and is consolidated within our financial statements.

Our agreement with Sony is a multiple-element arrangement for accounting purposes, which includes, among other elements, the new Sony PLA. The new Sony PLA covers the sale by Sony of covered products for the three-year period that commenced on December 1, 2015. In addition, the new Sony PLA covers Sony's covered product sales that occurred during certain prior periods and that were not covered under our prior agreement with Sony. We recognized past sales of $21.8 million from this agreement in third quarter 2015, and are recognizing future revenue from the new Sony PLA on a straight-line basis over its term. A portion of the consideration received was in the form of patents. Refer to Note 2, "*Summary of Significant Accounting Policies*," for additional information related to the estimates and methods used to determine the fair value of the patents acquired.

During fourth quarter 2015, we entered into a new worldwide, non-exclusive, royalty bearing patent license agreement with Kyocera. Our agreement with Kyocera is a multiple-element arrangement for accounting purposes. The agreement covers Kyocera's sale of certain cellular terminal unit products. We recognized $16.4 million of past patent royalties related to this settlement during fourth quarter 2015. A portion of the consideration received was in the form of patents. Refer to Note 2, "*Summary of Significant Accounting Policies*," for additional information related to the estimates and methods used to determine the fair value of the patents acquired.

Additionally, during fourth quarter 2015, we entered into a settlement agreement with a technology solutions customer. The agreement resolves all pending payment disputes between the parties. We recognized $2.8 million of past technology solutions revenue, $1.8 million of interest income, a $0.5 million reversal of a bad debt reserve and $0.4 million of contra-expenses related to this settlement.

Huawei Arbitration

In December 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing dispute. Pursuant to their agreement, InterDigital and Huawei initiated an arbitration in April 2014 jointly seeking a determination by an arbitral tribunal of FRAND royalty terms and conditions to be included in a binding worldwide patent license agreement to take effect upon issuance of the arbitration award. An arbitration hearing was held in January 2015, and the arbitration panel delivered a confidential partial award in May 2015 and a confidential final award in July 2015. In July 2015, InterDigital filed a petition in the District Court for the Southern District of New York for an order confirming the arbitration award (the "New York Proceeding"), and Huawei filed an action in the Paris Court of Appeal requesting

annulment of the arbitration award (the "Paris Proceeding"). Huawei also filed a motion to stay the New York Proceeding pending the Paris Proceeding. A hearing in the New York Proceeding was held on February 16, 2016. On February 17, 2016, the judge notified the parties that he had rendered a decision on Huawei's motion to stay the New York Proceeding, finding that the New York Proceeding should be stayed pending the Paris Proceeding, subject to a requirement that Huawei post suitable security, pursuant to Article VI of the New York Convention, in the amount of the final award, together with interest. The stay is subject to revision should circumstances change, and InterDigital can renew its petition for an order confirming the award after the outcome of the Paris Proceeding is determined. A hearing is scheduled in the Paris Proceeding for March 2016.

To date, Huawei has not made any payments under the arbitration award. We will recognize any related revenue in the period in which the amount of revenue is fixed or determinable and collectability is reasonably assured.

Please see Part I, Item 3, of this Form 10-K for a fuller discussion of these proceedings.

Expiration of Patent License Agreements

Our patent license agreements with a number of licensees are scheduled to expire during 2016. Collectively, these agreements accounted for $19.7 million, or approximately 4%, of our total revenue in 2015. Individually, none of these agreements accounted for more than 2% of our total revenue in 2015.

Subsequent Event

We anticipate a severance charge in the range of $1.5 million to $2.0 million during first quarter 2016 related to ongoing efforts to optimize our cost structure.

Cash and Short-Term Investments

At December 31, 2015, we had $933.7 million of cash and short-term investments and up to an additional $472.3 million of payments due under signed agreements, including $53.9 million recorded in accounts receivable that is due within twelve months of the balance sheet date. A substantial portion of our cash and short-term investments relates to fixed and prepaid royalty payments we have received that relate to future sales of our licensees' products. As a result, our future cash receipts from existing licenses subject to fixed and prepaid royalties will be lower than if the royalty payments were structured to coincide with the underlying sales. During 2015, we recorded $408.0 million of cash receipts related to patent licensing and technology solutions agreements as follows (in thousands):

	Cash In
Current royalties	$223,270
Fixed-fee royalty payments	135,027
Past per-unit patent royalties	24,766
Prepaid royalties	13,460
Technology solutions	7,145
Past technology solutions	3,300
Past fixed royalty payments	1,057
	$408,025

Approximately $212.9 million of our $395.3 million deferred revenue balance relates to fixed-fee royalty payments that are scheduled to amortize as follows (in thousands):

2016	$106,229
2017	98,881
2018	3,909
2019	1,392
2020	1,392
Thereafter	1,068
	$212,871

The remaining $182.4 million of deferred revenue primarily relates to prepaid royalties that will be recorded as revenue as our licensees report their sales of covered products.

Repurchase of Common Stock

In May 2012, our Board of Directors authorized a share repurchase program, which was then expanded in June 2012 to increase the amount of the program from $100 million to $200 million (the "2012 Repurchase Program"). Of the $200 million authorized under the 2012 Repurchase Program, $106.8 million was utilized prior to the termination of the program in June 2014. In June 2014, our Board of Directors authorized a new share repurchase program, which was expanded in June 2015 to increase the amount of the program from $300 million to $400 million (the "2014 Repurchase Program"). We may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

The table below sets forth for the periods presented the number of shares repurchased and the dollar value of shares repurchased under the 2012 Repurchase Program and the 2014 Repurchase Program, in thousands.

	2012 Repurchase Program		2014 Repurchase Program		Total Both Programs	
	# of Shares	Value	# of Shares	Value	# of Shares	Value
2015	—	$ —	1,836	$ 96,410	1,836	$ 96,410
2014	—	—	3,554	152,625	3,554	152,625
2013	917	29,135	—	—	917	29,135
Prior to 2013	2,552	77,694	—	—	2,552	77,694
Total	3,469	$106,829	5,390	$249,035	8,859	$355,864

In addition, from January 1, 2016 through February 17, 2016, we repurchased 0.6 million shares at a cost of $24.7 million under the 2014 Repurchase Program.

Intellectual Property Rights Enforcement

If we believe any party is required to license our patents in order to manufacture and sell certain products and such party refuses to do so, we may agree with such party to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators) or, in certain circumstances, we may institute legal action against them to enforce our patent rights. This legal action typically takes the form of a patent infringement lawsuit or an administrative proceeding. In addition, we and our licensees, in the normal course of business, might seek to resolve disagreements between the parties with respect to the rights and obligations of the parties under the applicable license agreement through arbitration or litigation.

In 2015, our intellectual property enforcement costs decreased to $31.8 million from $52.1 million and $75.0 million in 2014 and 2013, respectively. This represented 26% of our 2015 total patent administration and licensing costs of $120.4 million. Intellectual property enforcement costs will vary depending upon activity levels, and it is likely they will continue to be a significant expense for us in the future.

Comparability of Financial Results

When comparing 2015 financial results against the financial results of other periods, the following items should be taken into consideration:

- Our 2015 revenue includes:
  - $65.8 million of past sales primarily related to the new patent license and settlement agreements; and
  - $2.9 million of past technology solutions revenue primarily related to the settlement with a technology solutions customer discussed above.
- Our 2015 operating expenses include:
  - $8.0 million of expense to increase accrual rates for some of our incentive compensation plans; and
  - $0.9 million of contra-expenses associated with the reversal of a bad debt reserve and reimbursement of legal fees related to the settlement with a technology solutions customer discussed above.
- Our 2015 other expense includes:
  - $1.8 million of interest income related to the settlement with a technology solutions customer discussed above.
- Our 2015 income tax provision includes:
  - an approximately $2.1 million net tax benefit, primarily attributable to available U.S. federal research and development tax credits.

Critical Accounting Policies and Estimates

Our consolidated financial statements are based on the selection and application of accounting principles generally accepted in the United States of America ("GAAP"), which require us to make estimates and assumptions that affect the amounts reported in both our consolidated financial statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from these estimates and any such differences may be material to the financial statements. Our significant accounting policies are described in Note 2 to our Consolidated Financial Statements and are included in Item 8 of Part II of this Form 10-K. We believe the accounting policies that are of particular importance to the portrayal of our financial condition and results and that may involve a higher degree of complexity and judgment in their application compared to others are those relating to revenue recognition, compensation and income taxes. If different assumptions were made or different conditions existed, our financial results could have been materially different.

Revenue Recognition

We derive the vast majority of our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Such agreements are often complex and include multiple elements. These agreements can include, without limitation, elements related to the settlement of past patent

infringement liabilities, up-front and non-refundable license fees for the use of patents and/or know-how, patent and/or know-how licensing royalties on covered products sold by licensees, cross-licensing terms between us and other parties, the compensation structure and ownership of intellectual property rights associated with contractual technology development arrangements, advanced payments and fees for service arrangements and settlement of intellectual property enforcement. For agreements entered into or materially modified prior to 2011, due to the inherent difficulty in establishing reliable, verifiable, and objectively determinable evidence of the fair value of the separate elements of these agreements, the total revenue resulting from such agreements has often been recognized over the performance period. Beginning in January 2011, all new or materially modified agreements are being accounted for under the Financial Accounting Standards Board ("FASB") revenue recognition guidance, "Revenue Arrangements with Multiple Deliverables." This guidance requires consideration to be allocated to each element of an agreement that has stand alone value using the relative fair value method. In other circumstances, such as those agreements involving consideration for past and expected future patent royalty obligations, after consideration of the particular facts and circumstances, the appropriate recording of revenue between periods may require the use of judgment. In all cases, revenue is only recognized after all of the following criteria are met: (1) written agreements have been executed; (2) delivery of technology or intellectual property rights has occurred or services have been rendered; (3) fees are fixed or determinable; and (4) collectibility of fees is reasonably assured.

We establish a receivable for payments expected to be received within twelve months from the balance sheet date based on the terms in the license. Our reporting of such payments often results in an increase to both accounts receivable and deferred revenue. Deferred revenue associated with fixed-fee royalty payments is classified on the balance sheet as short-term when it is scheduled to be amortized within twelve months from the balance sheet date. All other deferred revenue is classified as long-term, as amounts to be recognized over the next twelve months are not known.

Patent License Agreements

Upon signing a patent license agreement, we provide the licensee permission to use our patented inventions in specific applications. We account for patent license agreements in accordance with the guidance for revenue arrangements with multiple deliverables. We have elected to utilize the leased-based model for revenue recognition, with revenue being recognized over the expected period of benefit to the licensee. Under our patent license agreements, we typically receive one or a combination of the following forms of payment as consideration for permitting our licensees to use our patented inventions in their applications and products:

Consideration for Past Patent Royalties: Consideration related to a licensee's product sales from prior periods may result from a negotiated agreement with a licensee that utilized our patented inventions prior to signing a patent license agreement with us or from the resolution of a disagreement or arbitration with a licensee over the specific terms of an existing license agreement. We may also receive consideration for past patent royalties in connection with the settlement of patent litigation where there was no prior patent license agreement. In each of these cases, we record the consideration as revenue when we have obtained a signed agreement, identified a fixed or determinable price and determined that collectibility is reasonably assured.

Fixed-Fee Royalty Payments: These are up-front, non-refundable royalty payments that fulfill the licensee's obligations to us under a patent license agreement for a specified time period or for the term of the agreement for specified products, under certain patents or patent claims, for sales in certain countries, or a combination thereof — in each case for a specified time period (including for the life of the patents licensed under the agreement). We recognize revenues related to Fixed-Fee Royalty Payments on a straight-line basis over the effective term of the license. We utilize the straight-line method because we cannot reliably predict in which periods, within the term of a license, the licensee will benefit from the use of our patented inventions.

Prepayments: These are up-front, non-refundable royalty payments towards a licensee's future obligations to us related to its expected sales of covered products in future periods. Our licensees' obligations to pay

royalties typically extend beyond the exhaustion of their Prepayment balance. Once a licensee exhausts its Prepayment balance, we may provide them with the opportunity to make another Prepayment toward future sales or it will be required to make Current Royalty Payments.

Current Royalty Payments: These are royalty payments covering a licensee's obligations to us related to its sales of covered products in the current contractual reporting period.

Licensees that either owe us Current Royalty Payments or have Prepayment balances are obligated to provide us with quarterly royalty reports that summarize their sales of covered products and their related royalty obligations to us. We typically receive these royalty reports subsequent to the period in which our licensees' underlying sales occurred. As a result, it is impractical for us to recognize revenue in the period in which the underlying sales occur, and, in most cases, we recognize revenue in the period in which the royalty report is received and other revenue recognition criteria are met due to the fact that without royalty reports from our licensees, our visibility into our licensees' sales is very limited. When a licensee is required to gross-up their royalty payment to cover applicable foreign withholding tax requirements, the additional consideration is recorded as revenue.

The exhaustion of Prepayments and Current Royalty Payments are often calculated based on related per-unit sales of covered products. From time to time, licensees will not report revenues in the proper period, most often due to legal disputes. When this occurs, the timing and comparability of royalty revenue could be affected. In cases where we receive objective, verifiable evidence that a licensee has discontinued sales of products covered under a patent license agreement with us, we recognize any related deferred revenue balance in the period that we receive such evidence.

Patent Sales

During 2012, we expanded our business strategy of monetizing our intellectual property to include the sale of select patent assets. As patent sales executed under this strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue. We will recognize the revenue when there is persuasive evidence of a sales arrangement, fees are fixed or determinable, delivery has occurred and collectibility is reasonably assured. These requirements are generally fulfilled upon closing of the patent sale transaction.

Technology Solutions and Engineering Services

Technology solutions revenue consists primarily of revenue from royalty payments. We recognize revenue from royalty payments using the same methods described above under our policy for recognizing revenue from patent license agreements. Technology solutions revenues also consist of revenues from software licenses and engineering services. Software license revenues are recognized in accordance with the original and revised guidance for software revenue recognition. When the arrangement with a customer includes significant production, modification, or customization of the software, we recognize the related revenue using the percentage-of-completion method in accordance with the accounting guidance for construction-type and certain production-type contracts. Under this method, revenue and profit are recognized throughout the term of the contract, based on actual labor costs incurred to date as a percentage of the total estimated labor costs related to the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. When such estimates indicate that costs will exceed future revenues and a loss on the contract exists, a provision for the entire loss is recognized at that time.

We recognize revenues associated with engineering service arrangements that are outside the scope of the accounting guidance for construction-type and certain production-type contracts on a straight-line basis, unless evidence suggests that the revenue is earned in a different pattern, over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer. In such cases we often recognize revenue using proportional performance and measure the progress of our performance

based on the relationship between incurred labor hours and total estimated labor hours or other measures of progress, if available. Our most significant cost has been labor and we believe both labor hours and labor cost provide a measure of the progress of our services. The effect of changes to total estimated contract costs is recognized in the period such changes are determined.

Multiple Element Arrangements

During 2015, we signed three agreements that were considered multiple-element arrangements for accounting purposes. In accordance with our revenue recognition policy, we identified each element of the arrangement, estimated its relative fair value for purposes of allocating the arrangement consideration and determined when each of those elements should be recognized. Using the accounting guidance applicable to multiple-element revenue arrangements, we allocated the consideration to each element for accounting purposes using our best estimate of the term and value of each element. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors, including the assumed royalty rates, sales volumes, discount rate and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the relative fair value assigned to each element for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transactions.

The impact that a five percent change to the allocation of past patent royalties under these three agreements would have had on 2015 revenue is summarized in the following table (in thousands):

	Change in estimate	
Allocation to past patent royalties	**+5%**	**-%5**
Change in Revenue	$6,330	$(6,330)

Revenue from Non-financial Sources

During 2015, 2014, and 2013, our patent licensing royalties were derived from patent license agreements ("PLAs") with 24, 25, and 21 independent licensees, respectively. During 2015, 2014 and 2013, we recognized revenue from four PLAs, two PLAs and one PLA, respectively, for which patents comprised less than one-third of the total consideration paid or due to us under those agreements. In addition, during 2015 and 2014, we recognized revenue from one PLA that was executed in 2014 in connection with a patent purchase agreement ("PPA") with the licensee. Total cash paid or due to our licensee under this PPA is approximately 56% of the total cash due to us under this licensee's PLA. During 2015, 2014, and 2013, approximately 5%, 7%, and 3%, respectively, of our total revenue was based on the estimated fair value of the patents in the above transactions. We estimated the fair value of the patents in the above transactions by a combination of a discounted cash flow analysis (the income approach) and an analysis of comparable market transactions (the market approach). For the income approach, the inputs and assumptions used to develop these estimates were based on a market participant perspective and included estimates of projected royalties, discount rates, economic lives and income tax rates, among others. For the market approach, judgment was applied as to which market transactions were most comparable to this transaction. The development of a number of these inputs and assumptions requires a significant amount of management judgment and is based upon a number of factors, including the selection of industry comparables, assumed royalty rates, sales volumes, economic lives of the patents and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the fair value assigned to the patents for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transaction. The impact that a five percent change in the estimated value of the

patents would have had on 2015 revenue, patent amortization and pre-tax income is summarized in the following table (in thousands):

Value of patents acquired in connection with PLAs	Change in estimate	
	+5%	-%5
Revenue	$1,105	$(1,105)
Less: Patent amortization	493	(493)
Pre-tax income	$ 612	$ (612)

Compensation Programs

We use a variety of compensation programs to both attract and retain employees, and to more closely align employee compensation with company performance. These programs include, but are not limited to, short-term incentive awards tied to performance goals and cash awards to inventors for filed patent applications and patent issuances, as well as stock option awards, time-based restricted stock unit ("RSU") awards and performance-based awards under our long-term compensation program ("LTCP"). Our LTCP typically includes annual grants with a three-year vesting period; as a result, in any one year, we are typically accounting for three active LTCP cycles.

The aggregate amount of performance compensation expense we record in a period, under both short-term and long-term performance compensation programs, requires the input of subjective assumptions and is a function of our estimated progress toward performance compensation goals at the beginning of the period, and our estimated progress or final assessment of progress toward performance compensation goals at the end of the period. Our estimated progress toward goals under performance equity grants is based on meeting a minimum confidence level in accordance with accounting rules for share-based compensation. Achievement rates can vary by performance cycle and from period to period, resulting in variability in our compensation expense.

If we had accrued all performance compensation cost throughout 2015 on the assumption that all plans would be paid out at 100%, we would have recorded $5.6 million less in compensation expense in 2015 than we actually recorded. There are two LTCP cycles that will carry over into 2016, for which if we record the performance-based incentive components at current accrual rates during 2016, we estimate that we will record $4.9 million in incentive-based compensation for those cycles in 2016.

We account for compensation costs associated with share-based transactions based on the fair value of the instruments issued, net of any estimated award forfeitures. This requires us to make subjective assumptions around the value of the equity at the time of issuance and the expected forfeiture rates, which in both cases are generally based on historical experience. The estimated value of stock options includes assumptions around expected life, stock volatility, and dividends. The expected life of our stock option awards are based on the simplified method as prescribed by Staff Accounting Bulletin Topic 14. In all periods, our policy has been to set the value of RSUs and restricted stock awards equal to the value of our underlying common stock on the date of measurement. For grants with graded vesting, we amortize the associated unrecognized compensation cost using an accelerated method. For grants that cliff vest, we amortize the associated unrecognized compensation cost on a straight-line basis over their vesting term. In 2006, we adopted the short-cut method to establish the historical additional paid-in-capital pool ("APIC Pool") related to the tax effects of employee share-based compensation. Any positive balance would be available to absorb tax shortfalls (which occur when the tax deductions resulting from share-based compensation are less than the related book expense) recognized subsequent to the adoption of the stock-based compensation guidance.

The below table summarizes our performance-based and other share-based compensation expense for 2015, 2014 and 2013, in thousands:

	2015		2014		2013	
Short-term incentive compensation	$19,098		$20,404		$10,550	
Time-based awards (d)	7,874		6,734		4,641	
Performance-based awards (d)	5,340	(a)	8,947	(b)	7,260	(c)
Other share-based compensation	2,090		2,814		4,039	
Total performance-based and other share-based compensation expense	$34,402		$38,899		$26,490	

(a) Included in 2015 is a charge of $1.1 million to increase the accrual rates under our LTCP driven by the Company's success toward achieving goals for the related cycles.

(b) Included in 2014 is a charge of $4.8 million to increase the accrual rates under our LTCP driven by the Company's success toward achieving goals for the related cycles.

(c) Included in 2013 is a charge of $6.5 million to increase the accrual rates under our LTCP driven by the Company's success toward achieving goals for the related cycles.

(d) A portion of the 2015 expense relates to cash awards. All expense for 2014 and 2013 relates to equity awards.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if management has determined that it is more likely than not that such assets will not be realized.

In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. We are subject to examinations by the Internal Revenue Service ("IRS") and other taxing jurisdictions on various tax matters, including challenges to various positions we assert in our filings. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

The financial statement recognition of the benefit for a tax position is dependent upon the benefit being more likely than not to be sustainable upon audit by the applicable tax authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

Between 2006 and 2015, we paid approximately $295.1 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. Of this amount, $195.3 million relates to taxes paid to foreign governments that have tax treaties with the U.S. It is possible that as a result of tax treaty procedures, the

U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in net interest expense and/or foreign currency gain or loss.

During 2015, we estimated a research and development credit for the 2015 period that resulted in an approximately $2.1 million tax benefit net of any unrecognized tax benefits. During 2014, we completed the research and development credit studies for the periods from 2010 to 2013 and amended our United States federal income tax returns for the periods from 2010 through 2012 to claim the research and development credit for those periods. After all periods were amended and the 2013 federal income tax return was filed, we recognized a net benefit after consideration of any unrecognized tax benefits from the tax credits in the amount of $5.7 million. Additionally, in 2014, we recognized a benefit after consideration of any unrecognized tax benefits of $0.9 million for the estimated research and development credit for 2014. In addition, in 2014, we recorded $0.7 million of unrecognized tax benefits related to other matters.

New Accounting Guidance

Accounting Standards Update: Balance Sheet Classification of Deferred Taxes

In November 2015, as part of their simplification initiative, the FASB issued amendments to guidance for reporting deferred taxes. According to the revised standard, an entity will be required to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. Under current guidance, entities separate deferred tax assets and deferred tax liabilities as current or noncurrent based on the classification of the related asset or liability for financial reporting. The guidance is effective for interim and annual periods beginning on or after December 15, 2016 but early adoption is permitted. We elected to early adopt this guidance effective fourth quarter 2015, and we retrospectively applied the change within our Consolidated Balance Sheets included in this Annual Report on Form 10-K. The impact of this change to our December 31, 2014 Consolidated Balance Sheet was a reduction of $54.0 million to current deferred tax assets and a corresponding increase of $54.0 million to noncurrent deferred tax assets. See Note 2, *Summary of Significant Accounting Policies,* for further information on our deferred tax assets.

Accounting Standards Update: Debt Issuance Costs

In March 2015, as part of their simplification initiative, the FASB issued amendments to guidance for reporting debt issuance costs. According to the revised standard, an entity will recognize debt issuance costs as a direct deduction from the debt liability as opposed to an asset. The costs will continue to be amortized and included within interest expense in the entity's financial statements. The guidance is effective for interim and annual periods beginning on or after December 15, 2015 but early adoption is permitted. We elected to early adopt this guidance effective first quarter 2015, and we retrospectively applied the change within our Consolidated Balance Sheets included in this Annual Report on Form 10-K. The impact of this change to our December 31, 2014 Consolidated Balance Sheet was a reduction of $1.3 million and a reduction of $0.3 million to Prepaid and other current assets and Other non-current assets, respectively, and a corresponding $1.6 million reduction to Long-term debt. See Note 2, *Summary of Significant Accounting Policies,* for further information on our debt issuance costs.

Accounting Standards Update: Consolidation

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis." ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are voting interest entities, or VIEs,

(ii) eliminates the presumption that a general partner should consolidate a limited partnership and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. We are still evaluating what impact, if any, this ASU will have on our consolidated financial position, results of operations or cash flows.

Accounting Standards Update: Revenue Recognition

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods). The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method. We are currently evaluating the effect that adopting this guidance will have on our financial position, results of operations and cash flows.

Legal Proceedings

We are routinely involved in disputes associated with enforcement and licensing activities regarding our intellectual property, including litigations, arbitrations and other proceedings. These litigations, arbitrations and other proceedings are important means to enforce our intellectual property rights. We are a party to other disputes and legal actions not related to our intellectual property, but also arising in the ordinary course of our business. Refer to Part I, Item 3, of this Form 10-K for a description of our material legal proceedings.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash, cash equivalents and short-term investments, as well as cash generated from operations. We believe we have the ability to obtain additional liquidity through debt and equity financings. Based on our past performance and current expectations, we believe our available sources of funds, including cash, cash equivalents and short-term investments and cash generated from our operations, will be sufficient to finance our operations, capital requirements, our debt obligations (including the repayment of our \$230 million aggregate principal amount of 2.50% senior convertible notes due in March 2016 (the "2016 Notes")), existing stock repurchase program and dividend program for the next twelve months.

On March 11, 2015, we completed an offering of \$316.0 million in aggregate principal amount of 1.50% Senior Convertible Notes due 2020 (the "2020 Notes," and together with the 2016 Notes, the "Notes"). The net proceeds from the offering were approximately \$306.7 million, after deducting the initial purchasers' discount, commissions and offering expenses. A portion of the net proceeds from the offering was used to fund the cost of the convertible note hedge transactions entered into in connection with the offering of the 2020 Notes. We also used \$43.6 million of the remaining net proceeds to repurchase shares of our common stock concurrently with the pricing of the offering of the 2020 Notes. We expect to use the remaining net proceeds from the offering for general corporate purposes, which may include, among other things, the repurchase or retirement of our other outstanding indebtedness.

Cash, cash equivalents and short-term investments

At December 31, 2015 and December 31, 2014, we had the following amounts of cash, cash equivalents and short-term investments (in thousands):

	December 31, 2015	December 31, 2014	Increase / (Decrease)
Cash and cash equivalents	$510,207	$428,567	$ 81,640
Short-term investments	423,501	275,361	148,140
Total cash and cash equivalents and short-term investments	$933,708	$703,928	$229,780

The increase in cash, cash equivalents and short-term investments was primarily attributable to the net proceeds of $306.7 million from the offering of the 2020 Notes discussed above and $114.5 million of cash provided by operating activities. These increases were partially offset by the cost of repurchasing common stock of $96.4 million, $49.8 million in capital investments, including capitalized patent costs and patent acquisitions, dividend payments of $28.9 million and a net cost of $16.5 million for the bond hedge and warrant transactions.

Cash flows from operations

We generated the following cash flows from our operating activities in 2015 and 2014 (in thousands):

	For the Year Ended December 31,		
	2015	2014	Increase / (Decrease)
Cash flows provided by operating activities	$114,499	$242,013	$(127,514)

Our cash flows provided by operating activities are principally derived from cash receipts from patent license and technology solutions agreements offset by cash operating expenses and income tax payments. The decrease in cash flows provided by operating activities of $127.5 million was primarily attributable to a decrease in cash receipts of $152.6 million. The decrease is attributable to higher cash receipts in 2014 due to new agreements signed in that year, partially offset by higher current royalties in 2015 from existing licensees, primarily Pegatron and our other Taiwan-based licensees. This decrease in cash receipts was partially offset by a decrease in cash outflows of $44.6 million primarily due to income taxes paid and lower cash operating expenses. Additionally, other working capital adjustments contributed $19.5 million to the decrease, primarily due to

payment of accrued compensation. The table below provides the significant items comprising our cash flows provided by operating activities during the years ended December 31, 2015 and 2014 (in thousands).

	For the Year Ended December 31,		
	2015	**2014**	**Increase / (Decrease)**
Cash Receipts:			
Fixed-fee royalty payments (a)	$ 136,084	$ 389,000	$(252,916)
Current royalties (b)	223,270	155,432	67,838
Prepaid royalties (c)	38,226	2,500	35,726
Technology solutions	10,445	11,649	(1,204)
Patent sales	—	1,999	(1,999)
Total cash receipts	$ 408,025	$ 560,580	$(152,555)
Cash Outflows:			
Cash operating expenses (d)	(169,954)	(185,421)	15,467
Income taxes paid (e)	(85,780)	(114,876)	29,096
Total cash outflows	(255,734)	(300,297)	44,563
Other working capital adjustments	(37,792)	(18,270)	(19,522)
Cash flows provided by operating activities	$ 114,499	$ 242,013	$(127,514)

(a) Fixed-fee royalty payments for the years ended December 31, 2015 and 2014 include $1.1 million and $118.4 million, respectively, of cash receipts recognized as past sales revenue.

(b) Current patent royalty payments for the year ended December 31, 2014 include $3.7 million of cash receipts recognized as past sales revenue.

(c) Prepaid patent royalty payments for the year ended December 31, 2015 include $24.8 million of cash receipts recognized as past sales revenue.

(d) Cash operating expenses include operating expenses less depreciation of fixed assets, amortization of patents, and non-cash compensation.

(e) Income taxes paid include foreign withholding taxes.

Working capital

We believe that working capital, adjusted to exclude cash, cash equivalents, short-term investments and current deferred revenue provides additional information about non-cash assets and liabilities that might affect our near-term liquidity. While we believe cash and short-term investments are important measures of our liquidity, the remaining components of our current assets and current liabilities, with the exception of deferred revenue, could affect our near-term liquidity and/or cash flow. We have no material obligations associated with our deferred revenue, and the amortization of deferred revenue has no impact on our future liquidity and or cash flow. Our adjusted working capital, a non-GAAP financial measure, reconciles to working capital, the most directly comparable GAAP financial measure, at December 31, 2015 and December 31, 2014 (in thousands) as follows:

	For the Year Ended December 31,		
	2015	2014	Increase / (Decrease)
Current assets	$1,010,967	$787,857	$ 223,110
Less: current liabilities	399,973	205,169	194,804
Working capital	610,994	582,688	28,306
Subtract:			
Cash and cash equivalents	510,207	428,567	81,640
Short-term investments	423,501	275,361	148,140
Add:			
Current deferred revenue	106,229	124,695	(18,466)
Adjusted working capital	$ (216,485)	$ 3,455	$(219,940)

The $219.9 million decrease in adjusted working capital in 2015 compared to 2014 is primarily attributable to the reclassification of $227.2 million from long-term to short-term debt related to the 2016 Notes, partially offset by a decrease in accounts payable of $15.7 million. The decrease in accounts payable was primarily due to the payment of a final installment on a 2014 patent purchase.

Cash used in or provided by investing and financing activities

We used net cash in investing activities of $214.0 million and $140.3 million, respectively, in 2015 and 2014. We purchased $147.9 million and $75.0 million, net of sales, of short-term marketable securities in 2015 and 2014, respectively. The change was primarily due to higher cash balances as a result of the issuance of the 2020 Notes and new agreements signed during 2014 and 2015 as discussed above. Investment costs associated with capitalized patent costs and acquisition of patent costs decreased to $49.8 million in 2015 from $58.2 million in 2014, primarily due to a decreased investment in patent acquisitions in 2015. Additionally, we made strategic investments of $12.6 million in 2015.

Net cash provided by financing activities increased by $352.0 million in 2015 primarily due to the net proceeds of $306.7 million from the issuance and sale of the 2020 Notes, a decrease in repurchases of common stock of $56.2 million, an increase in other financing activities of $6.5 million and an increase in proceeds from non-controlling interests of $4.3 million, partially offset by $16.5 million of net costs for the bond hedge and warrant transactions and an increase in dividend payments of $5.2 million.

Other

Our combined short-term and long-term deferred revenue balance at December 31, 2015 was approximately $395.3 million, a decrease of $22.8 million from December 31, 2014. We have no material obligations associated with such deferred revenue. The decrease in deferred revenue was primarily due to $163.4 million of deferred

revenue recognized, which was partially offset by a gross increase in deferred revenue of $114.0 million, primarily associated with the new agreements discussed above. Also included within our deferred revenue balance at December 31, 2015 was $26.6 million of non-cash consideration received in conjunction with the new patent license agreements signed during 2015. This deferred revenue recognized was comprised of $131.8 million of amortized fixed-fee royalty payments and $31.6 million in per-unit exhaustion of prepaid royalties (based upon royalty reports provided by our licensees).

Based on current license agreements, we expect the amortization of fixed-fee royalty payments to reduce the December 31, 2015 deferred revenue balance of $395.3 million by $106.2 million over the next twelve months. Additional reductions to deferred revenue over the next twelve months will be dependent upon the level of per-unit royalties our licensees report against prepaid balances.

Contractual Obligations

On April 4, 2011, InterDigital entered into an indenture by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the 2016 Notes were issued. The 2016 Notes bear interest at a rate of 2.50% per year, payable in cash on March 15 and September 15 of each year, commencing September 15, 2011. The Notes will mature on March 15, 2016, unless earlier converted or repurchased.

On March 11, 2015, InterDigital entered into an indenture, by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the 2020 Notes were issued. The 2020 Notes bear interest at a rate of 1.50% per year, payable in cash on March 1 and September 1 of each year, commencing September 1, 2015, and mature on March 1, 2020, unless earlier converted or repurchased.

For more information on the Notes, see Note 6, "*Obligations*," in the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K.

The following table summarizes our contractual obligations as of December 31, 2015 (in thousands):

	Payments Due by Period				
	Total	**Less Than 1 year**	**1-3 Years**	**3-5 Years**	**Thereafter**
2016 Notes	$230,000	$230,000	$ —	$ —	$ —
2020 Notes	316,000	—	—	316,000	—
Contractual interest payments on the Notes	24,205	7,615	9,480	7,110	—
Operating lease obligations	22,925	4,186	6,091	4,868	7,781
Purchase obligations (a)	25,200	25,200	—	—	—
Total contractual obligations	$618,330	$267,001	$15,571	$327,978	$7,781

(a) Purchase obligations consist of agreements to purchase goods and services that are legally binding on us, as well as accounts payable. Our consolidated balance sheet at December 31, 2015 includes a $1.5 million noncurrent liability for uncertain tax positions. The future payments related to uncertain tax positions have not been presented in the table above due to the uncertainty of the amounts and timing of cash settlement with the taxing authorities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K.

RESULTS OF OPERATIONS

2015 Compared with 2014

Revenues

The following table compares 2015 revenues to 2014 revenues (in thousands):

	For the Year Ended December 31,			
	2015	2014	(Decrease)/Increase	
Per-unit royalty revenue	$234,836	$157,250	$ 77,586	49%
Fixed-fee amortized royalty revenue	131,837	121,903	9,934	8%
Current patent royalties (a)	366,673	279,153	87,520	31%
Past patent royalties (b)	65,814	124,236	(58,422)	(47)%
Total patent licensing royalties	432,487	403,389	29,098	7%
Patent sales	—	1,999	(1,999)	100%
Current technology solutions revenue (a)	6,096	9,633	(3,537)	(37)%
Past technology solutions revenue (b)	2,852	800	2,052	257%
Total revenue	$441,435	$415,821	$ 25,614	6%

(a) Recurring revenues consist of current patent royalties and current technology solutions revenue.

(b) Past sales consist of past patent royalties and past technology solutions revenue.

The $25.6 million increase in total revenue was primarily attributable to the $87.5 million increase in current patent royalties. The increase of per-unit royalty revenue of $77.6 million was primarily related to increased shipments by Pegatron and other Taiwan-based licensees. The $9.9 million increase in fixed-fee amortized royalty revenue was primarily attributable to new patent license agreements signed during second quarter 2014. The increase in total revenue was also partially attributable to an increase in past technology solutions revenue of $2.1 million related to the settlement agreement signed during 2015, as discussed above. These increases were partially offset by a decrease of $58.4 million in past patent royalties. The decrease in past sales was primarily related to three new patent license agreements signed during second quarter 2014, partially offset by past sales in the current year period attributable to the new agreements discussed above. Additionally, current technology solutions revenue decreased by $3.5 million primarily due to decreased shipments of covered products by one of our technology solutions customers. Patent sales decreased by $2.0 million due to the absence of any patent sales in 2015.

In 2015 and 2014, 61% and 51% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2015 and 2014, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2015	2014
Pegatron (a)	31%	18%
Samsung (b)	16%	33%
Sony (c)	14%	< 10%

(a) We are engaged in a legal dispute with Pegatron, a Taiwan-based company, regarding, among other things, the terms of our patent license agreement, and we are the subject of an investigation by the Taiwan Fair Trade Commission. See Note 8, "Litigation and Legal Proceedings," in the Notes to Condensed Consolidated Financial Statements in Item 8 of this Form 10-K.

(b) 2014 revenues include $86.3 million of past patent royalties.

(c) 2015 revenues include $21.9 million of past patent royalties.

Operating Expenses

The following table summarizes the change in operating expenses by category (in thousands):

	For the Year Ended December 31,			
	2015	2014	Increase/(Decrease)	
Patent administration and licensing	$120,401	$133,808	$(13,407)	(10)%
Development	72,702	75,300	(2,598)	(3)%
Selling, general and administrative	39,783	37,753	2,030	5%
Total operating expenses	$232,886	$246,861	$(13,975)	(6)%

Operating expenses decreased 6% to $232.9 million in 2015 from $246.9 million in 2014. The $14.0 million decrease in total operating expenses was primarily due to (decreases)/increases in the following items (in thousands):

	(Decrease)/ Increase
Intellectual property enforcement and non-patent litigation	$(19,572)
Performance-based incentive compensation	(4,165)
Consulting services	(1,022)
Cost of patent sales	(700)
Personnel-related costs	(634)
Bad debt expense	(392)
Other	(86)
Depreciation and amortization	5,675
Commercial initiatives	6,921
Total decrease in operating expenses	$(13,975)

The $14.0 million decrease in operating expenses was primarily attributable to the $19.6 million decrease in intellectual property enforcement and non-patent litigation primarily related to decreased costs associated with the USITC actions, which was partially offset by costs associated with licensee arbitrations. The $4.2 million decrease in performance-based incentive compensation, including both short-term and long-term compensation, was primarily attributable to higher accrual rate true-ups in 2014 as a result of new license agreements signed during 2014. The $1.0 million decrease in consulting services primarily resulted from a reduction in the use of external resources for research and development projects. The $0.7 million decrease in cost of patent sales was due to the absence of patent sales in 2015. Personnel-related costs decreased $0.6 million primarily due to a prior year adjustment related to payroll taxes and employment level tax credits, primarily as a result of an ongoing audit. Bad debt expense decreased $0.4 million as a result of the settlement agreement with the technology solutions customer signed during 2015, as discussed above. The $5.7 million increase in depreciation and amortization was primarily due to patent acquisitions made during the past two years, along with the organic annual growth of our patent portfolio. The $6.9 million increase in commercial initiatives expense was attributable to activities to commercialize IoT and next generation networks technologies.

Patent administration and licensing expense: The $13.4 million decrease in patent administration and licensing expense primarily resulted from the above-noted decreases in intellectual property enforcement and performance-based incentive compensation, partially offset by increases in patent amortization and patent maintenance and evaluation costs primarily related to the increased growth of the patent portfolio due to patents acquired pursuant to the new agreements as discussed above.

Development expense: The $2.6 million decrease in development expense was primarily attributable to the above-noted decreases in performance-based incentive compensation, consulting services and personnel costs, partially offset by an increase in costs related to commercial initiatives as described above.

Selling, general and administrative expense: The $2.0 million increase in selling, general and administrative expense was primarily attributable to increases in personnel-related costs and consulting services primarily related to corporate and commercial initiatives.

Other (Expense) Income

The following table compares 2015 other (expense) income to 2014 other (expense) income (in thousands):

	For the Year Ended December 31,		(Decrease)/Increase	
	2015	2014		
Interest expense	$(30,417)	$(16,084)	$(14,333)	89%
Interest and investment income	3,858	1,399	2,459	176%
Other (a)	(975)	(747)	(228)	31%
	$(27,534)	$(15,432)	$(12,102)	78%

(a) Includes other-than-temporary impairments.

The change in other expenses is primarily driven by the increase in interest expense resulting from the 2020 Notes issued during first quarter 2015, partially offset by $1.8 million of interest income related to the settlement agreement with a technology solutions customer, as discussed above.

Income Taxes

In 2015, our effective tax rate was approximately 35.7% as compared to 33.9% in 2014, based on the statutory federal tax rate net of discrete federal and state taxes. The increase in the effective tax rate from 2014 to 2015 resulted primarily from the 2014 net benefit received from research and development tax credits covering the periods 2010 through 2014. The inclusion of additional periods in 2014 accounted for a 2.7% lower effective tax rate in 2014. This benefit in 2014 was partially offset by a 1% effective tax rate increase resulting from higher audit settlements in 2014.

2014 Compared with 2013

Revenues

The following table compares 2014 revenues to 2013 revenues (in thousands):

	For the Year Ended December 31,			
	2014	**2013**	**Increase/(Decrease)**	
Per-unit royalty revenue	$157,250	$122,709	$ 34,541	28%
Fixed-fee amortized royalty revenue	121,903	67,658	54,245	80%
Current patent royalties (a)	279,153	190,367	88,786	47%
Past patent royalties (b)	124,236	73,808	50,428	68%
Total patent licensing royalties	403,389	264,175	139,214	53%
Patent sales	1,999	—	1,999	100%
Current technology solutions revenue (a)	9,633	7,960	1,673	21%
Past technology solutions revenue (b)	800	53,226	(52,426)	(98)%
Total revenue	$415,821	$325,361	$ 90,460	28%

(a) Recurring revenues consist of current patent royalties and current technology solutions revenue.

(b) Past sales consist of past patent royalties and past technology solutions revenue.

The $90.5 million increase in total revenue was primarily attributable to the $88.8 million increase in current patent royalties and a $50.4 million increase in past patent royalties. New patent license agreements signed during 2014 contributed $186.1 million in total to the increased fixed-fee and past patent royalties. These increases were partially offset by a decrease of $13.6 million in fixed-fee amortized royalty revenue related to agreements that have expired or were terminated in 2014, and past patent royalties in 2013 included approximately $71.4 million recognized as a result of arbitration awards received in 2013. Additionally, per-unit royalty revenue increased $34.5 million, and was primarily related to a $49.8 million increase associated with increased shipments by, and the coverage of additional products under, our agreement with Pegatron. This increase in per-unit royalties from Pegatron was partially offset by a total decrease of $15.3 million attributable to certain of our other per-unit licensees with concentrations in the smartphone market. Current technology solutions revenue increased by $1.7 million primarily due to the inclusion of royalties on certain products upon the resolution in 2013 of our arbitration with Intel Mobile Communications GmbH (“Intel”). These increases were partially offset by a decrease in past technology solutions revenue of $52.4 million, primarily due to revenue that was recognized in 2013 as a result of the award received upon the resolution of the Intel arbitration.

In 2014 and 2013, 51% and 60% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2014 and 2013, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2014	**2013**
Samsung (a)	33%	—%
Pegatron (b)	18%	30%
Intel (c)	< 10%	18%
Sony	< 10%	12%

(a) 2014 revenues include $86.3 million of past patent royalties.

(b) 2013 revenues include $71.4 million of past patent royalties.

(c) 2013 revenues include $53.3 million of past technology solutions revenue.

Operating Expenses

The following table summarizes the change in operating expenses by category (in thousands):

	For the Year Ended December 31,		Increase/ (Decrease)	
	2014	2013		
Patent administration and licensing	$133,808	$143,037	$ (9,229)	(6)%
Development	75,300	64,729	10,571	16%
Selling, general and administrative	37,753	31,295	6,458	21%
Repositioning	—	1,544	(1,544)	(100)%
Total operating expenses	$246,861	$240,605	$ 6,256	3%

Operating expenses increased 3% to $246.9 million in 2014 from $240.6 million in 2013. The $6.3 million increase in total operating expenses was primarily due to increases/(decreases) in the following items (in thousands):

	Increase/ (Decrease)
Performance-based incentive compensation	$ 13,441
Depreciation and amortization	8,490
Consulting services	4,603
Commercial initiatives and Signal Trust	4,460
Personnel-related costs	1,844
Cost of patent sales	700
Other	120
Patent maintenance and evaluation	(2,963)
Intellectual property enforcement	(22,895)
Total decrease in operating expenses not including repositioning charge	7,800
Repositioning charge	(1,544)
Total decrease in operating expenses	$ 6,256

The $13.4 million increase in performance-based incentive compensation, including both short-term and long-term compensation, was primarily attributable to both a true-up to increase the beginning period compensation to the current accrual rate and higher accrual rates in 2014 as compared to significantly lower accrual rates in 2013. The $8.5 million increase in depreciation and amortization was primarily due to patent acquisitions made during the past two years, along with the organic annual growth of our patent portfolio. The $4.6 million increase in consulting services was primarily related to the support of research and development projects and corporate initiatives that have ramped up during 2014. The $4.5 million increase in commercial initiatives and Signal Trust expense was related to a new commercial initiative launched in 2014 and the Signal Trust, which was created in fourth quarter 2013. Personnel-related costs increased $1.8 million primarily due to hiring activity during 2014. The $0.7 million increase in cost of patent sales was related to patents sold during 2014, and represents the remaining net book value of the patents sold. The $3.0 million decrease in patent maintenance and evaluation costs was primarily related to decreased due diligence costs associated with both patent acquisition and patent sale activities. The $22.9 million decrease in intellectual property enforcement and non-patent litigation primarily related to decreased costs associated with the USITC actions and licensee arbitrations.

Patent administration and licensing expense: The $9.2 million decrease in patent administration and licensing expense primarily resulted from the above-noted decreases in intellectual property enforcement and

patent maintenance and evaluation costs, partially offset by increases in performance-based incentive compensation and patent amortization described above.

Development expense: The $10.6 million increase in development expense was primarily attributable to the above-noted increases in performance-based compensation, consulting services, and costs related to commercial initiatives and the Signal Trust as described above.

Selling, general and administrative expense: The $6.5 million increase in selling, general and administrative expense was primarily attributable to the above-noted increases in performance-based compensation and personnel-related costs.

Repositioning expense: As part of our ongoing expense management, we initiated a Voluntary Early Retirement Program ("VERP") in September 2012. Approximately 60 employees elected to participate in the VERP across five locations. We incurred charges of zero and $1.5 million relating to the VERP in 2014 and 2013, respectively.

Other (Expense) Income

The following table compares 2014 other (expense) income to 2013 other (expense) income (in thousands):

	For the Year Ended December 31,			
	2014	2013	(Decrease)/Increase	
Interest expense	$(16,084)	$(15,475)	$ (609)	4%
Other (a)	(747)	(22,058)	21,311	(97)%
Interest and investment income	1,399	14,296	(12,897)	(90)%
	$(15,432)	$(23,237)	$ 7,805	(34)%

(a) Includes other-than-temporary impairments.

The change in other expense primarily resulted from the recognition of a $21.7 million investment impairment on our investment in Pantech Co., Ltd. ("Pantech") during 2013, partially offset by a decrease in investment income attributable to $11.8 million of interest income associated with arbitration awards received during 2013.

Income Taxes

In 2014, our effective tax rate was approximately 33.9% as compared to 42.0% in 2013, based on the statutory federal tax rate net of discrete federal and state taxes. The decrease in the effective tax rate from 2013 to 2014 was attributable to a net benefit from research and development tax credits covering the periods 2010 through 2014 resulting in a 3.8% lower effective tax rate, which was partially offset by a 1.1% effective tax rate increase associated with an audit settlement. The decrease in the effective tax rate also resulted a 4% reduction in effective tax rate associated with the impact of lower state tax expense resulting, in part, from the Company's income mix between patent licensing royalties and technology solutions revenue.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 — FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include certain information in "Part I, Item 1. Business" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information regarding our current beliefs, plans and expectations, including

without limitation the matters set forth below. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “could,” “would,” “should,” “if,” “may,” “might,” “future,” “target,” “goal,” “trend,” “seek to,” “will continue,” “predict,” “likely,” “in the event,” variations of any such words or similar expressions contained herein are intended to identify such forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, without limitation, statements regarding:

(i) Our objective to continue to be a leading designer and developer of technology solutions and intellectual property for the mobile industry and to monetize those solutions and intellectual property through a combination of licensing, sales and other revenue opportunities;

(ii) Our plans for executing on our business strategy, including our plans to develop and source innovative technologies related to wireless, establish and grow our patent-based revenue, pursue commercial opportunities for our advanced platforms and solutions, and maintain a collaborative relationship with key industry players and worldwide standards bodies;

(iii) Our belief that our portfolio includes a number of patents and patent applications that are or may be essential or may become essential to cellular and other wireless standards, including 3G, 4G and the IEEE 802 suite of standards, as well as patent applications that we believe may become essential to 5G standards that are under development;

(iv) Our belief that a number of our CDMA and OFDM/OFDMA inventions are, may be or may become essential to the implementation of CDMA and OFDM/OFDMA-based systems in use today;

(v) Our belief that companies making, importing, using or selling products compliant with the standards covered by our patent portfolio require a license under our patents and will require a license under patents that may issue from our pending patent applications;

(vi) Our belief that our ongoing research efforts and associated patenting activities enable us to sell patent assets that are not vital to our core licensing programs, as well as to execute patent swaps that can strengthen our overall portfolio;

(vii) Our belief that our standalone commercial initiatives are potential sources of revenue;

(viii) The predicted increases in worldwide mobile device shipments, including shipments of handsets, and the estimated growth of the IoT market, including the size of the connected device installed base and number of connected device shipments, over the next several years;

(ix) The types of licensing arrangements and various royalty structure models that we anticipate using under our future license agreements;

(x) The possible outcome of audits of our license agreements when underreporting or underpayment is revealed;

(xi) Our belief that our facilities are suitable and adequate for our present purposes and our needs in the near future;

(xii) Our expectation that the transfer to Conshohocken, Pennsylvania, of our King of Prussia, Pennsylvania, personnel and operations will occur in second quarter 2016;

(xiii) Our expectation that we will continue to pay a quarterly cash dividend on our common stock comparable to our quarterly $.20 per share cash dividend in the future;

(xiv) Our belief that intellectual property enforcement costs will likely continue to be a significant expense for us in the future;

(xv) Our belief that our available sources of funds will be sufficient to finance our operations, capital requirements, debt obligations, existing stock repurchase program and dividend program for the next twelve months;

(xvi) The potential effects of new accounting standards on our financial statements or results of operations;

(xvii) Our expectations with regard to any current tax audits;

(xiii) The expected amortization of fixed-fee royalty payments over the next twelve months to reduce our deferred revenue balance;

(xix) Our anticipated severance charge in the range of $1.5 million to $2.0 million during first quarter 2016 related to ongoing efforts to optimize our cost structure; and

(xx) The expected timing, outcome and impact of our various litigation, arbitration and administrative matters.

Although the forward-looking statements in this Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements concerning our business, results of operations and financial condition are inherently subject to risks and uncertainties. We caution readers that actual results and outcomes could differ materially from those expressed in or anticipated by such forward-looking statements due to a variety of factors, including, without limitation, the following:

(i) unanticipated difficulties or delays related to the further development of our technologies;

(ii) the failure of the markets for our technologies to materialize to the extent or at the rate that we expect;

(iii) changes in our plans, strategy or initiatives;

(iv) the challenges related to entering into new and renewed patent license agreements and unanticipated delays, difficulties or acceleration in the negotiation and execution of patent license agreements;

(v) our ability to leverage our strategic relationships and secure new patent license and technology solutions agreements on acceptable terms;

(vi) the impact of current trends in the industry that could result in reductions in and/or caps on royalty rates under new patent license agreements;

(vii) changes in the market share and sales performance of our primary licensees, delays in product shipments of our licensees, delays in the timely receipt and final reviews of quarterly royalty reports from our licensees, delays in payments from our licensees and related matters;

(viii) the timing and/or outcome of our various litigation, arbitration, regulatory or administrative proceedings, including any awards or judgments relating to such proceedings, additional legal proceedings, changes in the schedules or costs associated with legal proceedings or adverse rulings in such legal proceedings;

(ix) the determination of royalty rates, or other terms, under our patent license agreements through arbitration or other third party adjudications, or the establishment by arbitrators or other third party adjudicators of patent royalty rates at levels lower than our agreed or historical rates;

(x) the impact of potential patent legislation, USPTO rule changes and international patent rule changes on our patent prosecution and licensing strategies;

(xi) the impact of rulings in legal proceedings, potential legislation affecting the jurisdiction and authority of the USITC and potential changes to the IPR policies of worldwide standards bodies on our investments in research and development and our strategies for patent prosecution, licensing and enforcement;

(xii) the timing and/or outcome of any state or federal tax examinations or audits, changes in tax laws and the resulting impact on our tax assets and liabilities;

(xiii) the effects of any dispositions, acquisitions or other strategic transactions by the Company;

(xiv) decreased liquidity in the capital markets; and

(xv) unanticipated increases in our cash needs or decreases in available cash.

You should carefully consider these factors as well as the risks and uncertainties outlined in greater detail in Part I, Item 1A, in this Form 10-K before making any investment decision with respect to our common stock. These factors, individually or in the aggregate, may cause our actual results to differ materially from our expected and historical results. You should understand that it is not possible to predict or identify all such factors. In addition, you should not place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this Form 10-K. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

Cash Equivalents and Investments

The primary objectives of our investment activities are to preserve principal and maintain liquidity while at the same time capturing a market rate of return. To achieve these objectives, we maintain our portfolio of cash and cash equivalents, and short-term and long-term investments in a variety of securities, including government obligations, corporate bonds and commercial paper.

Interest Rate Risk — We invest our cash in a number of diversified high quality investment-grade fixed and floating rate securities with a fair value of $933.7 million at December 31, 2015. Our exposure to interest rate risks is not significant due to the short average maturity, quality and diversification of our holdings. We do not hold any derivative, derivative commodity instruments or other similar financial instruments in our investment portfolio. The risk associated with fluctuating interest rates is generally limited to our investment portfolio. We believe that a hypothetical 10% change in period-end interest rates would not have a significant impact on our results of operations or cash flows.

The following table provides information about our interest-bearing securities that are sensitive to changes in interest rates as of December 31, 2015. The table presents principal cash flows, weighted-average yield at cost and contractual maturity dates. Additionally, we have assumed that these securities are similar enough within the specified categories to aggregate these securities for presentation purposes.

Interest Rate Sensitivity
Principal Amount by Expected Maturity
Average Interest Rates
(in thousands)

	2016	2017	2018	2019	2020	Thereafter	Total
Money market and demand accounts	$333,671	$ —	$ —	$ —	$—	$—	$333,671
Cash equivalents	$176,536	$ —	$ —	$ —	$—	$—	$176,536
Short-term investments	$373,677	$45,830	$1,997	$1,999	$—	$—	$423,502
Average Interest rate	0.4%	1.0%	1.3%	—%	—%	—%	0.4%

Cash and cash equivalents and available-for-sale securities are recorded at fair value.

Bank Liquidity Risk — As of December 31, 2015, we had approximately $202.4 million in operating accounts that are held with domestic and international financial institutions. The majority of these balances are held with domestic financial institutions. While we monitor daily cash balances in our operating accounts and

adjust the cash balances as appropriate, these cash balances could be lost or become inaccessible if the underlying financial institutions fail or if they are unable to meet the liquidity requirements of their depositors. Notwithstanding, we have not incurred any losses and have had full access to our operating accounts to date.

Foreign Currency Exchange Rate Risk — We are exposed to limited risk from fluctuations in currencies, which might change over time as our business practices evolve, that could impact our operating results, liquidity and financial condition. We operate and invest globally. Adverse movements in currency exchange rates might negatively affect our business due to a number of situations. Currently, our international licensing agreements are typically made in U.S. dollars and are generally not subject to foreign currency exchange rate risk. We do not engage in foreign exchange hedging transactions at this time.

Between 2006 and 2015, we paid approximately $295.1 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in interest expense and/or foreign currency gain or loss.

Investment Risk — We are exposed to market risk as it relates to changes in the market value of our short-term and long-term investments in addition to the liquidity and creditworthiness of the underlying issuers of our investments. We hold a diversified investment portfolio, which includes, fixed and floating-rate, investment-grade marketable securities, mortgage and asset-backed securities and U.S. government and other securities. The instruments included in our portfolio meet high credit quality standards, as specified in our investment policy guidelines. This policy also limits our amount of credit exposure to any one issue, issuer and type of instrument. Given that the guidelines of our investment policy prohibit us from investing in anything but highly rated instruments, our investments are not subject to significant fluctuations in fair value due to the volatility of the credit markets and prevailing interest rates for such securities. Our marketable securities, consisting of government obligations, corporate bonds and commercial paper, are classified as available-for-sale with a fair value of $423.5 million as of December 31, 2015.

Equity Risk — We are exposed to changes in the market-traded price of our common stock as it influences the calculation of earnings per share. In connection with the offering of the Notes, we entered into convertible note hedge transactions with option counterparties. We also sold warrants to the option counterparties. These transactions have been accounted for as an adjustment to our shareholders' equity. The convertible note hedge transactions are expected to reduce the potential equity dilution upon conversion of the Notes. The warrants along with any shares issuable upon conversion of the Notes will have a dilutive effect on our earnings per share to the extent that the average market price of our common stock for a given reporting period exceeds the applicable strike price or conversion price of the warrants or convertible Notes, respectively.

Item 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.*

	PAGE NUMBER
CONSOLIDATED FINANCIAL STATEMENTS:	
Report of Independent Registered Public Accounting Firm	73
Consolidated Balance Sheets as of December 31, 2015 and 2014	74
Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013	75
Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	76
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013	77
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	78
Notes to Consolidated Financial Statements	79
SCHEDULES:	
Schedule II — Valuation and Qualifying Accounts	123

All other schedules are omitted because they are either not required or applicable or equivalent information has been included in the financial statements and notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of InterDigital, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of InterDigital, Inc. and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Annual Report on Internal Control Over Financial Reporting" appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it classifies deferred tax assets and deferred tax liabilities in 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 18, 2016

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 510,207	$ 428,567
Short-term investments	423,501	275,361
Accounts receivable, less allowances of $0 and $1,750	53,868	51,702
Prepaid and other current assets	23,391	32,227
Total current assets	1,010,967	787,857
PROPERTY AND EQUIPMENT, NET	12,148	12,546
PATENTS, NET	277,579	265,540
DEFERRED TAX ASSETS	160,572	125,802
OTHER NON-CURRENT ASSETS	13,219	1,217
	463,518	405,105
TOTAL ASSETS	$1,474,485	$1,192,962
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 227,174	$ —
Accounts payable	19,002	34,654
Accrued compensation and related expenses	26,013	27,089
Deferred revenue	106,229	124,695
Taxes payable	1,405	—
Dividend payable	7,068	7,456
Other accrued expenses	13,082	11,275
Total current liabilities	399,973	205,169
LONG-TERM DEBT	259,595	216,206
LONG-TERM DEFERRED REVENUE	289,039	293,342
OTHER LONG-TERM LIABILITIES	3,983	2,568
TOTAL LIABILITIES	952,590	717,285
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value, 14,399 shares authorized, 0 shares issued and outstanding	—	—
Common Stock, $0.01 par value, 100,000 shares authorized, 70,130 and 69,800 shares issued and 35,414 and 36,920 shares outstanding	701	698
Additional paid-in capital	663,073	614,162
Retained earnings	847,033	757,050
Accumulated other comprehensive (loss) income	(178)	118
	1,510,629	1,372,028
Treasury stock, 34,716 and 32,880 shares of common held at cost	1,000,110	903,700
Total InterDigital, Inc. shareholders' equity	510,519	468,328
Noncontrolling interest	11,376	7,349
Total equity	521,895	475,677
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,474,485	$1,192,962

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	FOR THE YEAR ENDED DECEMBER 31,		
	2015	2014	2013
REVENUES:			
Patent licensing royalties	$432,488	$403,389	$264,174
Patent sales	—	1,999	—
Technology solutions	8,947	10,433	61,187
Total Revenue	441,435	415,821	325,361
OPERATING EXPENSES:			
Patent administration and licensing	120,401	133,808	143,037
Development	72,702	75,300	64,729
Selling, general and administrative	39,783	37,753	31,295
Repositioning	—	—	1,544
Total Operating Expenses	232,886	246,861	240,605
Income from operations	208,549	168,960	84,756
OTHER EXPENSE (NET)	(27,534)	(15,432)	(23,237)
Income before income taxes	181,015	153,528	61,519
INCOME TAX PROVISION	(64,621)	(52,108)	(25,836)
NET INCOME	$116,394	$101,420	$ 35,683
Net loss attributable to noncontrolling interest	(2,831)	(2,922)	(2,482)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$119,225	$104,342	$ 38,165
NET INCOME PER COMMON SHARE — BASIC	$ 3.31	$ 2.65	$ 0.93
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — BASIC	36,048	39,420	41,115
NET INCOME PER COMMON SHARE — DILUTED	$ 3.27	$ 2.62	$ 0.92
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — DILUTED	36,463	39,879	41,424
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 0.80	$ 0.70	$ 0.40

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the Year Ended December 31,		
	2015	2014	2013
Net income	$116,394	$101,420	$35,683
Unrealized (loss) gain investments, net of tax	(296)	12	(878)
Other-than-temporary impairment losses related to available for sale securities, net of income taxes of $0, $65, $0	—	120	—
Comprehensive income	$116,098	$101,552	$34,805
Comprehensive loss attributable to noncontrolling interest	(2,831)	(2,922)	(2,482)
Total comprehensive income attributable to InterDigital, Inc.	$118,929	$104,474	$37,287

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Non-Controlling Interest	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, DECEMBER 31, 2012	**69,459**	**$695**	**$579,852**	**$659,235**	**$ 864**	**28,409**	**$ (721,941)**	**$ —**	**$ 518,705**
Net income	—	—	—	38,165	—	—	—	—	38,165
Proceeds from noncontrolling interests	—	—	—	—	—	—	—	7,652	7,652
Net (loss) income attributable to noncontrolling interest	—	—	—	—	—	—	—	(2,482)	(2,482)
Net change in unrealized gain on short-term investments	—	—	—	—	(878)	—	—	—	(878)
Dividends Declared	—	—	297	(16,682)	—	—	—	—	(16,385)
Exercise of Common Stock options	49	—	1,032	—	—	—	—	—	1,032
Issuance of Common Stock, net	106	1	(2,459)	—	—	—	—	—	(2,458)
Tax benefit from exercise of stock options	—	—	815	—	—	—	—	—	815
Amortization of unearned compensation	—	—	15,940	—	—	—	—	—	15,940
Repurchase of Common Stock	—	—	—	—	—	917	(29,134)	—	(29,134)
Reclassifications of share-based compensation	—	—	2,848	—	—	—	—	—	2,848
BALANCE, DECEMBER 31, 2013	**69,614**	**$696**	**$598,325**	**$680,718**	**$ (14)**	**29,326**	**$ (751,075)**	**$ 5,170**	**$ 533,820**
Net income attributable to InterDigital, Inc.	—	—	—	104,342	—	—	—	—	104,342
Proceeds from noncontrolling interests	—	—	—	—	—	—	—	5,101	5,101
Net (loss) income attributable to noncontrolling interest	—	—	—	—	—	—	—	(2,922)	(2,922)
Net change in unrealized gain on short-term investments	—	—	—	—	132	—	—	—	132
Dividends Declared	—	—	857	(28,010)	—	—	—	—	(27,153)
Exercise of Common Stock options	21	—	402	—	—	—	—	—	402
Issuance of Common Stock, net	165	2	(2,740)	—	—	—	—	—	(2,738)
Tax benefit from exercise of stock options	—	—	(1,176)	—	—	—	—	—	(1,176)
Amortization of unearned compensation	—	—	18,494	—	—	—	—	—	18,494
Repurchase of Common Stock	—	—	—	—	—	3,554	(152,625)	—	(152,625)
BALANCE, DECEMBER 31, 2014	**69,800**	**$698**	**$614,162**	**$757,050**	**$ 118**	**32,880**	**$ (903,700)**	**$ 7,349**	**$ 475,677**
Net income attributable to InterDigital, Inc.	—	—	—	119,225	—	—	—	—	119,225
Proceeds from noncontrolling interests	—	—	—	—	—	—	—	9,358	9,358
Distribution preference	—	—	—	—	—	—	—	(2,500)	(2,500)
Net (loss) income attributable to noncontrolling interest	—	—	—	—	—	—	—	(2,831)	(2,831)
Net change in unrealized gain on short-term investments	—	—	—	—	(296)	—	—	—	(296)
Dividends Declared	—	—	694	(29,242)	—	—	—	—	(28,548)
Exercise of Common Stock options	5	—	46	—	—	—	—	—	46
Issuance of Common Stock, net	325	3	(9,849)	—	—	—	—	—	(9,846)
Tax benefit from exercise of stock options	—	—	2,457	—	—	—	—	—	2,457
Amortization of unearned compensation	—	—	15,139	—	—	—	—	—	15,139
Repurchase of Common Stock	—	—	—	—	—	1,836	(96,410)	—	(96,410)
Equity Component of Debt, net of tax	—	—	38,567	—	—	—	—	—	38,567
Convertible note hedge transactions, net of tax	—	—	(38,594)	—	—	—	—	—	(38,594)
Warrant transactions	—	—	42,881	—	—	—	—	—	42,881
Deferred financing costs allocated to equity	—	—	(2,430)	—	—	—	—	—	(2,430)
BALANCE, DECEMBER 31, 2015	**70,130**	**$701**	**$663,073**	**$847,033**	**$(178)**	**34,716**	**$(1,000,110)**	**$11,376**	**$ 521,895**

The accompanying notes are an integral part of these statements

INTERDIGITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	FOR THE YEAR ENDED DECEMBER 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 116,394	$ 101,420	$ 35,683
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	47,793	42,246	33,385
Amortization of deferred financing fees and accretion of debt discount	20,869	10,325	9,726
Deferred revenue recognized	(163,354)	(163,139)	(174,014)
Increase in deferred revenue	113,962	272,885	209,930
Deferred income taxes	(34,770)	(62,979)	4,861
Tax benefit from share-based compensation	—	(1,176)	—
Share-based compensation	15,139	18,494	15,940
Impairment of investments	198	559	21,720
Non-cash cost of patent sales	—	700	—
Other	238	572	424
Decrease (Increase) in assets:			
Receivables	(2,166)	26,128	77,044
Deferred charges and other assets	8,489	6,156	(9,753)
Increase (Decrease) in liabilities:			
Accounts payable	2,503	(10,396)	14,655
Accrued compensation and other expenses	(12,297)	5,853	(24,522)
Accrued taxes payable and other tax contingencies	1,501	(5,635)	3,096
Net cash provided by operating activities	114,499	242,013	218,175
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments	(643,087)	(438,157)	(417,728)
Sales of short-term investments	495,201	363,175	443,074
Purchases of property and equipment	(3,700)	(7,095)	(4,591)
Capitalized patent costs	(29,766)	(31,932)	(34,057)
Acquisition of patents	(20,000)	(26,300)	(25,013)
Long-term investments	(12,623)	—	—
Net cash used in investing activities	(213,975)	(140,309)	(38,315)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from exercise of stock options	46	402	1,032
Proceeds from issuance of senior convertible notes	316,000	—	—
Proceeds from other financing activities	4,500	—	—
Purchase of convertible bond hedge	(59,376)	—	—
Proceeds from issuance of warrants	42,881	—	—
Payments of debt issuance costs	(9,403)	—	—
Proceeds from non-controlling interests	9,358	5,101	7,652
Dividends paid	(28,937)	(23,729)	(12,354)
Tax benefit from share-based compensation	2,457	—	815
Repurchase of common stock	(96,410)	(152,625)	(29,134)
Net cash provided by (used in) financing activities	181,116	(170,851)	(31,989)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,640	(69,147)	147,871
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	428,567	497,714	349,843
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 510,207	$ 428,567	$ 497,714
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	7,988	5,750	5,750
Income taxes paid, including foreign withholding taxes	85,780	114,876	24,961
Non-cash investing and financing activities:			
Dividend payable	7,068	7,456	4,031
Non-cash acquisition of patents	24,123	19,250	—
Accrued capitalized patent costs and acquisition of patents	18,155	20,546	(452)

The accompanying notes are an integral part of these statements.

1. BACKGROUND

InterDigital designs and develops advanced technologies that enable and enhance wireless communications and capabilities. Since our founding in 1972, we have designed and developed a wide range of innovations that are used in digital cellular and wireless products and networks, including 2G, 3G, 4G and IEEE 802-related products and networks. We are a leading contributor of intellectual property to the wireless communications industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include all of our accounts and all entities which we have a controlling interest, which are required to be consolidated in accordance with the Generally Accepted Accounting Principles in the United States ("GAAP"). All significant intercompany accounts and transactions have been eliminated in consolidation.

In determining whether we are the primary beneficiary of a variable interest entity and therefore required to consolidate, we apply a qualitative approach that determines whether we have both the power to direct the economically significant activities of the entity and the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to that entity. These considerations impact the way we account for our existing collaborative relationships and other arrangements. We continuously assess whether we are the primary beneficiary of a variable interest entity as changes to existing relationships or future transactions may result in us consolidating or deconsolidating our partner(s) to collaborations and other arrangements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. If different assumptions were made or different conditions had existed, our financial results could have been materially different.

Cash and Cash Equivalents

We classify all highly liquid investment securities with original maturities of three months or less at date of purchase as cash equivalents. Our investments are comprised of mutual and exchange traded funds, commercial paper, United States and municipal government obligations and corporate securities. Management determines the appropriate classification of our investments at the time of acquisition and re-evaluates such determination at each balance sheet date.

Cash and cash equivalents at December 31, 2015 and 2014 consisted of the following (in thousands):

	December 31,	
	2015	2014
Money market and demand accounts	$333,671	$307,995
Commercial paper	176,536	120,572
	$510,207	$428,567

Short-Term Investments

At December 31, 2015 and 2014, all marketable securities have been classified as available-for-sale and are carried at fair value, with unrealized gains and losses reported net-of-tax as a separate component of shareholders' equity. Substantially all of our investments are investment grade government and corporate debt securities that have maturities of less than 3 years, and we have both the ability and intent to hold the investments until maturity. During 2015 and 2014, we recorded other-than-temporary impairments of approximately $0.2 million and $0.6 million, respectively. These amounts were included within the realized losses for these periods shown in the table below. Net unrealized gain on short-term investments was $0.1 million at December 31, 2014. Net unrealized loss on short-term investments was $0.3 million and $0.9 million at December 31, 2015 and 2013, respectively. Realized gains and losses for 2015, 2014 and 2013 were as follows (in thousands):

Year	Gains	Losses	Net
2015	$ —	$(309)	$(309)
2014	$ 48	$(681)	$(633)
2013	$166	$(678)	$(512)

Short-term investments as of December 31, 2015 and 2014 consisted of the following (in thousands):

	December 31,	
	2015	2014
Commercial paper	$200,811	$ 86,877
U.S. government agency instruments	183,950	151,618
Corporate bonds and asset backed securities	38,740	36,866
	$423,501	$275,361

At December 31, 2015 and 2014, $373.7 million and $151.4 million, respectively, of our short-term investments had contractual maturities within one year. The remaining portions of our short-term investments had contractual maturities primarily within two to five years.

Concentration of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash equivalents, short-term investments and accounts receivable. We place our cash equivalents and short-term investments only in highly rated financial instruments and in United States government instruments.

Our accounts receivable are derived principally from patent license and technology solutions agreements. At December 31, 2015, four licensees comprised 97% of our net accounts receivable balance. At December 31, 2014, three licensees represented 94% of our net accounts receivable balance. We perform ongoing credit evaluations of our licensees, who generally include large, multinational, wireless telecommunications equipment manufacturers. We believe that the book values of our financial instruments approximate their fair values.

Fair Value Measurements

We use various valuation techniques and assumptions when measuring fair value of our assets and liabilities. We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. This guidance established a hierarchy that prioritizes fair value measurements based on the types of input used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

Level 1 Inputs — Level 1 includes financial instruments for which quoted market prices for identical instruments are available in active markets.

Level 2 Inputs — Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with insufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates.

Level 3 Inputs — Level 3 includes financial instruments for which fair value is derived from valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including the company's own assumptions. The pricing models incorporate transaction details such as contractual terms, maturity and, in certain instances, timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of marketplace participants.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. We use quoted market prices for similar assets to estimate the fair value of our Level 2 investments. Our financial assets are included within short-term investments on our consolidated balance sheets, unless otherwise indicated. Our financial assets that are accounted for at fair value on a recurring basis are presented in the tables below as of December 31, 2015 and December 31, 2014 (in thousands):

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts (a)	$333,671	$ —	$—	$333,671
Commercial paper (b)	—	377,347	—	377,347
U.S. government securities	—	183,950	—	183,950
Corporate bonds, asset backed and other securities	183	38,557	—	38,740
	$333,854	$599,854	$—	$933,708

(a) Included within cash and cash equivalents.

(b) Includes $176.5 million of commercial paper that is included within cash and cash equivalents.

	Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts (a)	$307,995	$ —	$—	$307,995
Commercial paper (b)	—	207,449	—	207,449
U.S. government securities	—	151,618	—	151,618
Corporate bonds and asset backed securities	671	36,195	—	36,866
	$308,666	$395,262	$—	$703,928

(a) Included within cash and cash equivalents.

(b) Includes $120.6 million of commercial paper that is included within cash and cash equivalents.

The principal amount, carrying value and related estimated fair value of the Company's long-term debt reported in the Condensed Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014 are as follows (in thousands):

	December 31, 2015			December 31, 2014		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Total Long-Term Debt	$546,000	$486,769	$533,203	$230,000	$216,206	$255,300

The aggregate fair value of the principal amount of the long-term debt (Level 2 Notes as defined in Note 6 "*Obligations*") was calculated using inputs such as actual trade data, benchmark yields, broker/dealer quotes and other similar data, which were obtained from independent pricing vendors, quoted market prices or other sources.

As discussed in Note 3, "*Significant Events*," we acquired patents as part of the multiple-element arrangements entered into in 2015. We have recorded these patents based on their total estimated fair value of $24.1 million and will amortize them over their estimated useful lives. We estimated the fair value of the patents in each transaction by a combination of an analysis of comparable market transactions (the market approach) and discounted cash flow analysis (the income approach). For the market approach, judgment was applied as to which market transactions were most comparable to the transaction. For the income approach, the inputs and assumptions used to develop these estimates were based on a market participant perspective and included estimates of projected royalties, discount rates, economic lives and income tax rates, among others.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization of property and equipment are provided using the straight-line method. The estimated useful lives for computer equipment, computer software, engineering and test equipment and furniture and fixtures are generally three to five years. Leasehold improvements are amortized over the lesser of their estimated useful lives or their respective lease terms, which are generally five to ten years. Buildings are being depreciated over twenty-five years. Expenditures for major improvements and betterments are capitalized, while minor repairs and maintenance are charged to expense as incurred. Leases meeting certain capital lease criteria are capitalized and the net present value of the related lease payments is recorded as a liability. Amortization of capital leased assets is recorded using the straight-line method over the lesser of the estimated useful lives or the lease terms.

Upon the retirement or disposition of property, plant and equipment, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded.

Internal-Use Software Costs

We capitalize costs associated with software developed for internal use that are incurred during the software development stage. Such costs are limited to expenses incurred after management authorizes and commits to a computer software project, believes that it is more likely than not that the project will be completed, the software will be used to perform the intended function with an estimated service life of two years or more, and the completion of conceptual formulation, design and testing of possible software project alternatives (the preliminary design stage). Costs incurred after final acceptance testing has been successfully completed are expensed. Capitalized computer software costs are amortized over their estimated useful life of three years.

All computer software costs capitalized to date relate to the purchase, development and implementation of engineering, accounting and other enterprise software.

Other-than-Temporary Impairments

We review our investment portfolio during each reporting period to determine whether there are identified events or circumstances that would indicate there is a decline in the fair value that is considered to be other-than-temporary. For non-public investments, if there are no identified events or circumstances that would have a significant adverse effect on the fair value of the investment, then the fair value is not estimated. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the investment. We charge the impairment to the *Other Expense (Net)* line of our Consolidated Statements of Income.

Investments in Other Entities

We may make strategic investments in companies that have developed or are developing technologies that are complementary to our business. We account for our investments using either the cost or equity method of accounting. Under the cost method, we do not adjust our investment balance when the investee reports profit or loss but monitor the investment for an other-than-temporary decline in value. On a quarterly basis, we monitor our investment's financial position and performance to assess whether there are any triggering events or indicators present that would be indicative of an other-than-temporary impairment of our investment. When assessing whether an other-than-temporary decline in value has occurred, we consider such factors as the valuation placed on the investee in subsequent rounds of financing, the performance of the investee relative to its own performance targets and business plan, and the investee's revenue and cost trends, liquidity and cash position, including its cash burn rate, and updated forecasts. Under the equity method of accounting, we initially record our investment in the stock of an investee at cost, and adjust the carrying amount of the investment to recognize our share of the earnings or losses of the investee after the date of acquisition. The amount of the adjustment is included in the determination of net income, and such amount reflects adjustments similar to those made in preparing consolidated statements including adjustments to eliminate intercompany gains and losses, and to amortize, if appropriate, any difference between our cost and underlying equity in net assets of the investee at the date of investment. The investment is also adjusted to reflect our share of changes in the investee's capital. Dividends received from an investee reduce the carrying amount of the investment. When there are a series of operating losses by the investee or when other factors indicate that a decrease in value of the investment has occurred which is other than temporary, we recognize an impairment equal to the difference between the fair value and the carrying amount of our investment. The carrying costs of our investments are included within *Other Non-Current Assets* on our Consolidated Balance Sheets.

During 2015, we made investments in two separate entities for a total of $12.6 million. Due to the fact that we do not have significant influence over either organization, we are accounting for these investments using the cost method of accounting. The carrying value of these investments as of December 31, 2015 was $12.6 million. We had zero long-term investments as of December 31, 2014.

Patents

We capitalize external costs, such as filing fees and associated attorney fees, incurred to obtain issued patents and patent license rights. We expense costs associated with maintaining and defending patents subsequent to their issuance in the period incurred. We amortize capitalized patent costs for internally generated patents on a straight-line basis over ten years, which represents the estimated useful lives of the patents. The ten-year estimated useful life for internally generated patents is based on our assessment of such factors as: the integrated nature of the portfolios being licensed, the overall makeup of the portfolio over time, and the length of license agreements for such patents. The estimated useful lives of acquired patents and patent rights, however, have been and will continue to be based on separate analysis related to each acquisition and may differ from the estimated useful lives of internally generated patents. The average estimated useful life of acquired patents thus far has been 9.7 years. We assess the potential impairment to all capitalized net patent costs when events or changes in circumstances indicate that the carrying amount of our patent portfolio may not be recoverable.

Patents consisted of the following (in thousands, except for useful life data):

	December 31,	
	2015	**2014**
Weighted average estimated useful life (years)	9.9	10.0
Gross patents	$ 511,503	$ 455,447
Accumulated amortization	(233,924)	(189,907)
Patents, net	$ 277,579	$ 265,540

Amortization expense related to capitalized patent costs was $44.0 million, $38.4 million and $29.8 million in 2015, 2014 and 2013, respectively. These amounts are recorded within the *Patent administration and licensing* line of our Consolidated Statements of Income.

The estimated aggregate amortization expense for the next five years related to our patents balance as of December 31, 2015 is as follows (in thousands):

2016	$46,700
2017	43,876
2018	38,594
2019	35,718
2020	30,946

Intangible Assets

We capitalize the cost of technology solutions and platforms we acquire or license from third parties when they have a future benefit and the development of these solutions and platforms is substantially complete at the time they are acquired or licensed.

Revenue Recognition

We derive the vast majority of our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Such agreements are often complex and include multiple elements. These agreements can include, without limitation, elements related to the settlement of past patent infringement liabilities, up-front and non-refundable license fees for the use of patents and/or know-how, patent and/or know-how licensing royalties on covered products sold by licensees, cross-licensing terms between us and other parties, the compensation structure and ownership of intellectual property rights associated with contractual technology development arrangements, advanced payments and fees for service arrangements and settlement of intellectual property enforcement. For agreements entered into or materially modified prior to 2011, due to the inherent difficulty in establishing reliable, verifiable, and objectively determinable evidence of the fair value of the separate elements of these agreements, the total revenue resulting from such agreements has often been recognized over the performance period. Beginning in January 2011, all new or materially modified agreements are being accounted for under the Financial Accounting Standards Board ("FASB") revenue recognition guidance, "Revenue Arrangements with Multiple Deliverables." This guidance requires consideration to be allocated to each element of an agreement that has stand alone value using the relative fair value method. In other circumstances, such as those agreements involving consideration for past and expected future patent royalty obligations, after consideration of the particular facts and circumstances, the appropriate recording of revenue between periods may require the use of judgment. In all cases, revenue is only recognized after all of the following criteria are met: (1) written agreements have been executed; (2) delivery of technology or intellectual property rights has occurred or services have been rendered; (3) fees are fixed or determinable; and (4) collectibility of fees is reasonably assured.

We establish a receivable for payments expected to be received within twelve months from the balance sheet date based on the terms in the license. Our reporting of such payments often results in an increase to both accounts receivable and deferred revenue. Deferred revenue associated with fixed-fee royalty payments is classified on the balance sheet as short-term when it is scheduled to be amortized within twelve months from the balance sheet date. All other deferred revenue is classified as long-term, as amounts to be recognized over the next twelve months are not known.

Patent License Agreements

Upon signing a patent license agreement, we provide the licensee permission to use our patented inventions in specific applications. We account for patent license agreements in accordance with the guidance for revenue

arrangements with multiple deliverables. We have elected to utilize the leased-based model for revenue recognition, with revenue being recognized over the expected period of benefit to the licensee. Under our patent license agreements, we typically receive one or a combination of the following forms of payment as consideration for permitting our licensees to use our patented inventions in their applications and products:

Consideration for Past Patent Royalties: Consideration related to a licensee's product sales from prior periods may result from a negotiated agreement with a licensee that utilized our patented inventions prior to signing a patent license agreement with us or from the resolution of a disagreement or arbitration with a licensee over the specific terms of an existing license agreement. We may also receive consideration for past patent royalties in connection with the settlement of patent litigation where there was no prior patent license agreement. In each of these cases, we record the consideration as revenue when we have obtained a signed agreement, identified a fixed or determinable price and determined that collectibility is reasonably assured.

Fixed-Fee Royalty Payments: These are up-front, non-refundable royalty payments that fulfill the licensee's obligations to us under a patent license agreement for a specified time period or for the term of the agreement for specified products, under certain patents or patent claims, for sales in certain countries, or a combination thereof — in each case for a specified time period (including for the life of the patents licensed under the agreement). We recognize revenues related to Fixed-Fee Royalty Payments on a straight-line basis over the effective term of the license. We utilize the straight-line method because we cannot reliably predict in which periods, within the term of a license, the licensee will benefit from the use of our patented inventions.

Prepayments: These are up-front, non-refundable royalty payments towards a licensee's future obligations to us related to its expected sales of covered products in future periods. Our licensees' obligations to pay royalties typically extend beyond the exhaustion of their Prepayment balance. Once a licensee exhausts its Prepayment balance, we may provide them with the opportunity to make another Prepayment toward future sales or it will be required to make Current Royalty Payments.

Current Royalty Payments: These are royalty payments covering a licensee's obligations to us related to its sales of covered products in the current contractual reporting period.

Licensees that either owe us Current Royalty Payments or have Prepayment balances are obligated to provide us with quarterly royalty reports that summarize their sales of covered products and their related royalty obligations to us. We typically receive these royalty reports subsequent to the period in which our licensees' underlying sales occurred. As a result, it is impractical for us to recognize revenue in the period in which the underlying sales occur, and, in most cases, we recognize revenue in the period in which the royalty report is received and other revenue recognition criteria are met due to the fact that without royalty reports from our licensees, our visibility into our licensees' sales is very limited. When a licensee is required to gross-up their royalty payment to cover applicable foreign withholding tax requirements, the additional consideration is recorded in revenue.

The exhaustion of Prepayments and Current Royalty Payments are often calculated based on related per-unit sales of covered products. From time to time, licensees will not report revenues in the proper period, most often due to legal disputes. When this occurs, the timing and comparability of royalty revenue could be affected. In cases where we receive objective, verifiable evidence that a licensee has discontinued sales of products covered under a patent license agreement with us, we recognize any related deferred revenue balance in the period that we receive such evidence.

Patent Sales

Our business strategy of monetizing our intellectual property includes the sale of select patent assets. As patent sales executed under this strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue. We will recognize the revenue when there is persuasive

evidence of a sales arrangement, fees are fixed or determinable, delivery has occurred and collectibility is reasonably assured. These requirements are generally fulfilled upon closing of the patent sale transaction.

Technology Solutions and Engineering Services

Technology solutions revenue consists primarily of revenue from royalty payments. We recognize revenue from royalty payments using the same methods described above under our policy for recognizing revenue from patent license agreements. Technology solutions revenues also consist of revenues from software licenses and engineering services. Software license revenues are recognized in accordance with the original and revised guidance for software revenue recognition. When the arrangement with a customer includes significant production, modification, or customization of the software, we recognize the related revenue using the percentage-of-completion method in accordance with the accounting guidance for construction-type and certain production-type contracts. Under this method, revenue and profit are recognized throughout the term of the contract, based on actual labor costs incurred to date as a percentage of the total estimated labor costs related to the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. When such estimates indicate that costs will exceed future revenues and a loss on the contract exists, a provision for the entire loss is recognized at that time.

We recognize revenues associated with engineering service arrangements that are outside the scope of the accounting guidance for construction-type and certain production-type contracts on a straight-line basis, unless evidence suggests that the revenue is earned in a different pattern, over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer. In such cases we often recognize revenue using proportional performance and measure the progress of our performance based on the relationship between incurred labor hours and total estimated labor hours or other measures of progress, if available. Our most significant cost has been labor and we believe both labor hours and labor cost provide a measure of the progress of our services. The effect of changes to total estimated contract costs is recognized in the period such changes are determined.

Deferred Charges

From time to time, we use sales agents to assist us in our licensing and/or patent sale activities. In such cases, we may pay a commission. The commission rate varies from agreement to agreement. Commissions are normally paid shortly after our receipt of cash payments associated with the patent license or patent sale agreements. We defer recognition of commission expense related to both prepayments and fixed-fee royalty payments and amortize these expenses in proportion to our recognition of the related revenue. In 2015, 2014 and 2013, we paid cash commissions of less than $0.1 million, approximately $0.3 million and less than $0.1 million, respectively.

Incremental direct costs incurred related to acquisition or origination of a customer contract in a transaction that results in the deferral of revenue may be either expensed as incurred or capitalized. The only eligible costs for deferral are those costs directly related to a particular revenue arrangement. We capitalize those direct costs incurred for the acquisition of a contract through the date of signing, and amortize them on a straight-line basis over the life of the patent license agreement. There were no direct contract origination costs incurred during 2015, 2014, or 2013.

Incremental direct costs incurred related to a debt financing transaction may be capitalized. In connection with our offerings of the Notes, discussed in detail within Note 6, *Obligations*, we incurred directly related costs. The initial purchasers' transaction fees and related offering expenses were allocated to the liability and equity components of the debt in proportion to the allocation of proceeds and accounted for as debt issuance costs. The debt issuance costs allocated to the liability component of the debt were capitalized as deferred financing costs and recorded as a direct reduction of the debt. These costs are being amortized to interest expense over the term of the debt using the effective interest method. The costs allocated to the equity component of the debt were recorded as a reduction of the equity component of the debt.

There were no debt issuance costs incurred in 2014 or 2013.

Deferred charges are recorded in our Consolidated Balance Sheets within the following captions (in thousands):

	December 31,	
	2015	2014
Prepaid and other current assets		
Deferred commission expense	$ 245	$ 342
Deferred contract origination costs	—	79
Other non-current assets		
Deferred commission expense	196	495
Deferred contract origination costs	—	79
Long-term debt (including current portion of long-term debt)		
Deferred financing costs	6,117	1,629

Commission expense was approximately $0.6 million, $0.4 million and $0.3 million in 2015, 2014 and 2013, respectively. Commission expense is included within the *Patent administration and licensing* line of our Consolidated Statements of Income. Deferred contract origination expense recognized in 2015, 2014 and 2013 was less than $0.1 million in each period and is included within the *Patent administration and licensing* line of our Consolidated Statements of Income. Deferred financing expense was $2.5 million in 2015 and $1.3 million in both 2014 and 2013. Deferred financing expense is included within the *Other Expense (Net)* line of our Consolidated Statements of Income.

Research and Development

Research and development expenditures are expensed in the period incurred, except certain software development costs that are capitalized between the point in time that technological feasibility of the software is established and when the product is available for general release to customers. We did not have any capitalized software costs related to research and development in any period presented. Research, development and other related costs were approximately $72.7 million, $75.3 million and $64.7 million in 2015, 2014 and 2013, respectively.

Compensation Programs

Our compensation programs include, but are not limited to, short-term incentive awards tied to performance goals and cash awards to inventors for filed patent applications and patent issuances, as well as stock option awards, time-based restricted stock unit ("RSU") awards and performance-based awards under our long-term compensation program ("LTCP"). Our LTCP typically includes annual grants with a three-year vesting period; as a result, in any one year, we are typically accounting for three active LTCP cycles.

The aggregate amount of performance compensation expense we record in a period, under both short-term and long-term performance compensation programs, requires the input of subjective assumptions and is a function of our estimated progress toward performance compensation goals at the beginning of the period, and our estimated progress or final assessment of progress toward performance compensation goals at the end of the period. Our estimated progress toward goals under performance equity grants is based on a meeting a minimum confidence level in accordance with ASC 718. Achievement rates can vary by performance cycle and from period to period, resulting in variability in our compensation expense.

We account for compensation costs associated with share-based transactions based on the fair value of the instruments issued, net of any estimated award forfeitures. This requires us to make subjective assumptions around the value of the equity at the time of issuance and the expected forfeiture rates, which in both cases are

generally based on historical experience. At December 31, 2015, 2014 and 2013, we have estimated the forfeiture rates for outstanding RSUs to be between 0% and 25% over their lives of one to three years, depending upon the type of grant and the specific terms of the award issued. The estimated value of stock options includes assumptions around expected life, stock volatility, and dividends. The expected life of our stock option awards are based on the simplified method as prescribed by Staff Accounting Bulletin Topic 14. In all periods, our policy has been to set the value of RSUs and restricted stock awards equal to the value of our underlying common stock on the date of measurement. For grants with graded vesting, we amortize the associated unrecognized compensation cost using an accelerated method. For grants that cliff vest, we amortize the associated unrecognized compensation cost on a straight-line basis over their vesting term. In 2006, we adopted the short-cut method to establish the historical additional paid-in-capital pool ("APIC Pool") related to the tax effects of employee share-based compensation. Any positive balance would be available to absorb tax shortfalls (which occur when the tax deductions resulting from share-based compensation are less than the related book expense) recognized subsequent to the adoption of the stock-based compensation guidance.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment when factors indicate that the carrying value of an asset may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, we review whether we will be able to realize our long-lived assets by analyzing the projected undiscounted cash flows in measuring whether the asset is recoverable. We recorded approximately $0.2 million of long-lived asset impairments in 2015. We did not have any long-lived asset impairments in 2014 or 2013.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if management has determined that it is more likely than not that such assets will not be realized.

In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. We are subject to examinations by the Internal Revenue Service ("IRS") and other taxing jurisdictions on various tax matters, including challenges to various positions we assert in our filings. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

The financial statement recognition of the benefit for a tax position is dependent upon the benefit being more likely than not to be sustainable upon audit by the applicable tax authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on our consolidated financial condition or results of operations.

Between 2006 and 2015, we paid approximately $295.1 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related and offsetting reduction in our foreign tax credits. Due to both foreign

currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in net interest expense and/or foreign currency gain or loss.

During 2015, we estimated a research and development credit for the 2015 period that resulted in an approximately $2.1 million tax benefit net of any unrecognized tax benefits. During 2014, we completed the research and development credit studies for the periods from 2010 to 2013 and amended our United States federal income tax returns for the periods from 2010 through 2012 to claim the research and development credit for those periods. After all periods were amended and the 2013 federal income tax return was filed, we recognized a net benefit after consideration of any unrecognized tax benefits from the tax credits in the amount of $5.7 million. Additionally, in 2014, we recognized a benefit after consideration of any unrecognized tax benefits of $0.9 million for the estimated research and development credit for 2014. In addition, in 2014, we recorded $0.7 million of unrecognized tax benefits related to other matters.

Net Income Per Common Share

Basic Earnings Per Share ("EPS") is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other securities with features that could result in the issuance of common stock were exercised or converted to common stock. The following table reconciles the numerator and the denominator of the basic and diluted net income per share computation (in thousands, except for per share data):

	For the Year Ended December 31,					
	2015		2014		2013	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator:						
Net income applicable to common shareholders	$119,225	$119,225	$104,342	$104,342	$38,165	$38,165
Denominator:						
Weighted-average shares outstanding: Basic	36,048	36,048	39,420	39,420	41,115	41,115
Dilutive effect of stock options, RSUs and convertible securities		415		459		309
Weighted-average shares outstanding: Diluted		36,463		39,879		41,424
Earnings Per Share:						
Net income: Basic	$ 3.31	3.31	$ 2.65	2.65	$ 0.93	0.93
Dilutive effect of stock options, RSUs and convertible securities		(0.04)		(0.03)		(0.01)
Net income: Diluted		$ 3.27		$ 2.62		$ 0.92

Certain shares of common stock issuable upon the exercise or conversion of certain securities have been excluded from our computation of earnings per share because the strike price or conversion rate, as applicable, of such securities was less than the average market price of our common stock for the years ended December 31, 2015, 2014 and 2013, as applicable, and, as a result, the effect of such exercise or conversion would have been anti-dilutive. Set forth below are the securities and the weighted average number of shares of common stock

underlying such securities that were excluded from our computation of earnings per share for the periods presented (in thousands):

	For the Year Ended December 31,		
	2015	2014	2013
Restricted stock units and stock options	211	75	79
Convertible securities	7,656	4,130	4,130
Warrants	7,656	4,130	4,130
Total	15,523	8,335	8,339

New Accounting Guidance

Accounting Standards Update: Balance Sheet Classification of Deferred Taxes

In November 2015, as part of their simplification initiative, the FASB issued amendments to guidance for reporting deferred taxes. According to the revised standard, an entity will be required to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. Under current guidance, entities separate deferred tax assets and deferred tax liabilities as current or noncurrent based on the classification of the related asset or liability for financial reporting. The guidance is effective for interim and annual periods beginning on or after December 15, 2016 but early adoption is permitted. We elected to early adopt this guidance effective fourth quarter 2015, and we retrospectively applied the change within our Consolidated Balance Sheets included in this Annual Report on Form 10-K. The impact of this change to our December 31, 2014 Consolidated Balance Sheet was a reduction of $54.0 million to current deferred tax assets and a corresponding increase of $54.0 million to noncurrent deferred tax assets.

Accounting Standards Update: Debt Issuance Costs

In March 2015, as part of their simplification initiative, the FASB issued amendments to guidance for reporting debt issuance costs. According to the revised standard, an entity will recognize debt issuance costs as a direct deduction from the debt liability as opposed to an asset. The costs will continue to be amortized and included within interest expense in the entity's financial statements. The guidance is effective for interim and annual periods beginning on or after December 15, 2015 but early adoption is permitted. We elected to early adopt this guidance effective first quarter 2015, and we retrospectively applied the change within our Consolidated Balance Sheets included in this Annual Report on Form 10-K. The impact of this change to our December 31, 2014 Consolidated Balance Sheet was a reduction of $1.3 million and a reduction of $0.3 million to Prepaid and other current assets and Other non-current assets, respectively, and a corresponding $1.6 million reduction to Long-term debt.

Accounting Standards Update: Consolidation

In February 2015, the FASB issued ASU No. 2015-2, "Consolidation (Topic 820): Amendments to the Consolidation Analysis." ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are voting interest entities, or VIEs, (ii) eliminates the presumption that a general partner should consolidate a limited partnership and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. ASU 2015-2 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. We are still evaluating what impact, if any, this ASU will have on our consolidated financial position, results of operations or cash flows.

Accounting Standards Update: Revenue Recognition

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods). The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method. We are currently evaluating the effect that adopting this guidance will have on our financial position, results of operations and cash flows.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

3. SIGNIFICANT EVENTS

Patent License Agreements and Settlement Agreements

During second quarter 2015, we entered into a settlement agreement with Arima Communications Corporation ("Arima"). The agreement maintains the existing patent license agreement and resolves all pending payment disputes between the companies. In addition, the agreement resulted in the dismissal of all current litigations and arbitrations between the companies in all jurisdictions. We recognized $27.2 million of past patent royalties related to this settlement.

During third quarter 2015, we entered into a new patent license agreement with Sony (the "new Sony PLA"). In addition, we renewed our joint venture with Sony, Convida Wireless, to continue investments in the development of IoT technologies and expanded it to include development efforts in 5G technologies. As discussed more fully in Note 14, "*Variable Interest Entities*," Convida Wireless is a variable interest entity and is consolidated within our financial statements.

Our agreement with Sony is a multiple-element arrangement for accounting purposes, which includes, among other elements, the new Sony PLA. The new Sony PLA covers the sale by Sony of covered products for the three-year period that commenced on December 1, 2015. In addition, the new Sony PLA covers Sony's covered product sales that occurred during certain prior periods and that were not covered under our prior agreement with Sony. We recognized past sales of $21.8 million from this agreement in third quarter 2015, and are recognizing future revenue from the new Sony PLA on a straight-line basis over its term. A portion of consideration received was in the form of patents. Refer to Note 2, "*Summary of Significant Accounting Policies*," for additional information related to the estimates and methods used to determine the fair value of the patents acquired.

During fourth quarter 2015, we entered into a new worldwide, non-exclusive, royalty bearing patent license agreement with Kyocera. Our agreement with Kyocera is a multiple-element arrangement for accounting purposes. The agreement covers Kyocera's sale of certain cellular terminal unit products. We recognized $16.4 million of past patent royalties related to this settlement during fourth quarter 2015. A portion of the consideration received was in the form of patents. Refer to Note 2, "*Summary of Significant Accounting Policies*," for additional information related to the estimates and methods used to determine the fair value of the patents acquired.

Additionally, during fourth quarter 2015, we entered into a settlement agreement with a technology solutions customer. The agreement resolves all pending payment disputes between the parties. We recognized $2.8 million of past technology solutions revenue, $1.8 million of interest income, a $0.5 million reversal of a bad debt reserve and $0.4 million of contra-expenses related to this settlement.

Both of the patent license agreements signed during 2015, as discussed above, are multiple-element arrangements for accounting purposes. Consistent with the revenue recognition policy disclosed in Note 2, "*Summary of Significant Accounting Policies*," for each agreement, we identified each element of the arrangement, estimated its relative value for purposes of allocating the arrangement consideration and determined when each of those elements should be recognized. Using the accounting guidance applicable to multiple-element revenue arrangements, we allocated the consideration to each element for accounting purposes using our best estimate of the term and value of each element. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors, including the assumed royalty rates, sales volumes, discount rate and other relevant factors. Changes in any of a number of these assumptions could have had a substantial impact on the relative fair value assigned to each element for accounting purposes. These inputs and assumptions represent management's best estimates at the time of the transactions.

Huawei Arbitration

In December 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing dispute. Pursuant to their agreement, InterDigital and Huawei initiated an arbitration in April 2014 jointly seeking a determination by an arbitral tribunal of FRAND royalty terms and conditions to be included in a binding worldwide patent license agreement to take effect upon issuance of the arbitration award. An arbitration hearing was held in January 2015, and the arbitration panel delivered a confidential partial award in May 2015 and a confidential final award in July 2015. In July 2015, InterDigital filed a petition in the District Court for the Southern District of New York for an order confirming the arbitration award (the "New York Proceeding"), and Huawei filed an action in the Paris Court of Appeal requesting annulment of the arbitration award (the "Paris Proceeding"). Huawei also filed a motion to stay the New York Proceeding pending the Paris Proceeding. A hearing in the New York Proceeding was held on February 16, 2016. On February 17, 2016, the judge notified the parties that he had rendered a decision on Huawei's motion to stay the New York Proceeding, finding that the New York Proceeding should be stayed pending the Paris Proceeding, subject to a requirement that Huawei post suitable security, pursuant to Article VI of the New York Convention, in the amount of the final award, together with interest. The stay is subject to revision should circumstances change, and InterDigital can renew its petition for an order confirming the award after the outcome of the Paris Proceeding is determined. A hearing is scheduled in the Paris Proceeding for March 2016.

To date, Huawei has not made any payments under the arbitration award. We will recognize any related revenue in the period in which the amount of revenue is fixed or determinable and collectability is reasonably assured.

4. GEOGRAPHIC / CUSTOMER CONCENTRATION

We have one reportable segment. During 2015 and 2014, the majority of our revenue was derived from a limited number of licensees based outside of the United States, primarily in Asia. Substantially all of these revenues were paid in U.S. dollars and were not subject to any substantial foreign exchange transaction risk. The

table below lists the countries of the headquarters of our licensees and customers and the total revenue derived from each country or region for the periods indicated (in thousands):

	For the Year Ended December 31,		
	2015	2014	2013
Taiwan (a)	$218,584	$115,955	$128,551
South Korea	69,000	144,398	15,334
United States	65,703	53,163	108,728
Japan	53,775	52,194	27,494
Canada	13,151	15,422	36,148
Sweden	6,934	24,530	—
Germany	6,712	5,293	4,539
Other Europe	4,807	4,064	3,004
China	2,768	800	1,563
Other Asia	1	2	—
Total	$441,435	$415,821	$325,361

(a) We are engaged in a legal dispute with Pegatron Corporation ("Pegatron"), our largest Taiwan-based customer, regarding, among other things, the terms of our patent license agreement, and we are the subject of an investigation by the Taiwan Fair Trade Commission. See Note 8, "Litigation and Legal Proceedings," in these Notes to Condensed Consolidated Financial Statements.

During 2015, 2014 and 2013, the following licensees or customers accounted for 10% or more of total revenues:

	2015	2014	2013
Pegatron (a)	31%	18%	30%
Samsung (b)	16%	33%	—%
Sony (c)	14%	< 10%	12%
Intel Mobile Communications GmbH (d)	< 10%	< 10%	18%

(a) 2013 revenues include $71.4 million of past patent royalties. As noted above, we are engaged in a legal dispute with Pegatron. See Note 8, "Litigation and Legal Proceedings," in these Notes to Condensed Consolidated Financial Statements.

(b) 2014 revenues include $86.2 million of past patent royalties.

(c) 2015 revenues include $21.8 million of past patent royalties

(d) 2013 revenues include $53.3 million of past technology solutions revenue.

At December 31, 2015, 2014 and 2013, we held $289.7 million, $278.1 million and $215.9 million, respectively, or nearly 100% in each year, of our property and equipment and patents in the United States net of accumulated depreciation and amortization. At each of December 31, 2015, 2014 and 2013, we held less than $0.1 million of property and equipment, net of accumulated depreciation, collectively, in Canada, the United Kingdom and South Korea.

5. PROPERTY AND EQUIPMENT

	December 31,	
	2015	2014
Computer equipment and software	$ 30,066	$ 27,678
Engineering and test equipment	12,321	11,970
Building and improvements	11,356	11,076
Leasehold improvements	7,544	7,406
Furniture and fixtures	1,513	1,292
Land	695	695
Property and equipment, gross	63,495	60,117
Less: accumulated depreciation	(51,347)	(47,571)
Property and equipment, net	$ 12,148	$ 12,546

Depreciation expense was $3.8 million, $3.9 million and $3.6 million in 2015, 2014 and 2013, respectively. Depreciation expense included depreciation of computer software costs of $1.4 million, $1.4 million and $1.0 million in 2015, 2014 and 2013, respectively. Accumulated depreciation related to computer software costs was $15.6 million and $14.3 million at December 31, 2015 and 2014, respectively. The net book value of our computer software was $1.2 million and $2.2 million at December 31, 2015 and 2014, respectively.

During second quarter 2015, we sold our facility in King of Prussia, Pennsylvania, to a third party and entered into a limited leaseback arrangement for a period not to exceed one year, for net consideration of $4.5 million. The carrying amount of the assets to be sold was $1.1 million as of December 31, 2015, and is still included within Property and Equipment. The gain related to the sale will be recorded within Other Income in our Consolidated Statements of Operations, and the assets sold will be removed from Property and Equipment, at the completion of the lease term.

6. OBLIGATIONS

	December 31,	
	2015	2014
2.50% Senior Convertible Notes due 2016	$230,000	$230,000
1.50% Senior Convertible Notes due 2020	316,000	—
Less:		
Unamortized interest discount	(53,114)	(12,165)
Deferred financing costs	(6,117)	(1,629)
Total debt obligations	486,769	216,206
Less: Current portion of long-term debt	227,174	—
Long-term debt obligations	$259,595	$216,206

There were no capital leases remaining at December 31, 2015 or December 31, 2014.

Maturities of principal of the long-term debt obligations of the Company as of December 31, 2015 are as follows (in thousands):

2016	$230,000
2017	—
2018	—
2019	—
2020	316,000
Thereafter	—
	$546,000

2016 Senior Convertible Notes and related Note Hedge and Warrant Transactions

In April, 2011, we issued $230.0 million in aggregate principal amount of 2.50% Senior Convertible Notes due 2016 (the "2016 Notes"). The 2016 Notes bear interest at a rate of 2.50% per year, payable in cash on March 15 and September 15 of each year, and mature on March 15, 2016, unless earlier converted or repurchased.

The 2016 Notes are convertible into cash and, if applicable, shares of our common stock at a current conversion rate of 18.2166 shares of common stock per $1,000 principal amount of 2016 Notes (which is equivalent to a conversion price of approximately $54.90 per share), as adjusted as of January 11, 2016 pursuant to the terms of the Indenture for the 2016 Notes. Commencing on December 15, 2015, the 2016 Notes are convertible in multiples of $1,000 principal amount, at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding March 15, 2016, the maturity date of the 2016 Notes. Upon any conversion, the conversion obligation will be settled in cash up to, and including, the principal amount and, to the extent of any excess over the principal amount, in shares of common stock.

The Company may not redeem the 2016 Notes prior to their maturity date.

On March 29 and March 30, 2011, in connection with the offering of the 2016 Notes, InterDigital entered into convertible note hedge transactions that cover, subject to customary anti-dilution adjustments, approximately 3.5 million and approximately 0.5 million shares of our common stock, respectively, at an initial strike price that corresponded to the initial conversion price of the 2016 Notes and are exercisable upon conversion of the 2016 Notes.

On April 4, 2011, we paid $37.1 million and $5.6 million for the convertible note hedge transactions entered into on March 29 and March 30, 2011, respectively. The aggregate cost of the convertible note hedge transactions was $42.7 million. As described in more detail below, this cost was partially offset by the proceeds from the sale of the warrants described below.

On March 29 and March 30, 2011, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.5 million shares and approximately 0.5 million shares, respectively, of common stock. The warrants have a current strike price of approximately $63.18 per share, as adjusted as of January 11, 2016 in connection with the above-referenced adjustment to the conversion rate of the 2016 Notes. The warrants become exercisable in tranches starting in June 2016. As consideration for the warrants issued on March 29 and March 30, 2011, we received, on April 4, 2011, $27.6 million and $4.1 million, respectively.

Accounting Treatment of the 2016 Notes and the related Convertible Note Hedge and Warrant Transactions

The offering of the 2016 Notes on March 29, 2011 was for $200.0 million and included an overallotment option that allowed the initial purchaser to purchase up to an additional $30.0 million aggregate principal amount

of 2016 Notes. The initial purchaser exercised its overallotment option on March 30, 2011, bringing the total amount of 2016 Notes issued on April 4, 2011 to $230.0 million.

In connection with the offering of the 2016 Notes, as discussed above, we entered into convertible note hedge transactions with respect to our common stock. The $42.7 million cost of the convertible note hedge transactions was partially offset by the proceeds from the sale of the warrants described above, resulting in a net cost of $10.9 million.

Existing accounting guidance provided that the March 29, 2011 convertible note hedge and warrant contracts be treated as derivative instruments for the period during which the initial purchaser's overallotment option was outstanding. Once the overallotment provision was exercised on March 30, 2011, the March 29 convertible note hedge and warrant contracts were reclassified to equity, as the settlement terms of the Company's note hedge and warrant contracts both provide for net share settlement. There was no material net change in the value of these convertible note hedges and warrants during the one day they were classified as derivatives and the equity components of these instruments will not be adjusted for subsequent changes in fair value.

Under current accounting guidance, we bifurcated the proceeds from the offering of the 2016 Notes between the liability and equity components of the debt. On the date of issuance, the liability and equity components were calculated to be approximately $187.0 million and $43.0 million, respectively. The initial $187.0 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature. The initial $43.0 million ($28.0 million net of tax) equity component represents the difference between the fair value of the initial $187.0 million in debt and the $230.0 million of gross proceeds. The related initial debt discount of $43.0 million is being amortized using the effective interest method over the life of the 2016 Notes. An effective interest rate of 7% was used to calculate the debt discount on the 2016 Notes.

In connection with the above-noted transactions, we incurred $8.0 million of directly related costs. The initial purchaser's transaction fees and related offering expenses were allocated to the liability and equity components of the debt in proportion to the allocation of proceeds and accounted for as debt issuance costs. We allocated $6.5 million of debt issuance costs to the liability component of the debt, which were capitalized as deferred financing costs. These costs are being amortized to interest expense over the term of the debt using the effective interest method. The remaining $1.5 million of costs allocated to the equity component of the debt were recorded as a reduction of the equity component of the debt.

2020 Senior Convertible Notes and related Note Hedge and Warrant Transactions

On March 11, 2015, we issued $316.0 million in aggregate principal amount of 1.50% Senior Convertible Notes due 2020 (the "2020 Notes"). The 2020 Notes bear interest at a rate of 1.50% per year, payable in cash on March 1 and September 1 of each year, commencing September 1, 2015, and mature on March 1, 2020, unless earlier converted or repurchased.

The 2020 Notes will be convertible into cash, shares of our common stock or a combination thereof, at our election, at an initial conversion rate of 13.8172 shares of common stock per $1,000 principal amount of 2020 Notes (which is equivalent to an initial conversion price of approximately $72.37 per share). It is our current intent and policy to settle all conversions through combination settlement of cash and shares of common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of the 2020 Notes and any remaining amounts in shares.

Prior to 5:00 p.m., New York City time, on the business day immediately preceding December 1, 2019, the 2020 Notes will be convertible only under certain circumstances as set forth in the indenture to the 2020 Notes. Commencing on December 1, 2019, the 2020 Notes will be convertible in multiples of $1,000 principal amount, at any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date of the 2020 Notes.

The Company may not redeem the 2020 Notes prior to their maturity date.

On March 5 and March 9, 2015, in connection with the offering of the 2020 Notes, we entered into convertible note hedge transactions that cover approximately 3.8 million and approximately 0.6 million shares of our common stock, respectively, at a strike price that corresponds initially to the initial conversion price of the 2020 Notes and are exercisable upon conversion of the 2020 Notes.

The cost of the March 5 and March 9, 2015 convertible note hedge transactions was approximately $51.7 million and approximately $7.7 million, respectively.

On March 5 and March 9, 2015, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.8 million and approximately 0.6 million, respectively, of common stock at an initial strike price of approximately $88.46 per share. The warrants become exercisable in tranches starting in June 2020. As consideration for the warrants issued on March 5 and March 9, 2015, we received approximately $37.3 million and approximately $5.6 million, respectively.

We also repurchased 0.8 million shares of our common stock at $53.61 per share, the closing price of the stock on March 5, 2015, from institutional investors through one of the initial purchasers and its affiliate, as our agent, concurrently with the pricing of the offering of the 2020 Notes.

Accounting Treatment of the 2020 Notes and related Convertible Note Hedge and Warrant Transactions

The offering of the 2020 Notes on March 5, 2015 was for $275.0 million and included an overallotment option that allowed the initial purchasers to purchase up to an additional $41.0 million aggregate principal amount of 2020 Notes. The initial purchasers exercised their overallotment option on March 9, 2015, bringing the total amount of 2020 Notes issued on March 11, 2015 to $316.0 million.

In connection with the offering of the 2020 Notes, as discussed above, we entered into convertible note hedge transactions with respect to our common stock. The $59.4 million cost of the convertible note hedge transactions was partially offset by the proceeds from the sale of the warrants described above, resulting in a net cost of $16.5 million. Both the convertible note hedge and warrants were classified as equity.

We bifurcated the proceeds from the offering of the 2020 Notes between liability and equity components. On the date of issuance, the liability and equity components were calculated to be approximately $256.7 million and $59.3 million, respectively. The initial $256.7 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature. The initial $59.3 million ($38.6 million net of tax) equity component represents the difference between the fair value of the initial $256.7 million in debt and the $316.0 million of gross proceeds. The related initial debt discount of $59.3 million is being amortized using the effective interest method over the life of the 2020 Notes. An effective interest rate of 5.89% was used to calculate the debt discount on the 2020 Notes.

In connection with the above-noted transactions, we incurred $9.3 million of directly related costs. The initial purchasers' transaction fees and related offering expenses were allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt and equity issuance costs, respectively. We allocated $7.0 million of debt issuance costs to the liability component, which were capitalized as deferred financing costs. These costs are being amortized to interest expense over the term of the debt using the effective interest method. The remaining $2.4 million of costs allocated to the equity component were recorded as a reduction of the equity component.

As described in Note 2, "*Summary of Significant Accounting Policies*," in March 2015, as part of their simplification initiative, the FASB issued amendments to guidance for reporting debt issuance costs. According to the revised standard, an entity will recognize debt issuance costs as a direct deduction from the debt liability as opposed to an asset.

The following table presents the amount of interest cost recognized for the years ended December 31, 2015, 2014 and 2013 related to the contractual interest coupon, accretion of the debt discount and the amortization of financing costs (in thousands).

	For the Year Ended December 31,		
	2015	2014	2013
Contractual coupon interest	$ 9,568	$ 5,750	$ 5,750
Accretion of debt discount	18,384	9,022	8,423
Amortization of financing costs	2,485	1,303	1,303
Total	$30,437	$16,075	$15,476

7. COMMITMENTS

Leases

We have entered into various operating lease agreements. Total rent expense, primarily for office space, was $3.3 million, $3.2 million and $3.3 million in 2015, 2014 and 2013, respectively. Minimum future rental payments for operating leases as of December 31, 2015 are as follows (in thousands):

2016	$4,186
2017	3,173
2018	2,918
2019	2,872
2020	1,995
Thereafter	7,781

8. LITIGATION AND LEGAL PROCEEDINGS

ARBITRATIONS AND COURT PROCEEDINGS (OTHER THAN DE DISTRICT COURT ACTIONS RELATED TO USITC PROCEEDINGS)

Huawei Arbitration

On December 23, 2013, InterDigital and Huawei agreed to engage in an expedited binding arbitration to resolve their licensing disputes. Pursuant to their agreement, on April 9, 2014, InterDigital and Huawei initiated an arbitration with the International Court of Arbitration of the International Chamber of Commerce (ICC) jointly seeking a determination by an arbitral tribunal of FRAND royalty terms and conditions to be included in a binding worldwide patent license agreement to take effect upon issuance of the arbitration award. An arbitration hearing was held on January 12-16, 2015. On May 26, 2015, the panel convened by the ICC delivered a confidential partial award. The panel convened by the ICC delivered a confidential final award dated July 14, 2015.

On July 9, 2015, InterDigital filed a petition in the District Court for the Southern District of New York for an order confirming the arbitration award (the “New York Proceeding”). On the same day, Huawei filed an action in the Paris Court of Appeal requesting annulment of the arbitration award (the “Paris Proceeding”).

On July 24, 2015, Huawei opposed InterDigital’s petition in the New York Proceeding and filed a motion to stay the New York Proceeding pending the Paris Proceeding. On August 14, 2015, InterDigital amended its petition in the New York Proceeding to take into account the issuance of the arbitration panel’s final award. A hearing in the New York Proceeding was held on February 16, 2016. On February 17, 2016, the judge notified the parties that he had rendered a decision on Huawei’s motion to stay the New York Proceeding, finding that the New York Proceeding should be stayed pending the Paris Proceeding, subject to a requirement that Huawei post suitable security, pursuant to Article VI of the New York Convention, in the amount of the final award, together

with interest. The stay is subject to revision should circumstances change, and InterDigital can renew its petition for an order confirming the award after the outcome of the Paris Proceeding is determined.

Huawei filed its brief seeking annulment in the Paris Proceeding on July 24, 2015. A hearing in the Paris Proceeding is scheduled for March 8, 2016.

To date, Huawei has not made any payments under the arbitration award. We will recognize any related revenue in the period in which the amount of revenue is fixed or determinable and collectability is reasonably assured.

Huawei China Proceedings

On February 21, 2012, InterDigital was served with two complaints filed by Huawei Technologies Co., Ltd. in the Shenzhen Intermediate People's Court in China on December 5, 2011. The first complaint named as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, LLC (now InterDigital Communications, Inc.), and alleged that InterDigital had abused its dominant market position in the market for the licensing of essential patents owned by InterDigital by engaging in allegedly unlawful practices, including differentiated pricing, tying and refusal to deal. The second complaint named as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. and alleged that InterDigital had failed to negotiate on FRAND terms with Huawei. Huawei asked the court to determine the FRAND rate for licensing essential Chinese patents to Huawei and also sought compensation for its costs associated with this matter.

On February 4, 2013, the Shenzhen Intermediate People's Court issued rulings in the two proceedings. With respect to the first complaint, the court decided that InterDigital had violated the Chinese Anti-Monopoly Law by (i) making proposals for royalties from Huawei that the court believed were excessive, (ii) tying the licensing of essential patents to the licensing of non-essential patents, (iii) requesting as part of its licensing proposals that Huawei provide a grant-back of certain patent rights to InterDigital and (iv) commencing a USITC action against Huawei while still in discussions with Huawei for a license. Based on these findings, the court ordered InterDigital to cease the alleged excessive pricing and alleged improper bundling of InterDigital's Chinese essential and non-essential patents, and to pay Huawei 20.0 million RMB (approximately $3.2 million) in damages related to attorneys' fees and other charges, without disclosing a factual basis for its determination of damages. The court dismissed Huawei's remaining allegations, including Huawei's claim that InterDigital improperly sought a worldwide license and improperly sought to bundle the licensing of essential patents on multiple generations of technologies. With respect to the second complaint, the court determined that, despite the fact that the FRAND requirement originates from ETSI's Intellectual Property Rights policy, which refers to French law, InterDigital's license offers to Huawei should be evaluated under Chinese law. Under Chinese law, the court concluded that the offers did not comply with FRAND. The court further ruled that the royalties to be paid by Huawei for InterDigital's 2G, 3G and 4G essential Chinese patents under Chinese law should not exceed 0.019% of the actual sales price of each Huawei product.

On March 11, 2013, InterDigital filed notices of appeal with respect to the judgments in both proceedings, seeking reversal of the court's February 4, 2013 rulings. On October 16, 2013, the Guangdong Province High Court issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the second proceeding, and on October 21, 2013, issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the first proceeding.

InterDigital believes that the decisions are seriously flawed both legally and factually. For instance, in determining a purported FRAND rate, the Chinese courts applied an incorrect economic analysis by evaluating InterDigital's lump-sum patent license agreement with Apple in hindsight to posit a running royalty rate. Indeed, the ALJ in USITC Inv. No. 337-TA-800 rejected that type of improper analysis. Moreover, the Chinese courts

had an incomplete record and applied incorrect facts, including with respect to InterDigital's now-expired license agreement with Apple, which had been found in an arbitration between InterDigital and Apple to be limited in scope.

On April 14, 2014, InterDigital filed a petition for retrial of the second proceeding with the Chinese Supreme People's Court ("SPC"), seeking dismissal of the judgment or at least a higher, market-based royalty rate for a license to InterDigital's Chinese standards-essential patents ("SEPs"). The petition for retrial argues, for example, that (1) the lower court improperly determined a Chinese FRAND running royalty rate by using as a benchmark the Apple lump sum fixed payment license agreement, and looking in hindsight at the unexpectedly successful sales of Apple iPhones to construct an artificial running royalty rate that neither InterDigital nor Apple could have intended and that would have varied significantly depending on the relative success or failure in hindsight of Apple iPhone sales; (2) the Apple license agreement was also an inappropriate benchmark because its scope of product coverage was significantly limited as compared to the license that the court was considering for Huawei, particularly when there are other more comparable license agreements; and (3) if the appropriate benchmarks had been used, and the court had considered the range of royalties offered by other similarly situated SEP holders in the wireless telecommunications industry, the court would have determined a FRAND royalty that was substantially higher than 0.019%, and would have found, consistent with findings of the ALJ's initial determination in the USITC 337-TA-800 proceeding, that there was no proof that InterDigital's offers to Huawei violated its FRAND commitments.

The SPC held a hearing on October 31, 2014, regarding whether to grant a retrial and requested that both parties provide additional information regarding the facts and legal theories underlying the case. The SPC convened a second hearing on April 1, 2015 regarding whether to grant a retrial. InterDigital continues to provide additional information to the SPC in support of its petition for retrial. If the retrial is granted, the SPC will likely schedule one or more additional hearings before it issues a decision on the merits of the case.

ZTE China Proceedings

On July 10 and 11, 2014, InterDigital was served with two complaints filed by ZTE Corporation in the Shenzhen Intermediate People's Court in China on April 3, 2014. The first complaint names as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, Inc., InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. This complaint alleges that InterDigital has failed to comply with its FRAND obligations for the licensing of its Chinese standards-essential patents. ZTE is asking the court to determine the FRAND rate for licensing InterDigital's standards-essential Chinese patents to ZTE and also seeks compensation for its litigation costs associated with this matter. The second complaint names as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, Inc. This complaint alleges that InterDigital has a dominant market position in China and the United States in the market for the licensing of essential patents owned by InterDigital, and abused its dominant market position in violation of the Chinese Anti-Monopoly Law by engaging in allegedly unlawful practices, including excessively high pricing, tying, discriminatory treatment, and imposing unreasonable trading conditions. ZTE seeks relief in the amount of 20.0 million RMB (approximately $3.1 million based on the exchange rate as of December 31, 2015), an order requiring InterDigital to cease the allegedly unlawful conduct and compensation for its litigation costs associated with this matter.

On August 7, 2014, InterDigital filed petitions challenging the jurisdiction of the Shenzhen Intermediate People's Court to hear the actions. On August 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the anti-monopoly law case. InterDigital filed an appeal of this decision on September 26, 2014. On September 28, 2014, the court denied InterDigital's jurisdictional challenge with respect to the FRAND case, and InterDigital filed an appeal of that decision on October 27, 2014. On December 18, 2014, the Guangdong High Court issued decisions on both appeals upholding the Shenzhen Intermediate Court's decisions that it had jurisdiction to hear these cases. On February 10, 2015, InterDigital filed a petition for retrial with the Supreme People's Court regarding its jurisdictional challenges to both cases.

The Shenzhen Court held hearings on the anti-monopoly law case on May 11, 13, 15 and 18, 2015. At the May hearings, ZTE withdrew its claims alleging discriminatory treatment and the imposition of unfair trading conditions and increased its damages claim to 99.8 million RMB (approximately $15.4 million based on the exchange rate as of December 31, 2015). The Shenzhen Court held hearings in the FRAND case on July 29-31, 2015 and held a second hearing on the anti-monopoly law case on October 12, 2015. It is possible that the court may schedule further hearings in these cases before issuing its decisions.

The Company has not recorded any accrual at December 31, 2015 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable in accordance with accounting guidance. Further, any possible range of loss cannot be reasonably estimated at this time.

LG Arbitration

On March 19, 2012, LG Electronics, Inc. filed a demand for arbitration against the Company's wholly owned subsidiaries InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Communications, LLC (now InterDigital Communications, Inc.) with the American Arbitration Association's International Centre for Dispute Resolution ("ICDR"), initiating an arbitration in Washington, D.C. LG sought a declaration that it held a continuing license to certain technology owned by InterDigital under the parties' patent license agreement dated January 1, 2006 (the "2006 LG PLA"). On April 18, 2012, InterDigital filed an Answering Statement objecting to the jurisdiction of the ICDR on the ground that LG's claims are not arbitrable, and denying all claims made by LG in its demand for arbitration. The issue of whether LG's claim to arbitrability is wholly groundless was appealed to the Federal Circuit. On June 7, 2013, the Federal Circuit issued an opinion holding that the USITC erred in terminating USITC Proceeding (337-TA-800) as to LG because "there is no plausible argument that the parties' dispute in this case arose under their patent license agreement" and finding that "LG's assertion of arbitrability was 'wholly groundless.'" The Federal Circuit reversed the USITC's order terminating the USITC proceeding as to LG and remanded to the USITC for further proceedings.

On June 25, 2013, the arbitration tribunal granted the parties' joint request to stay the arbitration pending the exhaustion of all appellate rights from the Federal Circuit's decision. As noted above, LG filed a petition for a writ of certiorari with the U.S. Supreme Court challenging the Federal Circuit's ruling on December 31, 2013, and on April 21, 2014, the Supreme Court granted LG's petition, vacating the underlying Federal Circuit decision and remanding the case to the Federal Circuit with instructions to dismiss the case as moot (in light of InterDigital's decision to terminate the 337-TA-800 investigation as to LG).

On June 9, 2014, the arbitration tribunal lifted the temporary stay at the request of the parties. The arbitration tribunal held an evidentiary hearing on July 20-22, 2015 and a supplemental oral argument on October 19, 2015. On December 29, 2015, the arbitration tribunal issued its final award. Rejecting LG's arguments, the arbitration tribunal found that LG's license with respect to 3G products under the 2006 LG PLA had terminated as of December 31, 2010, at the expiration of the 2006 LG PLA's five-year term, and that only LG's paid-up license with respect to 2G-only products survived the expiration of the term. On February 5, 2016, InterDigital filed a petition in the District Court for the Southern District of New York for an order confirming the arbitration award.

Pegatron Actions

In first quarter 2015, we learned that on or about February 3, 2015, Pegatron Corporation ("Pegatron"), one of our licensees, filed a civil suit in Taiwan Intellectual Property Court against InterDigital, Inc. and certain of its subsidiaries alleging breach of the Taiwan Fair Trade Act (the "Pegatron Taiwan Action"). On May 26, 2015, InterDigital, Inc. received a copy of the civil complaint filed by Pegatron in the Taiwan Intellectual Property Court. The complaint named as defendants InterDigital, Inc. as well as InterDigital's wholly owned subsidiaries InterDigital Technology Corporation and IPR Licensing, Inc. (together, for purposes of this discussion, "InterDigital"). The complaint alleged that InterDigital abused its market power by improperly setting,

maintaining or changing the royalties Pegatron is required to pay under their 2008 patent license agreement (the "Pegatron PLA"), and engaging in unreasonable discriminatory treatment and other unfair competition activities in violation of the Taiwan Fair Trade Act. The complaint sought minimum damages in the amount of approximately $52 million, which amount could be expanded during the litigation, and that the court order multiple damages based on its claim that the alleged conduct was intentional. The complaint also sought an order requiring InterDigital to cease enforcing the royalty provisions of the Pegatron PLA, as well as all other conduct that allegedly violates the Fair Trade Act.

On June 5, 2015 InterDigital filed an Arbitration Demand with the American Arbitration Association's International Centre for Dispute Resolution ("ICDR") seeking declaratory relief denying all of the claims in Pegatron's Taiwan Action and for breach of contract. On or about June 10, 2015, InterDigital filed a complaint in the United States District Court for the Northern District of California, San Jose Division (the "CA Northern District Court") seeking a Temporary Restraining Order, Preliminary Injunction, and Permanent Anti-suit Injunction against Pegatron prohibiting Pegatron from prosecuting the Pegatron Taiwan Action. The complaint also seeks specific performance by Pegatron of the dispute resolution procedures set forth in the Pegatron PLA and compelling arbitration of the disputes in the Pegatron Taiwan Action. On June 29, 2015, the court granted InterDigital's motion for a temporary restraining order and preliminary injunction requiring Pegatron to take immediate steps to dismiss the Taiwan Action without prejudice. On July 1, 2015, InterDigital was informed that Pegatron had withdrawn its complaint in the Taiwan Intellectual Property Court and that the case had been dismissed without prejudice.

On August 3, 2015, Pegatron filed an answer and counterclaims to InterDigital's CA Northern District Court complaint. Pegatron accused InterDigital of violating multiple sections of the Taiwan Fair Trade Act, violating Section Two of the Sherman Act, breaching ETSI, IEEE, and ITU contracts, promissory estoppel (pled in the alternative), violating Section 17200 of the California Business & Professions Code, and violating the Delaware Consumer Fraud Act. These counterclaims stem from Pegatron's accusation that InterDigital violated FRAND obligations. As relief, Pegatron seeks a declaration regarding the appropriate FRAND terms and conditions for InterDigital's "declared essential patents," a declaration that InterDigital's standard essential patents are unenforceable due to patent misuse, an order requiring InterDigital to grant Pegatron a license on FRAND terms, an order enjoining InterDigital's alleged ongoing breaches of its FRAND commitments, and damages in the amount of allegedly excess non-FRAND royalties Pegatron has paid to InterDigital, plus interest and treble damages. On August 7, 2015, Pegatron responded to InterDigital's arbitration demand, disputing the arbitrability of Pegatron's claims. On September 24, 2015, InterDigital moved to compel arbitration and dismiss Pegatron's counterclaims or, in the alternative, stay the counterclaims pending the parties' arbitration. Pegatron's opposition to this motion was filed on October 22, 2015, and InterDigital's reply was filed on November 12, 2015. On January 20, 2016, the court granted InterDigital's motion to compel arbitration of Pegatron's counterclaims and to stay the counterclaims pending the arbitrators' determination of their arbitrability. On January 27, 2016, the parties stipulated to stay all remaining aspects of the CA Northern District case pending such an arbitrability determination. On the same day, the court granted the stay and administratively closed the case.

Microsoft Sherman Act Delaware Proceedings

On August 20, 2015, Microsoft Mobile, Inc. and MMO (collectively "Microsoft") filed a complaint in the United States District Court for the District of Delaware against InterDigital, Inc., InterDigital Communications, Inc., InterDigital Technology Corporation, InterDigital Patent Holdings, Inc., InterDigital Holdings, Inc., and IPR Licensing, Inc. The complaint alleges that InterDigital has monopolized relevant markets for 3G and 4G cellular technology in violation of Section 2 of the Sherman Act. As relief, Microsoft seeks declaratory judgments that InterDigital has violated Section 2 of the Sherman Act, that "each of InterDigital's U.S. patents declared by it to be Essential" to the 3G and 4G standards is unenforceable, and that all agreements InterDigital has entered into in furtherance of its alleged unlawful conduct are void. Microsoft also seeks an award of treble damages and the following injunctive relief: requiring InterDigital to grant Microsoft a non-confidential license to its U.S. standards essential patents ("SEPs") on FRAND terms as determined by a court, requiring InterDigital to disclose

to Microsoft the terms of its other SEP licenses, preventing InterDigital from enforcing any exclusion orders it might receive with respect to its SEPs, and requiring InterDigital to re-assign any declared SEPs that it has assigned to controlled entities.

On November 4, 2015, InterDigital filed a motion to dismiss and to strike Microsoft's complaint. InterDigital asserts that Microsoft failed to (i) state a Sherman Act claim, (ii) adequately allege the essential elements of monopoly power and exclusionary conduct, (iii) plead its fraud claims with specificity, and (iv) plead any cognizable antitrust injury. InterDigital also claimed that Microsoft's complaint is barred by the *Noerr-Pennington* doctrine and that the court should strike Microsoft's improper prayers for relief and damages arising prior to the applicable statute of limitations. A hearing on this motion is scheduled for March 1, 2016.

REGULATORY PROCEEDINGS

Investigation by Taiwan Fair Trade Commission

On December 6, 2013, InterDigital received notice from the Taiwan Fair Trade Commission ("TFTC") that the TFTC had initiated an investigation to examine alleged anti-competitive behavior under Taiwan's Fair Trade Act (FTA). Companies found to violate the FTA may be ordered to cease and rectify the unlawful conduct, take other necessary corrective action, and/or pay an administrative fine. InterDigital is fully cooperating with the TFTC's investigation.

Investigation by National Development and Reform Commission of China

On September 23, 2013, counsel for InterDigital was informed by China's National Development and Reform Commission ("NDRC") that the NDRC had initiated a formal investigation into whether InterDigital has violated China's Anti-Monopoly Law ("AML") with respect to practices related to the licensing of InterDigital's standards-essential patents to Chinese companies. Companies found to violate the AML may be subject to a cease and desist order, fines and disgorgement of any illegal gains. On March 3, 2014, the Company submitted to NDRC, pursuant to a procedure set out in the AML, a formal application for suspension of the investigation that included proposed commitments by the Company. On May 22, 2014, NDRC formally suspended its investigation of the Company based on the commitments proposed by the Company. The Company's commitments with respect to the licensing of its patent portfolio for wireless mobile standards to Chinese manufacturers of cellular terminal units ("Chinese Manufacturers") are as follows:

1. Whenever InterDigital engages with a Chinese Manufacturer to license InterDigital's patent portfolio for 2G, 3G and 4G wireless mobile standards, InterDigital will offer such Chinese Manufacturer the option of taking a worldwide portfolio license of only its standards-essential wireless patents, and comply with F/RAND principles when negotiating and entering into such licensing agreements with Chinese Manufacturers.
2. As part of its licensing offer, InterDigital will not require that a Chinese Manufacturer agree to a royalty-free, reciprocal cross-license of such Chinese Manufacturer's similarly categorized standards-essential wireless patents.
3. Prior to commencing any action against a Chinese Manufacturer in which InterDigital may seek exclusionary or injunctive relief for the infringement of any of its wireless standards-essential patents, InterDigital will offer such Chinese Manufacturer the option to enter into expedited binding arbitration under fair and reasonable procedures to resolve the royalty rate and other terms of a worldwide license under InterDigital's wireless standards-essential patents. If the Chinese Manufacturer accepts InterDigital's binding arbitration offer or otherwise enters into an agreement with InterDigital on a binding arbitration mechanism, InterDigital will, in accordance with the terms of the arbitration agreement and patent license agreement, refrain from seeking exclusionary or injunctive relief against such company.

The commitments contained in item 3 above will expire five years from the effective date of the suspension of the investigation, or May 22, 2019.

USITC PROCEEDINGS AND RELATED DELAWARE DISTRICT COURT PROCEEDINGS

Nokia and ZTE 2013 USITC Proceeding (337-TA-868) and Related Delaware District Court Proceedings

USITC Proceeding (337-TA-868)

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed a complaint with the United States International Trade Commission (the "USITC" or "Commission") against Samsung Electronics Co., Ltd., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd., Huawei Device USA, Inc. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-868 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G and 4G wireless devices (including WCDMA-, cdma2000- and LTE-capable mobile phones, USB sticks, mobile hotspots, laptop computers and tablets and components of such devices) that infringe one or more of up to seven of InterDigital's U.S. patents. The complaint also extended to certain WCDMA and cdma2000 devices incorporating Wi-Fi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States infringing 3G or 4G wireless devices (and components), including LTE devices, that are imported by or on behalf of the 337-TA-868 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. Certain of the asserted patents were also asserted against Nokia, Huawei and ZTE in earlier pending USITC proceedings (including the Nokia, Huawei and ZTE 2011 USITC Proceeding (337-TA-800) and the Nokia 2007 USITC Proceeding (337-TA-613), as set forth below) and therefore were not asserted against those 337-TA-868 Respondents in this investigation.

On December 23, 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing disputes (see "Huawei Arbitration" below). Pursuant to the settlement agreement, InterDigital and Huawei moved to dismiss all litigation matters pending between the parties except the action filed by Huawei in China to set a fair, reasonable and non-discriminatory ("FRAND") rate for the licensing of InterDigital's Chinese standards-essential patents (discussed below under "Huawei China Proceedings"), the decision in which InterDigital is permitted to further appeal. As a result, effective February 12, 2014, the Huawei Respondents were terminated from the 337-TA-868 investigation.

From February 10 to February 20, 2014, ALJ Essex presided over the evidentiary hearing in this investigation. The patents in issue in this investigation as of the hearing were U.S. Patent Nos. 7,190,966 (the "'966 patent") and 7,286,847 (the "'847 patent") asserted against ZTE and Samsung, and U.S. Patent No. 7,941,151 (the "'151 patent") asserted against ZTE, Samsung and Nokia.

On June 3, 2014, InterDigital and Samsung filed a joint motion to terminate the investigation as to Samsung on the basis of settlement. The ALJ granted the joint motion by initial determination issued on June 9, 2014, and the USITC determined not to review the initial determination on June 30, 2014.

On June 13, 2014, the ALJ issued an Initial Determination ("ID") in the 337-TA-868 investigation. In the ID, the ALJ found that no violation of Section 337 had occurred in connection with the importation of 3G/4G devices by ZTE or Nokia, on the basis that the accused devices do not infringe asserted claims 1-6, 8-9, 16-21 or 23-24 of the '151 patent, claims 1, 3, 6, 8, 9, or 11 of the '966 patent, or claims 3 or 5 of the '847 patent. The ALJ also found that claim 16 of the '151 patent was invalid as indefinite. Among other determinations, the ALJ further determined that InterDigital did not violate any FRAND obligations, a conclusion also reached by the ALJ in the 337-TA-800 investigation, and that Respondents have engaged in patent "hold out."

On June 30, 2014, InterDigital filed a Petition for Review with the USITC seeking review and reversal of certain of the ALJ's conclusions in the ID. On the same day, Respondents filed a Conditional Petition for Review urging alternative grounds for affirmance of the ID's finding that Section 337 was not violated and a Conditional Petition for Review with respect to FRAND issues.

In June 2014, Microsoft Mobile Oy ("MMO") was added as a respondent in the investigation.

On August 14, 2014, the Commission determined to review in part the June 13, 2014 ID but terminated the investigation with a finding of no violation.

On October 10, 2014, InterDigital filed a petition for review with the Federal Circuit, appealing certain of the adverse determinations in the Commission's August 8, 2014 final determination including those related to the '966 and '847 patents. On June 2, 2015, InterDigital moved to voluntarily dismiss the Federal Circuit appeal, because, even if it were to prevail, it did not believe there would be sufficient time following the court's decision and mandate for the USITC to complete its proceedings on remand such that the accused products would be excluded before the '966 and '847 patents expire in June 2016. The court granted the motion and dismissed the appeal on June 18, 2015.

Related Delaware District Court Proceedings

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed four related district court actions in the United States District Court for the District of Delaware (the "Delaware District Court") against the 337-TA-868 Respondents. These complaints allege that each of the defendants infringes the same patents with respect to the same products alleged in the complaint filed by InterDigital in USITC Proceeding (337-TA-868). The complaints seek permanent injunctions and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs.

On January 24, 2013, Huawei filed its answer and counterclaims to InterDigital's Delaware District Court complaint. Huawei asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered or granted Huawei licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability of the asserted patents. In addition to the declaratory relief specified in its counterclaims, Huawei seeks specific performance of InterDigital's purported contracts with Huawei and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On January 31, 2013, ZTE filed its answer and counterclaims to InterDigital's Delaware District Court complaint; ZTE asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered ZTE licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, ZTE seeks specific performance of InterDigital's purported contracts with ZTE and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys' fees and such other relief as the court may deem appropriate.

On February 28, 2013, Nokia filed its answer and counterclaims to InterDigital's Delaware District Court complaint, and then amended its answer and counterclaims on March 5, 2013. Nokia asserted counterclaims for breach of contract, breach of implied contract, unfair competition under Cal. Bus. & Prof. Code § 17200, equitable estoppel, a declaration setting FRAND terms and conditions, a declaration that InterDigital is estopped from seeking an exclusion order based on its U.S. declared-essential patents, a declaration of patent misuse, a declaration that InterDigital has failed to offer FRAND terms, a declaration that Nokia has an implied license to

the asserted patents, and declarations of non-infringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, Nokia seeks an order that InterDigital specifically perform its purported contracts by not seeking a USITC exclusion order for its essential patents and by granting Nokia a license on FRAND terms and conditions, an injunction preventing InterDigital from participating in a USITC investigation based on essential patents, appropriate damages in an amount to be determined, including all attorney's fees and costs spent in participating in all three USITC Investigations (337-TA-868, 337-TA-800 and 337-TA-613), and any other relief as the court may deem just and proper.

On March 13, 2013, InterDigital filed an amended Delaware District Court complaint against Nokia and Samsung, respectively, to assert allegations of infringement of the recently issued '244 patent. On April 1, 2013, Nokia filed its answer and counterclaims to InterDigital's amended Delaware District Court complaint. On April 24, 2013, Samsung filed its answer and a counterclaim to InterDigital's amended Delaware District Court complaint.

On March 21, 2013, pursuant to stipulation, the Delaware District Court granted InterDigital leave to file an amended complaint against Huawei and ZTE, respectively, to assert allegations of infringement of the '244 patent. On March 22, 2013, Huawei and ZTE filed their respective answers and counterclaims to InterDigital's amended Delaware District Court complaint. On April 9, 2013, InterDigital filed a motion to dismiss Huawei's and ZTE's counterclaims relating to their FRAND allegations. On April 22, 2013, InterDigital filed a motion to dismiss Nokia's counterclaims relating to its FRAND allegations. On July 12, 2013, the Delaware District Court held a hearing on InterDigital's motions to dismiss. By order issued the same day, the Delaware District Court granted InterDigital's motions, dismissing counterclaims for equitable estoppel, implied license, waiver of the right to injunction or exclusionary relief, and violation of California Bus. & Prof. Code § 17200 with prejudice. It further dismissed the counterclaims for breach of contract and declaratory relief related to InterDigital's FRAND commitments with leave to amend.

On August 6, 2013, Huawei, Nokia, and ZTE filed answers and amended counterclaims for breach of contract and for declaratory judgments seeking determination of FRAND terms. The counterclaims also continue to seek declarations of noninfringement, invalidity, and unenforceability. Nokia also continued to assert a counterclaim for a declaration of patent misuse. On August 30, 2013, InterDigital filed a motion to dismiss the declaratory judgment counterclaims relating to the request for determination of FRAND terms. On May 28, 2014, the court granted InterDigital's motion and dismissed defendants' FRAND-related declaratory judgment counterclaims, ruling that such declaratory judgments would serve no useful purpose.

On December 30, 2013, InterDigital and Huawei filed a stipulation of dismissal on account of the confidential settlement agreement and agreement to arbitrate their disputes in this action. On the same day, the Delaware District Court granted the stipulation of dismissal.

On February 11, 2014, the Delaware District Court judge entered an InterDigital, Nokia, and ZTE stipulated Amended Scheduling Order that bifurcated issues relating to damages, FRAND-related affirmative defenses, and any FRAND-related counterclaims.

On August 28, 2014, the court granted in part a motion by InterDigital for summary judgment that the asserted '151 patent is not unenforceable by reason of inequitable conduct, holding that only one of the references forming the basis of defendants' allegations would remain in issue, and granted a motion by InterDigital for summary judgment that the asserted claims of the '966 and '847 patents are not invalid for lack of enablement.

On August 5, 2014, InterDigital and Samsung filed a stipulation of dismissal in light of the parties' settlement agreement. On the same day, the court granted the stipulation of dismissal and dismissed the action with prejudice.

By order dated August 28, 2014, MMO was joined in the case as a defendant.

The ZTE trial addressing infringement and validity of the ‘966, ‘847, ‘244 and ‘151 patents was held from October 20 to October 27, 2014. During the trial, the judge determined that further construction of certain claim language of the ‘151 patent was required, and the judge decided to hold another trial as to ZTE’s infringement of the ‘151 patent at a later date. On October 28, 2014, the jury returned a unanimous verdict in favor of InterDigital, finding that the ‘966, ‘847 and ‘244 patents are all valid and infringed by ZTE 3G and 4G cellular devices. The court issued formal judgment to this effect on October 29, 2014.

On November 26, 2014, ZTE filed a motion for judgment as a matter of law that the asserted claims of the ‘966, ‘847 and ’244 patents are not infringed and, in the alternative, for a new trial. InterDigital filed an opposition on December 15, 2014, and ZTE filed a reply on January 7, 2015. The motion is fully briefed and remains pending.

The ZTE trial addressing infringement of the ’151 patent was held from April 20 to April 22, 2015. On April 22, 2015, the jury returned a verdict in favor of ZTE, finding that the ‘151 patent is not infringed by ZTE 3G and 4G cellular devices.

On April 23, 2015, InterDigital filed a motion to partially dismiss its complaint pertaining to the ‘151 patent against Nokia and MMO, as well as Nokia and MMO’s counterclaims that relate to the ‘151 patent (including inequitable conduct), and on April 27, 2015, the judge granted the motion.

On April 27, 2015, the court ruled that Nokia Corporation should be severed for a separate trial addressing infringement of the ’244 patent.

On May 5, 2015, the court scheduled the Nokia Inc./MMO jury trial addressing infringement of the ’244 patent for November 16, 2015. On May 29, 2015, the court entered a new scheduling order for damages and FRAND-related issues due to changes in the schedule of the liability portion of the MMO proceedings, scheduling trials related to damages and FRAND-related issues for October 2016 with ZTE and November 2016 with MMO.

On September 14, 2015, a panel of Administrative Law Judges of the United States Patent and Trademark Office Patent Trial and Appeal Board (the “PTAB”) issued a final written decision in two Inter Partes Review (“IPR”) cases concerning the’244 patent. These IPR proceedings were commenced on petitions filed by ZTE Corporation and ZTE (USA) Inc. and by Microsoft Corporation, respectively. Specifically, the panel determined that a number of claims of the ’244 patent are unpatentable as obvious. IPR Licensing, Inc. appealed to the U.S. Court of Appeals for the Federal Circuit seeking review of the PTAB’s decision. The appeals are pending. On October 13, 2015, by stipulation of the parties, the Delaware District Court stayed the action involving MMO and Nokia Inc., including the November 2015 and November 2016 trials concerning infringement of the ‘244 patent and damages and FRAND-related issues, respectively, pending completion of the IPR, including all appeals and subsequent proceedings before the PTAB. This stay is with respect to MMO and Nokia Inc. only, and does not apply to the Delaware action pending against ZTE.

On May 12, 2015, Nokia/MMO moved for summary judgment of non-infringement of the ’244 patent, alleging that the accused devices do not practice a particular claim element of the ’244 patent. On June 2, 2015, InterDigital opposed Nokia/MMO’s motion, and filed a cross-motion for partial summary judgment that the accused devices infringe the claim element at issue in Nokia/MMO’s motion for summary judgment. On October 13, 2015, the Delaware District Court denied the pending summary judgment cross-motions without prejudice in light of the stay discussed above, indicating that the motions could be considered refiled if and when the stay is lifted if either party requests it.

On December 21, 2015, the court entered another scheduling order that vacated the October 2016 date for the ZTE trial related to damages and FRAND-related issues as set forth in the May 2015 scheduling order. The parties will discuss a new schedule for the ZTE FRAND-related issues in a joint status report in March 2016.

Nokia and ZTE 2011 USITC Proceeding (337-TA-800) and Related Delaware District Court Proceeding

USITC Proceeding (337-TA-800)

On July 26, 2011, InterDigital's wholly owned subsidiaries InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Technology Corporation and IPR Licensing, Inc. filed a complaint with the USITC against Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-800 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G wireless devices (including WCDMA- and cdma2000-capable mobile phones, USB sticks, mobile hotspots and tablets and components of such devices) that infringe several of InterDigital's U.S. patents. The action also extended to certain WCDMA and cdma2000 devices incorporating WiFi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States any infringing 3G wireless devices (and components) that are imported by or on behalf of the 337-TA-800 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. In May 2012, Huawei Device USA, Inc. was added as a 337-TA-800 Respondent.

The ALJ held an evidentiary hearing from February 12-21, 2013. The patents in issue as of the hearing were U.S. Patent Nos. 8,009,636 (the "'636 patent"), 7,706, 830 (the "'830 patent"), 7,502,406 (the "'406 patent"), 7,616,970 (the "'970 patent"), 7,706,332 (the "'332 patent"), 7,536,013 (the "'013 patent") and 7,970,127 (the "'127 patent"). The ALJ's Initial Determination ("ID") issued on June 28, 2013, finding no violation because the asserted patents were not infringed and/or invalid. Among other determinations, with respect to the 337-TA-800 Respondents' FRAND and other equitable defenses, the ALJ found that Respondents had failed to prove either that InterDigital violated any FRAND obligations, that InterDigital failed to negotiate in good faith, or that InterDigital's licensing offers were discriminatory. The ALJ also found that InterDigital is not precluded from seeking injunctive relief based on any alleged FRAND commitments.

Petitions for review of the ID to the Commission were filed by InterDigital and the 337-TA-800 Respondents on July 15, 2013. On September 4, 2013, the Commission determined to review the ID in its entirety.

On December 19, 2013, the Commission issued its final determination. The Commission adopted, with some modification, the ALJ's finding of no violation of Section 337 as to Nokia, Huawei, and ZTE. The Commission did not rule on any other issue, including FRAND and domestic industry, and stated that all other issues remain under review.

On December 20, 2013, InterDigital filed in the Federal Circuit a petition for review seeking reversal of the Commission's final determination. On February 18, 2015, the Federal Circuit issued a decision affirming the USITC's determinations that the claims of the '830, '636, '406 and '332 patents were not infringed, that the claims of the '970 patent are invalid, and that the Respondents did not violate Section 337. On April 6, 2015, InterDigital filed a combined petition for panel rehearing and rehearing e*n banc* as to the '830 and '636 patents. The petition was denied on May 12, 2015, and the court's mandate issued on May 19, 2015.

Related Delaware District Court Proceeding

On July 26, 2011, the same date that InterDigital filed USITC Proceeding (337-TA-800), it filed a parallel action in the United States District Court for the District of Delaware against the 337-TA-800 Respondents alleging infringement of the same asserted patents identified in USITC Proceeding (337-TA-800). The Delaware District Court complaint seeks a permanent injunction and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs. On September 23, 2011, the defendants in the Delaware District Court complaint filed a motion to

stay the Delaware District Court action pending the parallel proceedings in the USITC. Because the USITC has instituted USITC Proceeding (337-TA-800), the defendants have a statutory right to a mandatory stay of the Delaware District Court proceeding pending a final determination in the USITC. On October 3, 2011, InterDigital amended the Delaware District Court complaint, adding LG as a defendant and adding the same additional patent that InterDigital requested be added to USITC Proceeding (337-TA-800). On October 11, 2011, the Delaware District Court granted the defendants' motion to stay. The case is currently stayed through March 16, 2016.

On January 14, 2014, InterDigital and Huawei filed a stipulation of dismissal of their disputes in this action on account of the confidential settlement agreement mentioned above. On the same day, the Delaware District Court granted the stipulation of dismissal.

Nokia 2007 USITC Proceeding (337-TA-613), Related Delaware District Court Proceeding and Federal Circuit Appeal

USITC Proceeding (337-TA-613)

In August 2007, InterDigital filed a USITC complaint against Nokia Corporation and Nokia, Inc., alleging a violation of Section 337 of the Tariff Act of 1930 in that Nokia engaged in an unfair trade practice by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G mobile handsets and components that infringe two of InterDigital's patents. In November and December 2007, a third patent and a fourth patent were added to the Company's complaint against Nokia. The complaint sought an exclusion order barring from entry into the United States infringing 3G mobile handsets and components that are imported by or on behalf of Nokia. InterDigital's complaint also sought a cease-and-desist order to bar further sales of infringing Nokia products that have already been imported into the United States.

On August 14, 2009, the ALJ overseeing USITC Proceeding (337-TA-613) issued an Initial Determination finding no violation of Section 337 of the Tariff Act of 1930. The Initial Determination found that InterDigital's patents were valid and enforceable, but that Nokia did not infringe these patents. In the event that a Section 337 violation were to be found by the Commission, the ALJ recommended the issuance of a limited exclusion order barring entry into the United States of infringing Nokia 3G WCDMA handsets and components, as well as the issuance of appropriate cease-and-desist orders.

On October 16, 2009, the Commission issued a notice that it had determined to review in part the Initial Determination, and that it affirmed the ALJ's determination of no violation and terminated the investigation. The Commission determined to review the claim construction of the patent claim terms "synchronize" and "access signal" and also determined to review the ALJ's validity determinations. On review, the Commission modified the ALJ's claim construction of "access signal" and took no position with regard to the claim term "synchronize" or the validity determinations. The Commission determined not to review the remaining issues decided in the Initial Determination.

On November 30, 2009, InterDigital filed with the Federal Circuit a petition for review of certain rulings by the USITC. In its appeal, InterDigital sought reversal of the Commission's claim constructions and non-infringement findings with respect to certain claim terms in the '966 and '847 patents, vacatur of the Commission's determination of no Section 337 violation and a remand for further proceedings before the Commission. On August 1, 2012, the Federal Circuit issued its decision in the appeal, holding that the Commission had erred in interpreting the claim terms at issue and reversing the Commission's finding of non-infringement. The Federal Circuit adopted InterDigital's interpretation of such claim terms and remanded the case back to the Commission for further proceedings. In addition, the Federal Circuit rejected Nokia's argument that InterDigital did not satisfy the domestic industry requirement. On September 17, 2012, Nokia filed a combined petition for rehearing by the panel or en banc with the Federal Circuit. On January 10, 2013, the Federal Circuit denied Nokia's petition.

On January 17, 2013, the Federal Circuit issued its mandate remanding USITC Proceeding (337-TA-613) to the Commission for further proceedings. On February 12, 2014, the Commission issued a notice, order and opinion remanding the investigation to an ALJ. In doing so, the Commission determined certain issues and identified others that would be subject to further proceedings by the ALJ. The Commission assigned the investigation to an ALJ for limited remand proceedings consistent with its February 12, 2014 opinion.

In June 2014, MMO was added as a respondent in the investigation.

The evidentiary hearing in the remand proceeding was held January 26 — 28, 2015. On April 27, 2015, the ALJ issued his Remand Initial Determination ("RID"). The ALJ found that the imported accused handsets (1) contain chips that were not previously adjudicated and (2) infringe the asserted claims of the '966 and '847 patents, that there was no evidence of patent hold-up by InterDigital, that there is evidence of reverse hold-up by the respondents, and that the public interest does not preclude issuance of an exclusion order.

On May 11, 2015, Nokia Corporation and MMO each filed petitions to the Commission to review the RID. On June 25, 2015, the Commission issued a notice of its decision to review the RID in part. The Commission determined to review the RID's findings concerning the application of the Commission's prior construction of one claim limitation in Investigation Nos. 337-TA-800 and 337-TA-868, the RID's findings as to whether the accused products satisfy that claim limitation, and the RID's public interest findings. The Commission issued its final determination on August 28, 2015, finding that issue preclusion applied with respect to the construction of the claim limitations at issue, and issue preclusion also required a finding of non-infringement. The Commission determined there was no violation of Section 337 and terminated the 337-TA-613 investigation. The Commission found that consideration of the public interest issues was moot and did not address them.

Related Delaware District Court Proceeding

In addition, in August 2007, on the same date as the filing of USITC Proceeding (337-TA-613), InterDigital also filed a complaint in the Delaware District Court alleging that Nokia's 3G mobile handsets and components infringe the same two InterDigital patents identified in the original USITC complaint. The complaint seeks a permanent injunction and damages in an amount to be determined. This Delaware action was stayed on January 10, 2008, pursuant to the mandatory, statutory stay of parallel district court proceedings at the request of a respondent in a USITC investigation. The Delaware District Court permitted InterDigital to add to the stayed Delaware action the third and fourth patents InterDigital asserted against Nokia in the USITC action.

Nokia Delaware Proceeding

In January 2005, Nokia filed a complaint in the Delaware District Court against InterDigital Communications Corporation (now InterDigital, Inc.) and its wholly owned subsidiary InterDigital Technology Corporation, alleging that InterDigital has used false or misleading descriptions or representations regarding the Company's patents' scope, validity and applicability to products built to comply with 3G standards (the "Nokia Delaware Proceeding"). Nokia's amended complaint seeks declaratory relief, injunctive relief and damages, including punitive damages, in an amount to be determined. InterDigital subsequently filed counterclaims based on Nokia's licensing activities as well as Nokia's false or misleading descriptions or representations regarding Nokia's 3G patents and Nokia's undisclosed funding and direction of an allegedly independent study of the essentiality of 3G patents. InterDigital's counterclaims seek injunctive relief as well as damages, including punitive damages, in an amount to be determined.

On December 10, 2007, pursuant to a joint request by the parties, the Delaware District Court entered an order staying the proceedings pending the full and final resolution of USITC Proceeding (337-TA-613). Specifically, the full and final resolution of USITC Proceeding (337-TA-613) includes any initial or final determinations of the ALJ overseeing the proceeding, the USITC and any appeals therefrom and any remand proceedings thereafter. Pursuant to the order, the parties and their affiliates are generally prohibited from initiating against the other parties, in any forum, any claims or counterclaims that are the same as the claims and

counterclaims pending in the Nokia Delaware Proceeding, and should any of the same or similar claims or counterclaims be initiated by a party, the other parties may seek dissolution of the stay.

On November 24, 2015, InterDigital and Nokia voluntarily dismissed this case without prejudice to either party.

Nokia Arbitration Concerning Presentations

In November 2006, InterDigital Communications Corporation (now InterDigital, Inc.) and its wholly owned subsidiary InterDigital Technology Corporation filed a request for arbitration with the International Chamber of Commerce against Nokia (the “Nokia Arbitration Concerning Presentations”), claiming that certain presentations Nokia has attempted to use in support of its claims in the Nokia Delaware Proceeding (described above) are confidential and, as a result, may not be used in the Nokia Delaware Proceeding pursuant to the parties’ agreement.

The December 10, 2007 order entered by the Delaware District Court to stay the Nokia Delaware Proceeding also stayed the Nokia Arbitration Concerning Presentations pending the full and final resolution of USITC Proceeding (337-TA-613).

On November 24, 2015, InterDigital and Nokia jointly withdrew from this arbitration without prejudice to either party.

OTHER

We are party to certain other disputes and legal actions in the ordinary course of business, including arbitrations and legal proceedings with licensees regarding the terms of their agreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows. None of the above matters have met the requirements for accrual as of December 31, 2015.

9. RELATED PARTY TRANSACTIONS

In February 2013, we entered into an R&D collaboration agreement with BIO-key International, Inc. (“BIO-key”), and made a direct investment in the company. The R&D collaboration targeted security technology. As part of the agreement, we acquired approximately 4.0 million shares of BIO-key which were initially valued at $0.5 million. During 2014, we sold approximately 1.4 million of such shares, which had been initially valued at approximately $0.2 million. During 2015, we sold our remaining ownership interest, which had been initially valued at approximately $0.3 million. In 2015 and 2014, we paid zero to BIO-key in relation to the collaboration agreement previously discussed.

On September 17, 2013, InterDigital announced that it had entered into a development agreement with a wholly owned subsidiary of DDD Group plc (“DDD”) regarding its next generation HD and UHD video processing technologies. Under the terms of the development agreement, DDD and InterDigital collaborated on a video technology project. As part of the agreement, we acquired approximately 7.0 million shares of DDD that were initially valued at $0.9 million. In 2015 and 2014, we paid zero to DDD in relation to the development agreement previously discussed.

10. COMPENSATION PLANS AND PROGRAMS

Compensation Programs

We use a variety of compensation programs to both attract and retain employees, and to more closely align employee compensation with company performance. These programs include, but are not limited to, short-term

incentive awards tied to performance goals and cash awards to inventors for filed patent applications and patent issuances, as well as stock option awards, time-based RSU awards and performance-based awards under the LTCP. Our LTCP typically includes annual grants with a three-year vesting period; as a result, in any one year, we are typically accounting for three active LTCP cycles. We issue new shares of our common stock to satisfy our obligations under the share-based components of these programs from the 2009 Plan discussed below. However, our Board of Directors has the right to authorize the issuance of treasury shares to satisfy such obligations in the future.

Stock Plans

On June 4, 2009, our shareholders adopted and approved the 2009 Stock Incentive Plan (the "2009 Plan"), under which current or prospective officers and employees and non-employee directors, consultants and advisors can receive share-based awards such as RSUs, restricted stock, stock options and other stock awards. Our shareholders re-approved the material terms of the 2009 Plan on June 12, 2014. We issue the share-based awards authorized under the 2009 Plan through a variety of compensation programs.

The following table summarizes changes in the number of equity instruments available for grant (in thousands) under the 2009 Plan for the current year:

	Available for Grant
Balance at December 31, 2014	1,445
RSUs granted (a)	(379)
Options granted	(94)
Options expired and RSUs canceled	431
Balance at December 31, 2015	1,403

(a) RSUs granted include time-based RSUs, performance-based RSUs and dividend equivalents.

RSUs and Restricted Stock

Under the 2009 Plan, we may issue RSUs and/or shares of restricted stock to current or prospective officers and employees and non-employee directors, consultants and advisors. Any cancellations of outstanding RSUs granted under the 2009 Plan will increase the number of RSUs and/or shares of restricted stock remaining available for grant under the 2009 Plan. The RSUs vest over periods generally ranging from 0 to 3 years from the date of the grant. During 2015 and 2014, we granted approximately 0.3 million and 0.6 million RSUs, respectively, under the 2009 Plan. We have issued less than 0.1 million shares of restricted stock under the 2009 Plan.

At December 31, 2015 and 2014, we had unrecognized compensation cost related to share-based awards of $18.1 million and $17.9 million, respectively. For grants made in 2015, 2014 and 2013 that cliff vest, we expect to amortize the associated unrecognized compensation cost at December 31, 2015 on a straight-line basis over a three-year period.

Vesting of performance-based RSU awards is subject to attainment of specific goals established by the Compensation Committee of the Board of Directors. Depending upon performance against these goals, the payout range for performance-based RSU awards can be anywhere from 0 to 2 times the value of the award.

Information with respect to current RSU activity is summarized as follows (in thousands, except per share amounts):

	Number of Unvested RSUs	Weighted Average Per Share Grant Date Fair Value
Balance at December 31, 2014	1,902	$35.73
Granted*	379	52.06
Forfeited*	(62)	38.12
Vested*	(490)	41.29
Balance at December 31, 2015	1,729	$37.65

* These numbers include less than 0.1 million RSUs credited on unvested RSU awards as dividend equivalents. Dividend equivalents accrue with respect to unvested RSU awards when and as cash dividends are paid on the Company's common stock, and vest if and when the underlying RSUs vest. Granted amounts include performance-based RSU awards at their maximum potential payout level of 200%.

The total vest date fair value of the RSUs that vested in 2015, 2014 and 2013 was $26.3 million, $7.7 million and $6.5 million, respectively. The weighted average per share grant date fair value of the awards that vested in 2015, 2014 and 2013 was $41.29, $31.29 and $42.34, respectively.

Other RSU Grants

We also grant RSUs to all non-management Board members and, in special circumstances, management personnel outside of the LTCP. Grants of this type are supplemental to any awards granted to management personnel through the LTCP.

Stock Options

The 2009 Plan allows for the granting of incentive and non-qualified stock options, as well as other securities. The 2009 Plan authorizes the issuance of up to 3.0 million shares of common stock pursuant to incentive stock options. The administrator of the 2009 Plan, initially the Compensation Committee of the Board of Directors, determines the number of options to be granted. Annually, since 2013, both incentive and non-qualified stock options have been granted pursuant to the LTCP under the 2009 Plan. Under the terms of the 2009 Plan, the exercise price per share of each option, other than in the event of options granted in connection with a merger or other acquisition, cannot be less than 100% of the fair market value of a share of common stock on the date of grant. Under the 2009 Plan, options are generally exercisable for a period of between 7 to 10 years from the date of grant and may vest on the grant date, another specified date or over a period of time. We also have approximately 0.1 million options outstanding under a prior stock plan that have an indefinite contractual life.

Information with respect to current year stock option activity under the above plans is summarized as follows (in thousands, except per share amounts):

	Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2014	336	$24.90
Granted	94	52.85
Canceled	(4)	44.19
Exercised	(5)	9.28
Balance at December 31, 2015	421	$31.16

The weighted average remaining contractual life of our outstanding options was 12.3 years as of December 31, 2015. We currently have approximately 0.1 million options outstanding that have an indefinite contractual life. These options were granted between 1983 and 1986 under a prior stock plan. For purposes of calculating the weighted average remaining contractual life, these options were assigned an original life in excess of 50 years. The majority of these options have an exercise price between $8.00 and $11.63. The total intrinsic value of stock options exercised during the years ended December 31, 2015, 2014 and 2013 was $0.2 million, $0.3 million and $1.0 million, respectively. The total intrinsic value of our options outstanding at December 31, 2015 was $7.9 million. In 2015, we recorded cash received from the exercise of options of less than $0.1 million. Upon option exercise, we issued new shares of stock.

At both December 31, 2015 and 2014, we had approximately 0.3 million options outstanding that had exercise prices less than the fair market value of our stock at each balance sheet date. These options would have generated cash proceeds to the Company of $8.2 million and $8.4 million, respectively, if they had been fully exercised on those dates.

401(k)

We have a 401(k) plan ("Savings Plan") wherein employees can elect to defer compensation within federal limits. We match a portion of employee contributions. Our contribution expense was approximately $1.0 million for each of 2015, 2014 and 2013. At our discretion, we may also make a profit-sharing contribution to our employees' 401(k) accounts.

11. TAXES

Our income tax provision consists of the following components for 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Current			
Federal	$ 42,181	$ 49,049	$ (6,093)
State	415	2,499	225
Foreign source withholding tax	55,276	70,703	23,269
	97,872	122,251	17,401
Deferred			
Federal	(89,026)	(121,937)	(18,727)
State	554	(437)	2,614
Foreign source withholding tax	55,221	52,231	24,548
	(33,251)	(70,143)	8,435
Total	$ 64,621	$ 52,108	$ 25,836

The deferred tax assets and liabilities were comprised of the following components at December 31, 2015 and 2014 (in thousands):

	2015			
	Federal	State	Foreign	Total
Net operating losses	$ —	$ 81,965	$ 140	$ 82,105
Deferred revenue, net	94,203	8	22,473	116,684
Stock compensation	8,147	1,452	—	9,599
Patent amortization	21,217	—	—	21,217
Depreciation	929	(64)	—	865
Other-than-temporary impairment	494	46	—	540
Other accrued liabilities	7,416	509	—	7,925
Other employee benefits	1,888	141	—	2,029
	134,294	84,057	22,613	240,964
Less: valuation allowance	—	(81,893)	—	(81,893)
Net deferred tax asset	$134,294	$ 2,164	$22,613	$159,071

	2014			
	Federal	State	Foreign	Total
Net operating losses	$ —	$ 71,837	$ 4	$ 71,841
Deferred revenue, net	50,575	41	22,657	73,273
Stock compensation	10,567	1,751	—	12,318
Patent amortization	18,337	—	—	18,337
Depreciation	1,110	29	—	1,139
Other accrued liabilities	1,097	(28)	—	1,069
Other-than-temporary impairment	10,010	154	—	10,164
Other employee benefits	8,784	668	—	9,452
	100,480	74,452	22,661	197,593
Less: valuation allowance	—	(71,731)	—	(71,731)
Net deferred tax asset	$100,480	$ 2,721	$22,661	$125,862

The following is a reconciliation of income taxes at the federal statutory rate with income taxes recorded by the Company for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State tax provision	0.5%	0.1%	4.1%
Change in federal and state valuation allowance	—%	—%	0.4%
Research and development tax credits	(1.2)%	(4.7)%	—%
Uncertain tax positions	—%	0.9%	—%
Permanent differences	1.2%	1.5%	3.5%
Settlement with taxing authorities	0.1%	1.1%	—%
Other	0.1%	0.1%	(1.1)%
Total tax provision	35.7%	34.0%	41.9%

Valuation Allowances and Net Operating Losses

We establish a valuation allowance for any portion of our deferred tax assets for which management believes it is more likely than not that we will be unable to utilize the assets to offset future taxes. We believe it is more likely than not that the majority of our state deferred tax assets will not be utilized; therefore we have maintained a near full valuation allowance against our state deferred tax assets as of December 31, 2015. All other deferred tax assets are fully benefited.

We recognize excess tax benefits associated with share-based compensation to shareholders' equity only when realized. When assessing whether excess tax benefits relating to share-based compensation have been realized, we follow the with and without approach excluding any indirect effects of the excess tax deductions. Under the approach, excess tax benefits related to share-based compensation are not deemed to be realized until after the utilization of all other tax benefits available to the Company. During 2015, we realized $2.5 million of tax windfalls and accordingly recorded a corresponding credit to additional paid-in capital. During 2014, we recorded a shortfall of $1.2 million and recorded a corresponding debit to additional paid-in capital. We had sufficient windfall benefits previously recorded in additional paid-in capital to offset the shortfall in 2014. During 2013, we realized $0.8 million of such excess tax benefits for federal purposes, and accordingly recorded a corresponding credit to additional paid-in capital. As of December 31, 2015 and 2014, we had $12.3 million and $12.2 million, respectively, of state unrealized tax benefits associated with share-based compensation. These state tax benefits will be accounted for as a credit to additional paid-in capital, if and when realized, rather than a reduction of the provision for income taxes.

Uncertain Income Tax Positions

As of December 31, 2015, 2014 and 2013, we had $1.5 million, $1.4 million and zero, respectively, of unrecognized tax benefits. The total amount of unrecognized tax benefits could change within the next twelve months for a number of reasons including audit settlements, tax examination activities and the recognition and measurement considerations under this guidance.

During 2015, the reserve was increased for interest and penalty on previously recognized reserves, and we also established a reserve of $0.1 million related to the recognition of the 2015 research and development credit. During 2014, we established a reserve of $0.7 million related to the recognition of a gross benefit for research and development credits. We also recorded $0.7 million of unrecognized tax benefits related to certain deductions that may not be allowed by the Internal Revenue Code.

The following is a roll forward of our total gross unrecognized tax benefits, which if reversed would impact the effective tax rate, for the fiscal years 2013 through 2015 (in thousands):

	2015	2014	2013
Balance as of January 1	$1,361	$ —	$—
Tax positions related to current year:			
Additions	141	95	—
Reductions	—	—	—
Tax positions related to prior years:			
Additions	—	1,266	—
Reductions	(33)	—	—
Settlements	—	—	—
Lapses in statues of limitations	—	—	—
Balance as of December 31	$1,469	$1,361	$—

Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense. Because we had zero unrecognized tax benefits as of December 31, 2013, we also had zero accrued interest as of the same date. For certain positions that related to years prior to 2015, we have recorded less than $0.1 million of accrued interest during 2015 and 2014.

The Company and its subsidiaries are subject to United States federal income tax, foreign income and withholding taxes and income taxes from multiple state jurisdictions. Our federal income tax returns for 2010 to the present are currently open and will not close until the respective statutes of limitations have expired. The statutes of limitations generally expire three years following the filing of the return or in some cases three years following the utilization or expiration of net operating loss carry forwards. The statute of limitations applicable to our open federal returns will expire at the end of 2019. The 2015 return is expected to be filed by September 15, 2016 and the statute of limitations will expire three years from the date it is filed. Specific tax treaty procedures remain open for certain jurisdictions for 2006, 2007 and 2008. Many of our subsidiaries have filed state income tax returns on a separate company basis. To the extent these subsidiaries have unexpired net operating losses, their related state income tax returns remain open. These returns have been open for varying periods, some exceeding ten years. The total amount of state net operating losses is $1.5 billion.

The U.S. Internal Revenue Service ("IRS") has concluded their audit of tax years 2010 through 2012 and the refund, related to research and development tax credits, was being reviewed by the Joint Committee on Taxation, as all refund claims in excess of $5.0 million are reviewed. Subsequent to December 31, 2015, we received notice from the Joint Committee on Taxation that its review was concluded with no changes. We expect to receive the refund amount as filed. Additionally, we will reverse our reserve for unrecognized tax benefits of $0.6 million in first quarter 2016. We are under audit by one state for tax years 2012 through 2013. Currently we do not expect any material adjustments to our previous tax filings as a result of this audit. No other federal, state or foreign audits are in process.

The IRS examination for 2011 was closed in 2014 resulting in no changes. A state audit for the years 2002 to 2008 was concluded in 2014 resulting in a $2.5 million settlement. Additional periods, 2010 to 2012, were resolved in 2015 resulting in a $0.4 million settlement.

Foreign Taxes

We pay foreign source withholding taxes on patent license royalties and state taxes when applicable. We apply foreign source withholding tax payments against our United States federal income tax obligations to the extent we have foreign source income to support these credits. In 2015, 2014 and 2013, we paid $55.3 million, $70.7 million and $23.3 million in foreign source withholding taxes, respectively, and applied these payments as credits against our United States federal tax obligation.

Between 2006 and 2015, we paid approximately $295.1 million in foreign taxes for which we have claimed foreign tax credits against our U.S. tax obligations. It is possible that as a result of tax treaty procedures, the U.S. government may reach an agreement with the related foreign governments that will result in a partial refund of foreign taxes paid with a related reduction in our foreign tax credits. Due to both foreign currency fluctuations and differences in the interest rate charged by the U.S. government compared to the interest rates, if any, used by the foreign governments, any such agreement could result in interest expense and/or foreign currency gain or loss.

12. EQUITY TRANSACTIONS

Repurchase of Common Stock

In May 2012, our Board of Directors authorized a share repurchase program, which was then expanded in June 2012 to increase the amount of the program from $100 million to $200 million (the "2012 Repurchase

Program”). Of the $200 million authorized under the 2012 Repurchase Program, $106.8 million was utilized prior to the termination of the program in June 2014. In June 2014, our Board of Directors authorized a new share repurchase program, which was expanded in June 2015 to increase the amount of the program from $300 million to $400 million (the “2014 Repurchase Program”). We may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

The table below sets forth for the periods presented the number of shares repurchased and the dollar value of shares repurchased under the 2012 Repurchase Program and the 2014 Repurchase Program, in thousands.

	2012 Repurchase Program		2014 Repurchase Program		Total Both Programs	
	# of Shares	Value	# of Shares	Value	# of Shares	Value
2015	—	$ —	1,836	$ 96,410	1,836	$ 96,410
2014	—	—	3,554	152,625	3,554	152,625
2013	917	29,135	—	—	917	29,135
Prior to 2013	2,552	77,694	—	—	2,552	77,694
Total	3,469	$106,829	5,390	$249,035	8,859	$355,864

Dividends

Cash dividends on outstanding common stock declared in 2015 and 2014 were as follows (in thousands, except per share data):

	Per Share	Total	Cumulative by Fiscal Year
2015			
First quarter	$0.20	$ 7,232	$ 7,232
Second quarter	0.20	7,243	14,475
Third quarter	0.20	7,183	21,658
Fourth quarter	0.20	7,068	28,726
	$0.80	$28,726	
2014			
First quarter	$0.10	$ 3,954	$ 3,954
Second quarter	0.20	8,033	11,987
Third quarter	0.20	7,666	19,653
Fourth quarter	0.20	7,500	27,153
	$0.70	$27,153	

In June 2014, we announced that our Board of Directors had approved a 100% increase in the Company’s quarterly cash dividend, to $0.20 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.20 per share cash dividend in the future; however, continued payment of cash dividends and changes in the Company’s dividend policy will depend on the Company’s earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by any existing debt, economic conditions and other factors considered relevant by our Board of Directors.

Common Stock Warrants

On March 29, 2011 and March 30, 2011, we entered into privately negotiated warrant transactions with Barclays Bank PLC through its agent, Barclays Capital Inc., whereby we sold to Barclays Bank PLC warrants to

acquire, subject to customary anti-dilution adjustments, approximately 3.5 million and approximately 0.5 million shares of our common stock, respectively, at a strike price of approximately $63.18 per share, subject to adjustment, as updated. The warrants become exercisable in tranches starting in June 2016. In consideration for the warrants issued on March 29, 2011 and March 30, 2011, we received $27.6 million and $4.1 million, respectively, on April 4, 2011.

On March 5 and March 9, 2015, we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 3.8 million and approximately 0.6 million, respectively, of common stock at an initial strike price of approximately $88.46 per share. The warrants become exercisable in tranches starting in June 2020. As consideration for the warrants issued on March 5 and March 9, 2015, we received approximately $37.3 million and approximately $5.6 million, respectively.

13. SELECTED QUARTERLY RESULTS (UNAUDITED)

The table below presents quarterly data for the years ended December 31, 2015 and 2014:

	First	Second	Third	Fourth
	(In thousands, except per share amounts, unaudited)			
2015				
Revenues	$110,378	$118,551	$100,408	$112,098
Net income applicable to InterDigital, Inc.'s common shareholders	$ 29,065	$ 32,602	$ 24,520	$ 33,038
Net income per common share — basic	$ 0.79	$ 0.91	$ 0.68	$ 0.93
Net income per common share — diluted	$ 0.78	$ 0.89	$ 0.68	$ 0.92
2014				
Revenues (a)	$ 57,844	$194,234	$ 77,622	$ 86,121
Net income applicable to InterDigital, Inc.'s common shareholders	$ (1,861)	$ 78,901	$ 13,512	$ 13,790
Net income per common share — basic	$ (0.05)	$ 1.95	$ 0.34	$ 0.37
Net income per common share — diluted	$ (0.05)	$ 1.93	$ 0.34	$ 0.36

(a) In second quarter 2014, we recognized $119.9 million of past patent royalties primarily due to new patent license agreements.

14. VARIABLE INTEREST ENTITIES

As further discussed below, we are the primary beneficiary of two variable interest entities. As of December 31, 2015, the combined book values of the assets and liabilities associated with these variable interest entities included in our Consolidated Balance Sheet were $24.2 million and $0.8 million, respectively. Assets included $19.0 million of cash and cash equivalents and $5.2 million of patents, net. As of December 31, 2014, the combined book values of the assets and liabilities associated with these variable interest entities included in our Consolidated Balance Sheet were $15.3 million and $0.4 million, respectively. Assets included $11.4 million of cash and cash equivalents and $3.9 million of patents, net. The impact of consolidating these variable interest entities on our Consolidated Statements of Income was not significant.

Convida Wireless

On September 26, 2015, we renewed and expanded our joint venture with Sony, Convida Wireless, to include 5G technologies. Convida Wireless was launched in 2013 to combine Sony's consumer electronics expertise with our pioneering IoT expertise to drive IoT communications and connectivity. Based on the terms of the agreement, the parties will contribute funding and resources for additional research and platform development, which we will perform. SCP IP Investment LLC, an affiliate of Stephens Inc., is a minority investor in Convida Wireless.

Convida Wireless is a variable interest entity. Based on our provision of research and platform development services to Convida Wireless, we have determined that we remain the primary beneficiary for accounting purposes and will continue to consolidate Convida Wireless. For the years ended December 31, 2015, 2014 and 2013, we have allocated approximately $2.8 million, $2.9 million and $2.5 million, respectively, of Convida Wireless' net loss to noncontrolling interests held by other parties.

Signal Trust for Wireless Innovation

On October 17, 2013, we announced the establishment of the Signal Trust for Wireless Innovation ("Signal Trust"), the goal of which is to monetize a large patent portfolio related to cellular infrastructure.

The more than 500 patents and patent applications transferred from InterDigital to the Signal Trust focus primarily on 3G and LTE technologies, and were developed by InterDigital's engineers and researchers over more than a decade, with a number of the innovations contributed to the worldwide standards process.

InterDigital is the primary beneficiary of the Signal Trust. The distributions from the Signal Trust will support continued research related to cellular wireless technologies. A small portion of the proceeds from the Signal Trust will be used to fund, through the newly formed Signal Foundation for Wireless Innovation, scholarly analysis of intellectual property rights and the technological, commercial and creative innovations they facilitate.

The Signal Trust is a variable interest entity. Based on the terms of the Trust Agreement, we have determined that we are the primary beneficiary for accounting purposes and must consolidate the Signal Trust.

15. SUBSEQUENT EVENTS

We anticipate a severance charge in the range of $1.5 million to $2.0 million during first quarter 2016 related to ongoing efforts to optimize our cost structure.

Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

None.

Item 9A. *CONTROLS AND PROCEDURES.*

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer, with the assistance of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2015. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2015. Management based this assessment on criteria for effective internal control over financial reporting described in "*Internal Control — Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, management determined that, as of December 31, 2015, the Company maintained effective internal control over financial reporting at a reasonable assurance level.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report that appears under Part II, Item 8, of this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during fourth quarter 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***OTHER INFORMATION.***

None.

PART III

Item 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.***

The information required by this item is incorporated by reference to the information following the captions "Election of Directors," "EXECUTIVE OFFICERS," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Ethics," "Nominating and Corporate Governance Committee" and "Audit Committee" in the definitive proxy statement to be filed pursuant to Regulation 14A in connection with our 2016 annual meeting of shareholders not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K (the "Proxy Statement").

Item 11. ***EXECUTIVE COMPENSATION.***

The information required by this item is incorporated by reference to the information following the captions "EXECUTIVE COMPENSATION" and "DIRECTOR COMPENSATION" in the Proxy Statement.

Item 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.***

The information required by this item is incorporated by reference to the information following the captions "EQUITY COMPENSATION PLAN INFORMATION" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Proxy Statement.

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.***

The information required by this item is incorporated by reference to the information following the captions "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and "Director Independence" in the Proxy Statement.

Item 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES.***

The information required by this item is incorporated by reference to the information following the captions "Fees Paid to Independent Registered Public Accounting Firm" and "Audit Committee Pre-Approval Policy for Audit and Non-Audit Services of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.***

(a) The following documents are filed as a part of this Form 10-K:

(1) Financial Statements.

The information required by this item begins on Page 73.

(2) Financial Statement Schedules.

The following financial statement schedule of InterDigital is included herewith and should be read in conjunction with the Financial Statements included in this Item 15.

Valuation and Qualifying Accounts

	Balance Beginning of Period	Increase/ (Decrease)	Reversal of Valuation Allowance	Balance End of Period
2015 valuation allowance for deferred tax assets	$71,679	$10,214(a)	$—	$81,893
2014 valuation allowance for deferred tax assets	$70,492	$ 1,187(a)	$—	$71,679
2013 valuation allowance for deferred tax assets	$68,378	$ 2,114(a)	$—	$70,492
2015 reserve for uncollectible accounts	$ 1,654	$ (1,654)(b)	$—	$ —
2014 reserve for uncollectible accounts	$ 1,750	$ (96)	$—	$ 1,654
2013 reserve for uncollectible accounts	$ 1,750	$ —	$—	$ 1,750

(a) The increase was primarily necessary to maintain a full, or near full, valuation allowance against our state deferred tax assets and did not result in additional tax expense.

(b) The decrease relates to the reversal of a bad debt reserve as a result of a settlement agreement with a technology solutions customer.

(3) Exhibits.

See Item 15(b) below.

(b)

Exhibit Number	Exhibit Description
*3.1	Amended and Restated Articles of Incorporation of InterDigital, Inc. (“InterDigital”) (Exhibit 3.1 to InterDigital’s Current Report on Form 8-K dated June 7, 2011).
*3.2	Amended and Restated Bylaws of InterDigital (Exhibit 3.1 to InterDigital’s Current Report on Form 8-K dated January 30, 2015).
*4.1	Indenture, dated April 4, 2011, between InterDigital and The Bank of New York Mellon Trust Company, N.A., as trustee (Exhibit 4.1 to InterDigital’s Current Report on Form 8-K dated April 4, 2011).
*4.2	Form of 2.50% Senior Convertible Note due 2016 (Exhibit 4.2 to InterDigital’s Current Report on Form 8-K dated April 4, 2011).
*4.3	Specimen Stock Certificate of InterDigital (Exhibit 4.3 to InterDigital’s Quarterly Report on Form 10-Q dated April 28, 2011).

Exhibit Number	Exhibit Description
*4.4	Indenture, dated March 11, 2015, between InterDigital and the Bank of New York Mellon Trust Company, N.A., as trustee (Exhibit 4.1 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
*4.5	Form of 1.50% Senior Convertible Note due 2020 (Exhibit 4.2 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
	Real Estate Leases
*10.1	Lease Agreement effective March 1, 2012 by and between InterDigital and Musref Bellevue Parkway, LP (Exhibit 10.5 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 2012).
	Benefit Plans
†*10.2	Non-Qualified Stock Option Plan, as amended (Exhibit 10.4 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1991).
†*10.3	Amendment to Non-Qualified Stock Option Plan (Exhibit 10.31 to InterDigital's Quarterly Report on Form 10-Q dated August 14, 2000).
†*10.4	Amendment to Non-Qualified Stock Option Plan, effective October 24, 2001 (Exhibit 10.6 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 2001).
†*10.5	2009 Stock Incentive Plan (Exhibit 99.1 to InterDigital's Registration Statement on Form S-8 filed with the Securities and Exchange Commission ("SEC") on June 4, 2009 (File No. 333-159743)).
†*10.6	Amendment to 2009 Stock Incentive Plan, effective as of June 12, 2013 (Exhibit 10.1 to InterDigital's Quarterly Report on Form 10-Q dated July 26, 2013).
†*10.7	2015 Amendment to 2009 Stock Incentive Plan, effective as of June 11, 2015 (Exhibit 10.1 to InterDigital's Quarterly Report on Form 10-Q dated July 30, 2015).
†*10.8	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Restricted Stock Units (Discretionary Award) (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.9	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Restricted Stock Units (LTCP Time-Based Award) (Exhibit 10.3 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.10	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Restricted Stock Units (LTCP Performance-Based Award) (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.11	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Stock Options (LTCP Award) (Exhibit 10.5 to InterDigital's Current Report on Form 8-K dated January 28, 2013).
†*10.12	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Time-Based Restricted Stock Units (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).
†*10.13	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Performance-Based Restricted Stock Units (Exhibit 10.4 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).

Exhibit Number	Exhibit Description
†*10.14	2009 Stock Incentive Plan, Term Sheet and Standard Terms and Conditions for Stock Options (Exhibit 10.5 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).
†*10.15	2009 Stock Incentive Plan, Term Sheet for Restricted Stock Units (Non-Employee Directors) (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated July 26, 2013).
†*10.16	2009 Stock Incentive Plan, Standard Terms and Conditions for Restricted Stock Units (Non-Employee Directors) (Exhibit 10.4 to InterDigital's Quarterly Report on Form 10-Q dated July 26, 2013).
†*10.17	Compensation Program for Non-Management Directors (as amended September 2012) (Exhibit 10.2 to InterDigital's Quarterly Report on Form 10-Q dated October 25, 2012).
†*10.18	Compensation Program for Non-Management Directors (as amended June 2015) (Exhibit 10.2 to InterDigital's Quarterly Report on Form 10-Q dated July 30, 2015).
†*10.19	Designated Employee Incentive Separation Pay Plan and Summary Plan Description (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated October 25, 2012).
†*10.20	Deferred Compensation Plan (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated June 18, 2013).
	Employment-Related Agreements
†*10.21	Indemnity Agreement dated as of March 19, 2003 by and between InterDigital and Howard E. Goldberg (pursuant to Instruction 2 to Item 601 of Regulation S-K, the Indemnity Agreements, which are substantially identical in all material respects, except as to the parties thereto and the dates, between the Company and the following individuals, were not filed: Jeffrey K. Belk, Richard J. Brezski, S. Douglas Hutcheson, John A. Kritzmacher, Scott A. McQuilkin, William J. Merritt, James J. Nolan, Kai O. Öistämö, Jean F. Rankin, Robert S. Roath, Lawrence F. Shay and Philip P. Trahanas) (Exhibit 10.47 to InterDigital's Quarterly Report on Form 10-Q dated May 15, 2003).
†*10.22	Assignment and Assumption of Indemnity Agreement dated as of July 2, 2007, by and between InterDigital Communications Corporation, InterDigital and Bruce G. Bernstein (pursuant to Instruction 2 to Item 601 of Regulation S-K, the Indemnity Agreements, which are substantially identical in all material respects, except as to the parties thereto, between InterDigital Communications Corporation, InterDigital, Inc. and the following individuals, were not filed: Richard J. Brezski, William J. Merritt, James J. Nolan, Robert S. Roath and Lawrence F. Shay) (Exhibit 10.90 to InterDigital's Quarterly Report on Form 10-Q dated August 9, 2007).
†*10.23	Employment Agreement dated March 14, 2013 between InterDigital and William J. Merritt (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.24	Employment Agreement dated March 14, 2013 between InterDigital and Richard Brezski (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.25	Employment Agreement dated March 14, 2013 between InterDigital and Scott McQuilkin (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.26	Employment Agreement dated March 14, 2013 between InterDigital and James Nolan (Exhibit 10.5 to InterDigital's Current Report on Form 8-K dated March 19, 2013).
†*10.27	Employment Agreement dated March 14, 2013 between InterDigital and Lawrence F. Shay (Exhibit 10.6 to InterDigital's Current Report on Form 8-K dated March 19, 2013).

Exhibit Number	Exhibit Description
†10.28	Employment Agreement dated May 1, 2014 between InterDigital and Byung K. Yi.
	Other Material Contracts
*10.29	Bond Hedge Transaction Confirmation, dated March 29, 2011, by and between InterDigital and Barclays Bank PLC, through its agent, Barclays Capital Inc. (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated April 4, 2011).
*10.30	Bond Hedge Transaction Confirmation, dated March 30, 2011, by and between InterDigital and Barclays Bank PLC, through its agent, Barclays Capital Inc. (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated April 4, 2011).
*10.31	Warrant Transaction Confirmation, dated March 29, 2011, by and between InterDigital and Barclays Bank PLC, through its agent, Barclays Capital Inc. (Exhibit 10.3 to InterDigital's Current Report on Form 8-K dated April 4, 2011).
*10.32	Warrant Transaction Confirmation, dated March 30, 2011, by and between InterDigital and Barclays Bank PLC, through its agent, Barclays Capital Inc. (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated April 4, 2011).
*10.33	Form of Convertible Note Hedge Transaction Confirmation (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
*10.34	Form of Warrant Transaction Confirmation (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
21	Subsidiaries of InterDigital.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350. +
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350. +
101	The following financial information from InterDigital's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 18, 2016, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets at December 31, 2015 and December 31, 2014, (ii) Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013, (iii) Consolidated Shareholders' Equity and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (v) Notes to Consolidated Financial Statements.

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* Incorporated by reference to the previous filing indicated.

† Management contract or compensatory plan or arrangement.

+ This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that InterDigital, Inc. specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERDIGITAL, INC.

Date: February 18, 2016	By: /s/ William J. Merritt William J. Merritt President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 18, 2016	/s/ S. Douglas Hutcheson S. Douglas Hutcheson, Chairman of the Board of Directors
Date: February 18, 2016	/s/ Jeffrey K. Belk Jeffrey K. Belk, Director
Date: February 18, 2016	/s/ John A. Kritzmacher John A. Kritzmacher, Director
Date: February 18, 2016	/s/ Kai O. Öistämö Kai O. Öistämö, Director
Date: February 18, 2016	/s/ Jean F. Rankin Jean F. Rankin, Director
Date: February 18, 2016	/s/ Robert S. Roath Robert S. Roath, Director
Date: February 18, 2016	/s/ Philip P. Trahanas Philip P. Trahanas, Director
Date: February 18, 2016	/s/ William J. Merritt William J. Merritt, Director, President and Chief Executive Officer (Principal Executive Officer)
Date: February 18, 2016	/s/ Richard J. Brezski Richard J. Brezski, Chief Financial Officer (Principal Financial Officer)

INTERDIGITAL®

InterDigital, Inc.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held June 8, 2016

TO THE SHAREHOLDERS OF INTERDIGITAL, INC.:

We are pleased to invite you to attend our 2016 annual meeting of shareholders, which will be held on Wednesday, June 8, 2016, at 11:00 AM Eastern Time. This year's annual meeting will be held as a virtual meeting. You will be able to attend and participate in the annual meeting online via a live webcast by visiting IDCC.onlineshareholdermeeting.com. In addition to voting by submitting your proxy prior to the annual meeting, you also will be able to vote your shares electronically during the annual meeting. Further details regarding the virtual meeting are included in the accompanying proxy statement. At the annual meeting, the holders of our outstanding common stock will act on the following matters:

1. Election of the eight director nominees named in the proxy statement, each for a term of one year;
2. Advisory resolution to approve executive compensation;
3. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2016; and
4. Such other business as may properly come before the annual meeting.

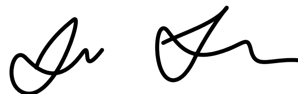
We are pleased to be using the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their shareholders primarily over the Internet. We believe that this process expedites shareholders' receipt of the proxy materials, lowers the costs of the annual meeting and helps to conserve natural resources. We also believe that hosting a virtual meeting will enable participation by more of our shareholders in our annual meeting while lowering the cost of conducting the meeting. On or about April 25, 2016, we began mailing our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our 2016 proxy statement and 2015 annual report and how to vote online. The Notice also includes instructions on how to request a paper copy of the proxy materials, including the notice of annual meeting, 2016 proxy statement, 2015 annual report and proxy card.

All holders of record of shares of our common stock (NASDAQ: IDCC) at the close of business on April 12, 2016, are entitled to vote at the annual meeting and at any postponements or adjournments of the annual meeting. Your vote is important. Regardless of whether you plan to attend the annual meeting, please cast your vote as instructed in the Notice as promptly as possible. Alternatively, if you wish to receive paper copies of your proxy materials, including the proxy card, please follow the instructions in the Notice. Once you receive paper copies of your proxy materials, please complete, sign, date and promptly return the proxy card in the postage-prepaid return envelope provided, or follow the instructions set forth on the proxy card to vote your shares over the Internet or by telephone. Your prompt response is necessary to ensure that your shares are represented at the annual meeting. Voting by Internet, telephone or mail will not affect your right to vote at the annual meeting if you decide to attend the virtual meeting through IDCC.onlineshareholdermeeting.com. If you are a shareholder who holds stock in a brokerage account (a "street name" holder), you will receive instructions from the holder of record, which you must follow in order for your shares to be voted. Certain of these institutions offer Internet and telephone voting.

IF YOU PLAN TO ATTEND THE ANNUAL MEETING:

The annual meeting will be held as a virtual meeting and begin promptly at 11:00 AM Eastern Time. In order to attend and participate in the annual meeting, you will need to visit IDCC.onlineshareholdermeeting.com and follow the instructions that are included in the Notice, on your proxy card or in the voting instructions accompanying your proxy materials. You will also need the 16-digit control number provided therein, and, if you have elected to receive electronic delivery of your proxy materials, the four-digit PIN number established at the time of your enrollment. Online check-in will begin at 10:30 AM Eastern Time. Please allow sufficient time to complete the online check-in process.

By Order of the Board of Directors,



JANNIE K. LAU
Executive Vice President, General Counsel and Secretary

April 25, 2016
Wilmington, Delaware

TABLE OF CONTENTS

	Page
INTERNET AVAILABILITY OF PROXY MATERIALS	3
ABOUT THE ANNUAL MEETING AND VOTING	3
GOVERNANCE OF THE COMPANY	7
Code of Ethics	7
Director Independence	7
Board Leadership	7
Board Oversight of Risk	8
Board Structure and Committee Membership	8
Communications with the Board	13
Communications About Accounting Matters	13
DIRECTOR COMPENSATION	14
2015 Director Compensation Table	15
PROPOSALS TO BE VOTED ON	17
Election of Directors	17
Advisory Resolution to Approve Executive Compensation	21
Ratification of Appointment of Independent Registered Public Accounting Firm	22
REPORT OF THE AUDIT COMMITTEE	24
EXECUTIVE OFFICERS	25
EXECUTIVE COMPENSATION	27
Compensation Committee Report	27
Compensation Discussion and Analysis	27
Summary Compensation Table	41
Grants of Plan-Based Awards in 2015	44
Outstanding Equity Awards at 2015 Fiscal Year End	46
Option Exercises and Stock Vested in 2015	48
Nonqualified Deferred Compensation	48
Potential Payments upon Termination or Change in Control	50
EQUITY COMPENSATION PLAN INFORMATION	66
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	67
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	69
OTHER MATTERS	70
Section 16(a) Beneficial Ownership Reporting Compliance	70
Shareholder Proposals	70
Proxy Solicitation Costs and Potential Savings	70
Annual Report on Form 10-K	71
Other Business	71
APPENDIX A – Calculations of Normalized Cash Flow for Performance Goals	A-1

INTERDIGITAL, INC.
200 Bellevue Parkway, Suite 300
Wilmington, Delaware 19809-3727

PROXY STATEMENT

This proxy statement contains information relating to our annual meeting of shareholders to be held on Wednesday, June 8, 2016, at 11:00 AM Eastern Time, and at any postponements or adjournments of the annual meeting. This year's annual meeting of shareholders will be held as a virtual meeting. You will be able to attend and participate in the annual meeting online via a live webcast by visiting IDCC.onlineshareholdermeeting.com. In addition to voting by submitting your proxy prior to the annual meeting, you also will be able to vote your shares electronically during the annual meeting. Your proxy for the annual meeting is being solicited by our Board of Directors (the "Board").

INTERNET AVAILABILITY OF PROXY MATERIALS

As permitted by Securities and Exchange Commission ("SEC") rules, we are making this proxy statement and our annual report available to our shareholders primarily via the Internet, rather than mailing printed copies of these materials to each shareholder. We believe that this process will expedite shareholders' receipt of the proxy materials, lower the costs of the annual meeting and help to conserve natural resources. On or about April 25, 2016, we began mailing to each shareholder (other than those who previously requested electronic delivery of all materials or previously elected to receive delivery of a paper copy of the proxy materials) a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access and review the proxy materials, including our proxy statement and our annual report, on the Internet and how to access an electronic proxy card to vote on the Internet or by telephone. The Notice also contains instructions on how to receive a paper copy of the proxy materials. If you receive a Notice by mail, you will not receive a printed copy of the proxy materials unless you request one. If you receive a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on June 8, 2016: The 2016 proxy statement and 2015 annual report to shareholders are available at http://ir.interdigital.com/annuals-proxies.cfm

ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act upon the matters outlined in the notice of meeting provided with this proxy statement, including: the election of directors, the advisory resolution to approve executive compensation, the ratification of the appointment of our independent registered public accounting firm, and such other business as may properly come before the annual meeting. In addition, management will report on the performance of the company's business and respond to questions from shareholders.

Who may attend the annual meeting?

You are entitled to participate in the annual meeting only if you were a shareholder of record as of the close of business on April 12, 2016 or if you hold a valid proxy for the annual meeting. As noted above, this year's annual meeting will be held as a virtual meeting that you may attend online via a live webcast by visiting IDCC.onlineshareholdermeeting.com.

In order to attend and participate in the annual meeting, you will need to visit IDCC.onlineshareholdermeeting.com and follow the instructions that are included in the Notice, on your proxy card or in the instructions accompanying your proxy materials. You are required to complete an online check-in process once you have connected to IDCC.onlineshareholdermeeting.com. To complete this process, you will need the 16-digit control number provided on your Notice, your proxy card or the instructions accompanying your proxy materials. In addition, if you previously elected to receive electronic delivery of your proxy materials (i.e., you receive your proxy communications via e-mail), you will need the four-digit PIN number established at the time of your enrollment. Online check-in will begin at 10:30 AM Eastern Time, and the annual meeting will begin promptly at 11:00 AM Eastern Time. Please allow sufficient time to complete the online check-in process.

Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership and how to obtain any codes you may need, are posted at IDCC.onlineshareholdermeeting.com. In addition, questions regarding how to attend and participate will be answered by calling 855-449-0991 (international: 720-378-5962) beginning at 10:30 AM Eastern Time the day of the meeting.

Who is entitled to vote at the annual meeting?

Only shareholders of record at the close of business on April 12, 2016, the record date, are entitled to receive notice of and to vote at the annual meeting. If you were a shareholder on that date, you will be entitled to vote all of the shares that you held on that date at the annual meeting, or any postponements or adjournments of the annual meeting. There were 34,624,062 shares of our common stock outstanding on the record date.

What are the voting rights of the holders of the company's common stock?

Each share of our common stock outstanding on the record date will be entitled to one vote on each director nominee and one vote on each other matter considered at the annual meeting.

What constitutes a quorum?

A quorum is the minimum number of our shares of common stock that must be represented at a duly called meeting in person, which includes participation by electronic means such as a live webcast, or by proxy in order to conduct business legally at the annual meeting. For the annual meeting, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote will be considered a quorum. If you are a registered shareholder, voting by Internet or telephone or, if you requested a paper copy of the proxy materials, by mail, or attendance at the annual meeting in person, will cause you to be counted in the determination of a quorum. If you are a street name shareholder, your broker or other nominee will vote your shares pursuant to your instructions, and such shares will count in the determination of a quorum. If you do not provide any specific voting instructions to your broker or other nominee, your shares will still count for purposes of attaining a quorum.

How do I vote?

If you are a registered shareholder, you may vote by Internet or telephone by following the instructions in the Notice. If you requested a paper copy of the proxy materials, you also may submit your proxy by mail by following the instructions included with your proxy card. The deadline for submitting your proxy by Internet or telephone is 11:59 PM Eastern Time on June 7, 2016. The designated proxy will vote according to your instructions. If you attend the live webcast of the annual meeting you also will be able to vote your shares electronically at the meeting up until the time the polls are closed.

If you are a street name holder, your broker or nominee firm is the legal, registered owner of the shares, and it may provide you with a Notice. Follow the instructions on the Notice to access our proxy materials and vote or to request a paper or email copy of our proxy materials. If you receive these materials in paper form, the materials include a voting instruction card so that you can instruct your broker or nominee how to vote your

shares. Please check your Notice or voting instruction card or contact your broker or other nominee to determine whether you will be able to deliver your voting instructions by Internet or telephone in advance of the meeting and whether, if you attend the live webcast of the annual meeting, you will be able to vote your shares electronically at the meeting up until the time the polls are closed.

If you own shares through a retirement or savings plan or other similar plan, you may submit your voting instructions by Internet, telephone or mail by following the instructions included with your voting instruction card. The deadline for submitting your voting instructions by Internet or telephone is 11:59 PM Eastern Time on June 5, 2016. The trustee or administrator of the plan will vote according to your instructions and the rules of the plan.

If you sign and submit your proxy without specifying how you would like your shares voted, your shares will be voted in accordance with the Board's recommendations specified below under "What are the Board's recommendations?" and in accordance with the discretion of the proxy holders with respect to any other matters that may be voted upon at the annual meeting.

Even if you plan to attend the annual meeting, we recommend that you also submit your proxy card or vote by Internet or telephone by the applicable deadline so that your vote will be counted if you later decide not to attend the meeting.

Can I change my vote after I return my proxy or voting instruction card?

If you are a registered shareholder, you may revoke or change your vote at any time before the proxy is voted by filing with our Secretary either a written notice of revocation or a duly executed proxy bearing a later date. If you attend the live webcast of the annual meeting you may revoke your proxy or change your proxy vote by voting electronically at the meeting. Your attendance at the annual meeting will not by itself revoke a previously granted proxy.

If your shares are held in street name or you hold shares through a retirement or savings plan or other similar plan, please check your voting instruction card or contact your broker, nominee, trustee or administrator to determine whether you will be able to revoke or change your vote.

Will my vote be confidential?

It is our policy to maintain the confidentiality of proxy cards, ballots and voting tabulations that identify individual shareholders except as might be necessary to meet any applicable legal requirements and, in the case of any contested proxy solicitation, as might be necessary to allow proper parties to verify proxies presented by any person and the results of the voting.

What are the Board's recommendations?

The Board recommends that you vote:

- ***For*** election of each of the director nominees named in this proxy statement (see Proposal 1);
- ***For*** the advisory resolution to approve executive compensation (see Proposal 2); and
- ***For*** ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2016 (see Proposal 3).

What vote is required to approve each proposal?

Election of directors. We have adopted majority voting in uncontested director elections. Accordingly, under our articles of incorporation and bylaws, director nominees must receive the affirmative vote of a majority of the votes cast in order to be elected. A majority of the votes cast means that the number of votes cast "for" a

director nominee must exceed the number of votes cast “against” that nominee. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of director elections. Under Pennsylvania law and our articles of incorporation and bylaws, an incumbent director who does not receive the votes required to be re-elected remains in office until his or her successor is elected and qualified, thereby continuing as a “holdover” director. Under the director resignation policy in our corporate governance principles, a director who is not re-elected must tender his or her resignation to the Nominating and Corporate Governance Committee of the Board, which will make a recommendation to the Board as to whether or not the resignation offer should be accepted. In deciding whether to accept the resignation offer, the Board will consider the recommendation of the Nominating and Corporate Governance Committee as well as any additional information and factors that the Board believes to be relevant. The Board will act on the Nominating and Corporate Governance Committee’s recommendation within ninety (90) days following certification of the election results.

Advisory resolution to approve executive compensation. The affirmative vote of a majority of the votes cast is required for approval. Because the vote is advisory, it will not be binding on the Board or the company. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

Ratification of the appointment of PricewaterhouseCoopers LLP. The affirmative vote of a majority of the votes cast is required for ratification. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal. Ratification of the appointment of our independent registered public accounting firm is not legally required; the Board asks shareholders to ratify the appointment as a matter of good corporate governance. If shareholders do not ratify the appointment, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm in future years.

What is a “broker non-vote”?

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some proposals if you do not provide voting instructions. “Broker non-votes” are shares that a broker or nominee does not vote because it has not received voting instructions and does not have discretionary authority to vote (or does not exercise that authority). For the annual meeting, if you do not provide specific voting instructions, your broker or nominee may not exercise voting discretion with respect to: Proposal 1, the election of directors, or Proposal 2, the approval of the advisory resolution on executive compensation. If you do not provide specific voting instructions, your broker or nominee may exercise voting discretion with respect to Proposal 3, the ratification of the appointment of the company’s independent registered public accounting firm. Broker non-votes will be counted for the purposes of calculating whether a quorum is present at the annual meeting. However, broker non-votes will have no effect on the outcome of the vote on Proposal 1 or Proposal 2.

GOVERNANCE OF THE COMPANY

Where can I find information about the governance of the company?

The company has adopted corporate governance principles that, along with the charters of the Board committees, provide the framework for the governance of the company. The Nominating and Corporate Governance Committee is responsible for annually reviewing the principles and recommending any proposed changes to the Board for approval. A copy of our corporate governance principles is posted on our website at *http://ir.interdigital.com* under the heading "Corporate Governance – CG Documents," along with the charters of our Board committees and other information about our governance practices. We will provide to any person without charge a copy of any of these documents upon written request to our Secretary at our principal executive offices: InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727.

Code of Ethics

Does the company have a code of ethics?

We have adopted a Code of Ethics that applies to all directors, officers, employees and consultants, including our principal executive, financial and accounting officers or persons performing similar functions. The Code of Ethics is available on the company's website at *http://ir.interdigital.com* under the heading "Corporate Governance – CG Documents." We intend to disclose future amendments to certain provisions of the Code of Ethics, or any waiver of such provisions granted to executive officers and directors, on the website within four business days following the date of such amendment or waiver. We will provide to any person without charge a copy of our Code of Ethics upon written request to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727.

Director Independence

Which directors are considered independent, and how does the Board determine their independence?

Each year, prior to the annual meeting of shareholders, the Board reviews and assesses the independence of its directors and makes a determination as to the independence of each director. During this review, the Board considers transactions and relationships between each director or any member of his or her immediate family and our company and its subsidiaries and affiliates. As a result of this review, the Board affirmatively determined that each of Messrs. Jeffrey K. Belk, S. Douglas Hutcheson, John A. Kritzmacher, Kai O. Öistämö and Philip P. Trahanas and Ms. Jean F. Rankin are "independent" under the rules of the SEC and the listing standards of the NASDAQ Stock Market.

Board Leadership

Who is the Chairman of the Board, and are the positions of Chairman of the Board and Chief Executive Officer separated?

Mr. Hutcheson, who is an independent director, has served as Chairman of the Board since June 2015. The Board has a general policy that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons as an aid in the Board's oversight of management. This policy is affirmed in the Board's published corporate governance principles, which state that the Chairman of the Board is an independent director. The Board believes that this leadership structure is appropriate for the company at this time because of the advantages to having an independent chairman for matters such as: communications and relations between the Board and the Chief Executive Officer and other senior management; reaching consensus on company strategies and policies; and facilitating robust Board, committee and Chief Executive Officer evaluation processes. The Board periodically reviews its leadership structure to determine whether it is appropriate given the specific characteristics and circumstances of the company.

Board Oversight of Risk

What is the Board's role in risk oversight?

The Board is responsible for overseeing the major risks facing the company and the company's enterprise risk management ("ERM") efforts. The Board has delegated to the Audit Committee primary responsibility for overseeing and monitoring these efforts. Under its charter, the Audit Committee is responsible for discussing with management and the company's independent registered public accounting firm significant risks and exposures relating to the company's quarterly and annual financial statements and assessing management's steps to mitigate them, and for reviewing corporate insurance coverage and other risk management programs. At least quarterly, the Audit Committee receives presentations and reports directly from the company's Executive Vice President, General Counsel and Secretary, who leads the company's day-to-day ERM efforts. The Audit Committee briefs the Board on the company's ERM activities as part of its regular reports to the Board on the activities of the committee, and the Executive Vice President, General Counsel and Secretary also periodically delivers presentations and reports to the full Board as appropriate.

Board Structure and Committee Membership

What is the size of the Board, and how often are directors elected?

The Board currently has eight directors. All directors are subject to election for one-year terms at each annual meeting of shareholders.

How often did the Board meet during 2015?

The Board met seven times during 2015. Each director is expected to attend each meeting of the Board and those committees on which he or she serves. Each director attended at least 75% of the aggregate of all Board meetings and meetings of committees on which the director served during 2015. We typically schedule one of the meetings of the Board on the day immediately preceding or following our annual meeting of shareholders, and it is the policy of the Board that directors are expected to attend our annual meeting of shareholders absent unusual circumstances. Eight directors attended the 2015 annual meeting of shareholders, including all of our current directors (with the exception of Mr. Trahanas, who joined the Board in February 2016) and Mr. Steven T. Clontz, our former Chairman of the Board who retired as of date of the 2015 annual meeting. Dr. Gilbert F. Amelio and Mr. Edward B. Kamins, who also retired as of the end of their terms in June 2015, did not attend the 2015 annual meeting.

What are the roles of the primary Board committees?

The Board has standing Audit, Compensation, Nominating and Corporate Governance, and Investment Committees. Each of the Audit, Compensation, and Nominating and Corporate Governance Committees is composed entirely of independent directors, as determined by the Board in accordance with the applicable rules of the SEC and the listing standards of the NASDAQ Stock Market. Each of the Board committees operates under a written charter that has been approved by the Board.

The table below provides information about the current membership of the committees and the number of meetings of each committee held in 2015.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Investment Committee
Jeffrey K. Belk		X		Chair
S. Douglas Hutcheson		X	Chair	
John A. Kritzmacher	Chair		X	
Kai O. Öistämö	X			X
Jean F. Rankin		Chair	X	
Robert S. Roath				X
Philip P. Trahanas*	X			X
Number of Meetings in 2015	8	8	5	7

* Mr. Trahanas was appointed to the Audit and Investment Committees effective April 1, 2016, succeeding Ms. Rankin and Mr. Kritzmacher, respectively, on such committees.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the company's corporate accounting, its financial reporting practices, audits of its financial statements and compliance with applicable requirements regarding the maintenance of accurate books and records. Among other things, the committee:

- Reviews the company's annual and quarterly financial statements and discusses them with management and the company's independent registered public accounting firm;
- Appoints, compensates, retains, evaluates, oversees the work of and, if deemed appropriate, replaces the company's independent registered public accounting firm;
- Receives from the independent registered public accounting firm reports required by applicable SEC rules and professional standards, including reviewing and discussing with the independent registered public accounting firm the matters required to be discussed under Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board and amended from time to time;
- Reviews the adequacy and effectiveness of the company's system of internal control over financial reporting and disclosure controls and procedures;
- Reviews and approves, at least annually, the management, scope, plans, budget, staffing and relevant processes and programs of the company's internal audit function;
- Establishes and oversees procedures for receiving and handling reports of potential misconduct, including violations of law or the company's Code of Ethics and complaints received by the company regarding accounting, internal accounting controls, auditing or federal securities law matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting, auditing or federal securities law matters;
- Oversees the company's other compliance policies and programs, including the implementation and effectiveness of the company's Code of Ethics;
- Oversees and monitors the company's ERM efforts; and
- Reviews and provides guidance to the Board with respect to:
  - Shareholder distributions;
  - The integrity of the company's financial models, as appropriate;
  - Tax planning;

- Foreign currency management policies;
- Corporate insurance coverage; and
- Cash management investment policies.

All of the Audit Committee members are financially literate. The Board has determined that two of the current members of the Audit Committee, Mr. Kritzmacher and Mr. Trahanas, qualify as "audit committee financial experts" within the meaning of applicable SEC regulations. Mr. Kritzmacher acquired his expertise primarily through his prior and current experience as a chief financial officer of a publicly traded company, and Mr. Trahanas acquired his expertise primarily through his more than a decade of experience as an investment leader at a private equity firm, including his extensive experience analyzing and evaluating financial statements of a wide variety of companies with significant focus in technology and related industry investments.

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to the compensation of the Chief Executive Officer and other executive officers; develops, reviews and approves the principles guiding the company's compensation policies; oversees the company's compensation-related policies and programs and the level of awards to employees; and assists the Board and the Chairman of the Board in succession planning. Among other things, the committee:

- Reviews and approves the corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, evaluates their performance in light of such goals and objectives and, based on its evaluations and appropriate recommendations, reviews and approves the compensation of our Chief Executive Officer and other executive officers, including approving the grant of equity awards, each on an annual basis;
- Assists the Board in developing and evaluating potential candidates for executive positions and oversees and annually reviews the development of executive succession plans;
- Reviews and discusses with management the Compensation Discussion and Analysis required by SEC rules, recommends to the Board whether the Compensation Discussion and Analysis should be included in the company's annual report and proxy statement and oversees the preparation of the Compensation Committee report required by SEC rules for inclusion in the company's annual report and proxy statement;
- Assesses the results of the company's most recent advisory vote on executive compensation, and considers and recommends to the Board the frequency of the company's advisory vote on executive compensation;
- Reviews periodically compensation for non-employee directors of the company and recommends changes to the Board as appropriate;
- Reviews and approves compensation packages for new executive officers and severance packages for executive officers whose employment terminates with the company;
- Reviews and makes recommendations to the Board with respect to the adoption or amendment of incentive and other equity-based compensation plans;
- Administers the company's equity incentive plans;
- Reviews periodically, revises as appropriate and monitors compliance by directors and executive officers with the company's stock ownership guidelines;
- Reviews and considers compensation policies and/or practices as they relate to risk management practices and/or incentives that enhance risk-taking, as the committee determines to be appropriate; and
- Is directly responsible for the appointment, compensation and oversight of the work of any consultants and other advisors retained by the committee, and assesses the independence of any consultants and

other advisors (whether retained by the committee or management) that provide advice to the committee in accordance with the listing standards of the NASDAQ Stock Market and applicable law.

The Compensation Committee may delegate authority to the committee chair or a sub-committee, as the committee may deem appropriate, subject to such ratification by the committee as the committee may direct. The Compensation Committee also may delegate to one or more officers of the company the authority to make grants of stock options or other supplemental awards at specified levels, under specified circumstances, to eligible employees who are not executive officers of the company, subject to reporting to and such ratification by the committee as the committee may direct.

Compensation Committee Interlocks and Insider Participation

Messrs. Belk and Hutcheson and Ms. Rankin served on the Compensation Committee during all or part of 2015, and former directors Messrs. Clontz and Kamins and Dr. Amelio served on the Compensation Committee for part of 2015. No director serving on the Compensation Committee during any part of 2015 was, at any time either during or before such fiscal year, an officer or employee of the company or any of its subsidiaries. In addition, none of our executive officers has served as a member of a board of directors or a compensation committee, or other committee serving an equivalent function, of any other entity, one of whose executive officers served as a member of the company's Board or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee assists the Board in identifying qualified individuals to become Board and committee members, considers matters of corporate governance and assists the Board in evaluating the Board's effectiveness. Among other things, the committee:

- Develops and recommends to the Board criteria for Board membership (including issues of character, integrity, judgement, diversity, independence, skills, education, business acumen, business experience, understanding of the company's business and the like);
- Identifies, reviews the qualifications of and recruits candidates for election to the Board and to fill vacancies or new positions on the Board;
- Assesses the contributions of incumbent directors in determining whether to recommend them for re-election to the Board;
- Reviews candidates recommended by the company's shareholders for election to the Board;
- Assesses the independence of directors, director nominees and director candidates under applicable standards, including any heightened independence requirements applicable to Audit and Compensation Committee members, and recommends independence determinations to the Board;
- Reviews annually our corporate governance principles and recommends changes to the Board as appropriate;
- Recommends to the Board, after consultation with the Audit Committee, changes to our Code of Ethics;
- Assists the Board in ensuring proper attention and effective response to shareholder concerns regarding corporate governance;
- Reviews and makes recommendations to the Board with respect to the Board's and each committee's size, structure, composition and functions;
- Oversees the process for evaluating the Board and its committees; and
- Periodically reviews the Board's leadership structure and recommends changes to the Board as appropriate.

The committee will consider director candidates recommended by our shareholders. Shareholders recommending candidates for consideration by the Nominating and Corporate Governance Committee should send their recommendations to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727. The recommendation must include the candidate's name, biographical data and qualifications and a written statement from the candidate of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director. The committee may ask candidates for additional information as part of the process of assessing a shareholder-recommended director candidate. The committee evaluates director candidates recommended by shareholders based on the same criteria used to evaluate candidates from other sources.

While the Board has not established a formal policy for considering diversity when evaluating director candidates, among the criteria the Board may consider are experience and diversity. As described in our corporate governance principles, with respect to diversity, the Nominating and Corporate Governance Committee may consider such factors as gender, race, ethnicity, differences of perspective, professional background, experience at policy-making levels in business, finance and technology and other areas, education, skill and other individual qualities and attributes that are relevant to the company's global activities and contribute to Board heterogeneity. The selection criteria for director candidates also include the following:

- Each director should be an individual of the highest personal and professional ethics, integrity and values.
- Each director should be committed to representing the long-term interests of the company's shareholders and demonstrate a commitment to long-term service on the Board.
- Each director should have an inquisitive and objective perspective, practical wisdom and mature judgment.

The Nominating and Corporate Governance Committee periodically evaluates the composition of the Board to assess the skills and experience that are currently represented on the Board, as well as the skills and experience that the Board will find valuable in the future. This evaluation of the Board's composition enables the Board to update the skills and experience it seeks in the Board as a whole, and in individual directors, as the company's needs evolve and change over time and to assess the effectiveness of efforts at pursuing diversity. See "Proposals to be Voted On – Election of Directors (Proposal 1)" for a summary of the qualifications, experience and other relevant attributes of the directors nominated for re-election at this year's annual meeting.

In recruiting the director who joined the Board in February 2016, the Nominating and Corporate Governance Committee retained The Lapham Group, Inc. to help identify director prospects, perform candidate outreach, assist in reference checks, and provide other related services. The recruiting process typically involves either the search firm or a member of the Nominating and Corporate Governance Committee contacting a prospect to gauge his or her interest and availability. A candidate will then meet with several members of the Board, including Mr. Merritt. At the same time, the Nominating and Corporate Governance Committee or other Board members, as appropriate, and the search firm will contact references for the prospect. A background check is completed before the Board approves any final recommendation from the committee to appoint a candidate to the Board.

Investment Committee

The primary role of the Investment Committee is to monitor, and provide guidance to the company's management team and recommend actions to the Board with respect to, certain investment and divestment activities of the company and funding for certain affiliated entities of the company. Among its specific duties and responsibilities, the committee:

- Approves minority investments in other companies by the company;
- Approves divestments of minority equity interests in other companies by the company; and

- Approves the establishment of non-core operating businesses as entities partially owned by the company, including approval of contributions to such entities and the ownership structure of such entities.

The committee may delegate authority to the committee chair or a sub-committee, as the committee may deem appropriate, subject to such ratification by the committee as the committee may direct.

Communications with the Board

How can shareholders communicate with the Board?

Shareholders and other parties interested in communicating directly with any individual director, including the Chairman, the Board as a whole or the non-employee directors as a group may do so by writing to Investor Relations, InterDigital, Inc., 9710 Scranton Road, Suite 250, San Diego, California 92121, or by sending an email to *Directors@InterDigital.com*. Our Investor Relations department reviews all such correspondence and, in consultation with appropriate directors and/or the company's Legal department as necessary, generally screens communications from shareholders to identify communications that (i) are solicitations for products and services, (ii) relate to matters of a personal nature not relevant for the company's shareholders to act on or for the Board to consider or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board or the company. The Investor Relations department regularly forwards to the Board or specified director(s) a summary of all such correspondence and copies of all correspondence that deals with the functions of the Board or its committees or that otherwise requires their attention. Directors may, at any time, review a log of all correspondence we receive that is addressed to members of the Board and request copies of any such correspondence.

Communications about Accounting Matters

How can individuals report concerns relating to accounting, internal control, auditing or federal securities law matters?

Concerns relating to accounting, internal control, auditing or federal securities law matters may be submitted by writing to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727. All correspondence will be brought to the attention of the chair of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to these matters.

DIRECTOR COMPENSATION

How are directors compensated?

For Board participation during 2015, our non-employee directors were compensated as follows:

Role	Annual Cash Retainer ($)
Board member	40,000
Chairman of the Board*	50,000
Chair of Audit Committee	30,000
Other Audit Committee members	12,000
Chair of Compensation Committee	15,000
Other Compensation Committee members	7,500
Chair of Nominating & Corporate Governance Committee	10,000
Other Nominating & Corporate Governance Committee members	5,000
Chair of Investment Committee	25,000
Other Investment Committee members	10,000

* The annual cash retainer paid to the Chairman of the Board is in addition to the annual cash retainer paid to all Board members.

All cash retainers are generally paid quarterly in arrears and based upon service for a full year, and prorated payments are made for service of less than a full year.

The compensation program is designed to compensate each non-employee director for participating in up to eight Board meetings per year and up to eight meetings per year for each committee on which the non-employee director serves. During 2015, additional compensation was paid to each non-employee director for participating in meetings during the Board term (which runs from annual meeting date to annual meeting date) in excess of these thresholds, as follows:

Board/Committee	Additional Fee per Meeting (after eight meetings) ($)
Board	4,000
Audit	1,200
Compensation	750
Nominating & Corporate Governance	500
Investment	1,000

In addition, non-employee directors are paid a per diem fee of $1,000 for attendance at or participation in events, conferences or meetings, in their capacity as a director, at the request of InterDigital, Inc. senior management, provided that such attendance or participation requires a significant time commitment and would be considered outside of the director's typical Board and/or committee duties. Any per diem fee payments are subject to the approval of the Compensation Committee.

For his or her service during the 2015-2016 Board term, each non-employee director received a restricted stock unit ("RSU") award in an amount equal in value to $150,000 (with the number of RSUs granted calculated using the 30-day historical average of the company's stock price) that vests in full one year from the grant date. Upon his or her initial appointment to the Board, new directors receive a pro-rated RSU award for his or her partial service during the then current Board term, as well as an initial appointment award of RSUs in an amount equal in value to $150,000 (with the number of RSUs granted calculated using the 30-day historical average of the company's stock price) that vests in full one year from the grant date. RSU awards may be deferred. Except in certain limited circumstances, an election to defer must be made in the calendar year preceding the year during which services are rendered and the compensation is earned. Unvested time-based RSUs and deferred RSUs

accrue dividend equivalents, which are paid in the form of additional shares of stock at the time, and only to the extent, that the awards vest or at the end of the deferral period, as applicable.

To align the interests of non-employee directors and executives with those of our shareholders, the company has adopted stock ownership guidelines. The stock ownership guidelines applicable to the non-employee directors are set at a target of the lesser of (a) company stock valued at an amount equal to five times their annual cash retainer of $40,000 or (b) 4,000 shares/units of the company's stock. Qualifying stock includes: shares of common stock, restricted stock and, on a pre-tax basis, unvested time-based RSUs. For purposes of calculating the value of company stock holdings, each share or other qualifying stock unit is priced at a price per share/unit equal to the average closing stock price of the company's common stock for the 200 trading days leading up to and including the calculation date. The 200-day average closing stock price is calculated annually on the date of the company's annual meeting of shareholders. Any director who has not reached or fails to maintain the target ownership level must retain at least 50% of any after-tax shares derived from vested RSUs or exercised options until the target ownership level is met. A director may not make any disposition of shares that results in his or her holdings falling below the target ownership level without the express approval of the Compensation Committee. As of March 31, 2016, all of the non-employee directors had reached their target ownership levels.

The company's directors are also eligible to participate in the company's nonqualified deferred compensation plan by deferring receipt of their annual Board fees. None of the directors elected to defer any of their 2015 Board fees. For more information about the deferred compensation plan, see "Executive Compensation – Nonqualified Deferred Compensation."

2015 Director Compensation Table

The following table sets forth the compensation paid to each person who served as a director of the company in 2015 for their service in 2015. Directors who also serve as employees of the company do not receive any additional compensation for their services as a director. For Mr. Merritt's 2015 compensation, see "Executive Compensation – Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Total ($)
Gilbert F. Amelio(1)	23,751	—	23,751
Jeffrey K. Belk	74,000	149,690	223,690
Steven T. Clontz(1)	42,500	—	42,500
S. Douglas Hutcheson	91,362	149,690	241,052
Edward B. Kamins(1)	22,778	—	22,778
John A. Kritzmacher	90,700	149,690	240,390
Kai O. Öistämö	62,000	149,690	211,690
Jean F. Rankin	72,700	149,690	222,390
Robert S. Roath	50,000	149,690	199,690

(1) This director retired at the end of his term in June 2015.

(2) Amounts reported represent the aggregate annual Board, Chairman of the Board, committee chair and committee membership retainers earned by each non-employee director in 2015, plus any fees earned for attendance at additional meetings during the 2014-2015 Board term, as described above.

(3) Amounts shown reflect the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 for RSU awards granted pursuant to our compensation program for non-management directors in 2015. The assumptions used in valuing these RSU awards are incorporated by reference to Notes 2 and 10 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

The following table sets forth the grant date fair value of each RSU award granted to our non-employee directors in 2015.

Name	Grant Date	Number of Restricted Stock Units (#)	Grant Date Fair Value of Stock Awards ($)
Jeffrey K. Belk	6/10/2015	2,628	149,690
S. Douglas Hutcheson	6/10/2015	2,628	149,690
John A. Kritzmacher	6/10/2015	2,628	149,690
Kai O. Öistämö	6/10/2015	2,628	149,690
Jean F. Rankin	6/10/2015	2,628	149,690
Robert S. Roath	6/10/2015	2,628	149,690

As of December 31, 2015, each person who served as a non-employee director of the company in 2015 had the following aggregate amounts of unvested RSU awards (including accrued dividend equivalents) outstanding. None of our directors had any options outstanding as of December 31, 2015. This table does not include RSUs that, as of December 31, 2015, had vested according to their vesting schedule, but had been deferred.

Name	Outstanding Restricted Stock Units (#)
Jeffrey K. Belk	2,647
S. Douglas Hutcheson	2,647
John A. Kritzmacher	2,647
Kai O. Öistämö	2,647
Jean F. Rankin	2,647
Robert S. Roath	2,647

PROPOSALS TO BE VOTED ON

Election of Directors
(Proposal 1)

Description

Which directors are nominated for election?

Messrs. Jeffrey K. Belk, S. Douglas Hutcheson, John A. Kritzmacher, William J. Merritt, Kai O. Öistämö, Robert S. Roath and Philip P. Trahanas and Ms. Jean F. Rankin are recommended by the Nominating and Corporate Governance Committee and nominated by the Board for election at the 2016 annual meeting, each to serve a one-year term until our annual meeting in 2017 and until his or her successor is elected and qualified. Mr. Trahanas is standing for election to the Board for the first time. He was identified as a director candidate by an executive search firm retained by the company in 2015 to identify potential director candidates.

Set forth below is biographical information about the eight nominees, each of whose current terms of office expire at the 2016 annual meeting, and other information about the skills and qualifications of our directors that contribute to the effectiveness of the Board.

What are their backgrounds?

Jeffrey K. Belk, 53, has been a director of the company since March 2010. Since 2008, he has served as Managing Director of ICT Capital, LLC, focused on developing and investing in select global growth opportunities in the information and communications technologies space. In 2014, he founded Velocity Growth, a social customer relationship management and services company where he serves as Executive Chairman. Formerly, Mr. Belk spent almost 14 years at Qualcomm Incorporated ("Qualcomm"), a developer and provider of digital wireless communications products and services, where, from 2006 until his departure in early 2008, he was Qualcomm's Senior Vice President of Strategy and Market Development, focused on examining changes in the wireless ecosystem and formulating approaches to help accelerate mobile broadband adoption and growth. From 2000 through 2006, Mr. Belk served as Qualcomm's Senior Vice President, Global Marketing, leading a team responsible for all facets of Qualcomm's corporate messaging, communications and marketing worldwide. He also served on the board of directors of Peregrine Semiconductor Corp. from 2008 until it was acquired by Murata Corporation in 2014. The Board has concluded that Mr. Belk should serve as a director of the company because his extensive industry-specific experience in strategy and marketing makes him a valuable resource and provides him with unique insights on the challenges and opportunities facing the company in the wireless markets.

S. Douglas Hutcheson, 60, has been a director of the company since July 2014. Mr. Hutcheson is CEO and a director of Laser, Inc., a corporation created in connection with the acquisition of Leap Wireless International, Inc. ("Leap Wireless"), a wireless communications carrier, by AT&T in March 2014. Since January 2015, Mr. Hutcheson has also served as a senior advisor of Technology, Media and Telecom (TMT) for Searchlight Capital, a global private investment firm. Prior to March 2014, Mr. Hutcheson served as CEO of Leap Wireless and its operating subsidiary, Cricket Communications, for nine years, where he was responsible for developing and implementing strategy, all operations, and the oversight of all relationships and partnerships. Before serving as CEO, Mr. Hutcheson held other executive positions at Leap Wireless, including President and Chief Financial Officer. Prior to joining Leap Wireless, he was Vice President of Marketing in the wireless infrastructure division at Qualcomm for three years, where he led multiple teams. Since 2012, Mr. Hutcheson has also served on the board of directors of Pitney Bowes Inc., and currently serves on the audit and finance committees of such board. He previously served on the board of directors of Leap Wireless from 2005 to 2014. The Board has concluded that Mr. Hutcheson should serve as a director of the company because, with his significant operational and financial expertise as an experienced former chief executive officer of a wireless communications company and his broad business background, which includes strategic planning and product and business development and marketing, he brings valuable insight that is needed to evolve and execute the company's strategy.

John A. Kritzmacher, 55, has been a director of the company since June 2009. Since 2013, Mr. Kritzmacher has served as Executive Vice President and Chief Financial Officer of John Wiley & Sons, Inc., a global provider of knowledge and knowledge-based services in the areas of research, professional development and education. From October 2012 through February 2013, Mr. Kritzmacher served as Senior Vice President Business Operations and Organizational Planning at WebMD Health Corp., a leading provider of health information services, where Mr. Kritzmacher was responsible for leading a major restructuring initiative. Previously, Mr. Kritzmacher served as Executive Vice President and Chief Financial Officer of Global Crossing Limited ("Global Crossing"), a global provider of IP-based telecommunications solutions, from October 2008 to October 2011, when Global Crossing was acquired by Level 3 Communications, Inc. Prior to that, Mr. Kritzmacher rose through a variety of positions with increasing responsibility, including Senior Vice President and Corporate Controller, during his 10 years at Lucent Technologies Inc. ("Lucent"), a provider of telecommunications systems and services, to become Chief Financial Officer in 2006. After playing a leading role in the planning and execution of Lucent's merger with Alcatel in 2006, Mr. Kritzmacher became Chief Operating Officer of the Services Business Group at Alcatel-Lucent until joining Global Crossing in 2008. Mr. Kritzmacher also served on the board of directors of Duff & Phelps Corporation from 2011 until it was acquired by a private equity consortium in 2013. The Board has concluded that Mr. Kritzmacher should serve as a director of the company because he is a veteran of the telecommunications and high technology industries with extensive operational and leadership experience and financial expertise. As such, Mr. Kritzmacher contributes valuable advice and guidance, especially with respect to complex financial and accounting issues, and qualifies as an audit committee financial expert.

William J. Merritt, 57, has been a director of the company since May 2005. He has also served as President and Chief Executive Officer of the company since May 2005, and prior to that served as the company's General Patent Counsel for four years. Since 2014, Mr. Merritt has been a member of the board of directors of privately owned Shared Spectrum Company, a leading innovator of dynamic spectrum access and wireless spectrum intelligence technology. The Board has concluded that Mr. Merritt should serve as a director of the company because, in his current and former roles, Mr. Merritt has played a vital role in managing the company's intellectual property assets and overseeing the growth of its patent licensing business. He also possesses tremendous knowledge about the company from short- and long-term strategic perspectives and from a day-to-day operational perspective and serves as a conduit between the Board and management while overseeing management's efforts to realize the Board's strategic goals.

Kai O. Öistämö, 51, has been a director of the company since November 2014. Since October 2015, Mr. Öistämö has served as an advisor to Siris Capital, a private equity firm. Mr. Öistämö led corporate strategy and business development at Nokia Corporation ("Nokia"), a leader in the fields of network infrastructure, location-based technologies and advanced technologies and a former wireless handset manufacturer, as Executive Vice President, Chief Development Officer from 2010 until his departure in 2014, with responsibility for strategic partnerships and alliances. Previous roles during his 23-year tenure at Nokia included the position of Executive Vice President, Devices, from 2008 to 2010. Mr. Öistämö was also a member of the Nokia leadership team from 2005 to 2014. Mr. Öistämö serves on the board of directors of two Finnish public companies: Sanoma Corporation since 2011 and Digia Plc since March 2015. The Board has concluded that Mr. Öistämö should serve as a director of the company because his extensive global experience in the wireless communications industry and executive leadership and corporate strategy background serve as a great asset to the company and the Board and enable him to contribute guidance and advice relating to the development and execution of the company's strategy and the assessment of the challenges and opportunities facing the company.

Jean F. Rankin, 57, has been a director of the company since June 2010. Ms. Rankin served as Executive Vice President, General Counsel and Secretary at LSI Corporation ("LSI"), a leading provider of innovative silicon, systems and software technologies for the global storage and networking markets, from 2007 to May 2014, when LSI was acquired by Avago Technologies Limited ("Avago"). In this role, she served LSI and its board of directors as Corporate Secretary, in addition to managing the company's legal, intellectual property licensing and stock administration organizations. Ms. Rankin joined LSI in 2007 as part of the merger with Agere

Systems Inc. (“Agere”), where she served as Executive Vice President, General Counsel and Secretary from 2000 to 2007. Prior to joining Agere in 2000, Ms. Rankin was responsible for corporate governance and corporate center legal support at Lucent, including mergers and acquisitions, securities laws, labor and employment, public relations, ERISA, investor relations and treasury. She also supervised legal support for Lucent’s microelectronics business. The Board has concluded that Ms. Rankin should serve as a director of the company because she has extensive experience and expertise in matters involving intellectual property licensing, the company’s core business, and her current and former roles as chief legal officer and corporate secretary at other publicly traded companies enable her to contribute legal expertise and advice as to best practices in corporate governance.

Robert S. Roath, 73, has been a director of the company since May 1997. He served as Chief Financial Officer of RJR Nabisco, Inc., before his retirement in 1997. Mr. Roath is a long-time senior strategic and financial executive with diversified corporate and operating experience with various global companies, including Colgate-Palmolive Company, General Foods Corporation, GAF Corporation and Price Waterhouse. He has been a director of SP Plus Corporation (formerly Standard Parking Corporation) since its initial public offering in May 2004 and currently serves as chairman of SP Plus’ compensation and audit committees and as a member of its nominating and corporate governance committee. The Board has concluded that Mr. Roath should serve as a director of the company because his achievements as an executive in operations, finance, strategy formulation, business development and mergers and acquisitions allow him to provide valuable guidance, especially with respect to the major financial policies and decisions of the company and the analysis of the business challenges and opportunities facing the company.

Philip P. Trahanas, 45, has been a director of the company since February 2016. Until the end of 2014, Mr. Trahanas was a Managing Director at General Atlantic LLC, a leading global private equity firm with significant focus in technology and related industry investments. At General Atlantic, he served as a senior investment leader, and sat on the boards of directors of a range of public and private portfolio companies. Prior to joining General Atlantic in 2000, Mr. Trahanas worked in the mergers and acquisitions team at Morgan Stanley for four years. He began his career as an electrical engineer with General Electric, where he specialized in communications equipment and semiconductor design. Mr. Trahanas has been a member of the board of directors of QTS Realty Trust, Inc. since 2009, and currently serves as its lead director. The Board has concluded that Mr. Trahanas should serve as a director of the company because his extensive operating, investment banking and private equity experience allow him to contribute guidance and advice relating to the development and execution of the company’s strategy and analysis of potential business opportunities. He also qualifies as an audit committee financial expert.

Summary of Director Qualifications, Experience and Other Relevant Attributes

The table below summarizes key qualifications, skills, and attributes most relevant to the decision to nominate the above-listed candidates to serve on the Board. A mark indicates a specific area of focus or expertise on which the Board relies most. The lack of a mark does not mean the director does not possess that qualification or skill. Each director biography above describes each director's qualifications and relevant experience in more detail.

Experience, expertise or attribute	Belk	Hutcheson	Kritzmacher	Merritt	Öistämö	Rankin	Roath	Trahanas
High tech roadmap	•	•	•	•	•	•		•
IPR/IP licensing /patent acquisitions				•	•	•		
Wireless equipment	•	•	•	•	•	•		•
Wireless services and OTT		•			•			
CEO (current/former)		•		•				
Finance / audit		•	•				•	•
Corporate strategy	•	•		•	•		•	•
High tech investment	•	•			•			•
Marketing	•	•						
Operations		•	•	•	•		•	•
Public company board service and governance	•	•	•	•	•	•	•	•
Ethnic, gender, national or other diversity					•	•		

Vote Required and Board Recommendation

Director nominees receiving the affirmative vote of the majority of votes cast for him or her will be elected to serve as directors for the next year and until his or her successor is elected and qualified. A majority of the votes cast means that the number of votes cast "for" a director nominee must exceed the number of votes cast "against" that nominee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* EACH OF THE NOMINEES.

Advisory Resolution to Approve Executive Compensation (Proposal 2)

Description

We are asking shareholders to vote on an advisory resolution to approve the company's executive compensation as reported in this proxy statement. As described below in the "Compensation Discussion and Analysis" section of this proxy statement, the Compensation Committee has structured our executive compensation program to align management's interests with those of its shareholders and to attract, retain and motivate talented individuals who will drive the successful execution of the company's strategic plan. We motivate our executives primarily by "paying for performance," or rewarding the accomplishment of individual performance and corporate goals through the use of performance-based compensation. As discussed in "Compensation Discussion and Analysis," the achievement of financial and strategic corporate goals, as well as departmental and individual performance, determine the short-term and long-term incentive compensation paid to our executives. Our executive compensation programs have a number of features designed to promote these objectives.

We urge shareholders to read the "Compensation Discussion and Analysis" below, which describes how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative below, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving our goals and that the compensation of our named executive officers reported in this proxy statement reflects and supports these compensation policies and procedures.

The Board has adopted a policy providing for an annual advisory resolution to approve executive compensation. In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as a matter of good corporate governance, we are asking shareholders to approve the following advisory resolution at the 2016 annual meeting of shareholders:

> **RESOLVED**, that the shareholders of InterDigital, Inc. (the "company") approve, on an advisory basis, the compensation of the company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the proxy statement for the company's 2016 annual meeting of shareholders.

This advisory resolution, commonly referred to as a "say on pay" resolution, is non-binding on the Board. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program. Unless the Board modifies its policy on the frequency of future "say on pay" votes, the next "say on pay" vote will be held at the 2017 annual meeting of shareholders.

Vote Required and Board Recommendation

The affirmative vote of the majority of votes cast is required to approve this advisory resolution.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE ADVISORY RESOLUTION TO APPROVE EXECUTIVE COMPENSATION.

Ratification of Appointment of
Independent Registered Public Accounting Firm
(Proposal 3)

Description

The Audit Committee has appointed PricewaterhouseCoopers LLP (“PwC”) as the company’s independent registered public accounting firm for the year ending December 31, 2016. PwC has served as the independent registered public accounting firm of the company since 2002.

Although ratification of the appointment of PwC is not legally required, the Board is asking the shareholders to ratify the appointment as a matter of good corporate governance. If the shareholders do not ratify the appointment, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm in future years. Even if the shareholders ratify the appointment, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the company and its shareholders.

Representatives from PwC are expected to be present at the annual meeting, will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Fees of Independent Registered Public Accounting Firm

Aggregate fees for professional services delivered by PwC, the company’s independent registered public accounting firm, for the fiscal years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Type of Fees		
Audit Fees(1)	$ 896,000	$ 850,000
Audit-Related Fees(2)	$ 287,200	$ 381,425
Tax Fees(3)	$ 219,646	$ 85,940
All Other Fees(4)	$ 1,800	$ 1,800
Total	$1,404,646	$1,319,165

(1) Audit Fees consist of the aggregate fees billed by PwC for the above fiscal years for professional services rendered by PwC for the integrated audit of the company’s consolidated financial statements and the company’s internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, for review of the company’s interim consolidated quarterly financial statements included in the company’s quarterly reports on Form 10-Q and for services that are normally provided by PwC in connection with regulatory filings or engagements for the above fiscal years. Such fees also include fees billed by PwC in connection with its audit of the financial statements of Convida Wireless, LLC (“Convida Wireless”), the company’s joint venture with Sony Corporation of America (“Sony”).

(2) *Audit-Related Fees* consist of the aggregate fees billed by PwC for the above fiscal years for assurance and related services by PwC that were reasonably related to the performance of the audit or review of the company’s financial statements and are not reported above under the caption “Audit Fees.” Such fees relate to consultation concerning financial accounting and reporting standards and field verification of royalties from certain licensees and other contract compliance reviews and also include fees billed by PwC in connection with its audit of the financial statements of the Signal Trust for Wireless Innovation, a Delaware statutory trust formed in 2013. In addition, for 2015, such fees include fees billed by PwC for the comfort letter and other procedures related to the company’s offering of senior convertible notes in first quarter 2015.

(3) *Tax Fees* consist of the aggregate fees billed by PwC for the above fiscal years related to a foreign tax study and other technical advice related to foreign tax matters.

(4) *All Other Fees* consist of the aggregate fees billed by PwC for the above fiscal years for certain accounting research software licensed by the company from PwC.

Audit Committee Pre-Approval Policy for Audit and Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee has adopted a policy that requires the committee to pre-approve all audit and non-audit services to be performed by the company's independent registered public accounting firm. Unless a service falls within a category of services that the Audit Committee already has pre-approved, an engagement to provide the service requires specific pre-approval by the Audit Committee. Also, proposed services exceeding pre-approved cost levels require specific pre-approval.

Consistent with the rules established by the SEC, proposed services to be provided by the company's independent registered public accounting firm are evaluated by grouping the services and associated fees under one of the following four categories: *Audit Services, Audit-Related Services*, *Tax Services* and *All Other Services*. All proposed services for the following year are discussed and pre-approved by the Audit Committee, generally at a meeting or meetings that take place during the October through December time period. In order to render approval, the Audit Committee has available a schedule of services and fees approved by category for the current year for reference, and specific details are provided.

The Audit Committee has delegated pre-approval authority to its chair for cases where services must be expedited. In cases where the Audit Committee chair pre-approves a service provided by the independent registered public accounting firm, the chair is required to report the pre-approval decisions to the Audit Committee at its next scheduled meeting. The company's management periodically provides the Audit Committee with reports of all pre-approved services and related fees by category incurred during the current fiscal year, with forecasts of any additional services anticipated during the year.

All of the services performed by PwC related to fees disclosed above were pre-approved by the Audit Committee.

Vote Required and Board Recommendation

The affirmative vote of the majority of votes cast at the annual meeting is required to ratify the appointment of PwC as the company's independent registered public accounting firm for the year ending December 31, 2016.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2016.

REPORT OF THE AUDIT COMMITTEE

As more fully described in its charter, the Audit Committee oversees the company's financial reporting processes on behalf of the Board. In fulfilling our oversight responsibilities, the Audit Committee reviewed and discussed with management the company's audited consolidated financial statements for the year ended December 31, 2015, including a discussion of the acceptability and appropriateness of significant accounting principles and management's assessment of the effectiveness of the company's internal control over financial reporting. Management represented to us that the company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and considered appropriate in the circumstances to present fairly the company's financial position, results of operations and cash flows. The Audit Committee also reviewed and discussed with PwC, the company's independent registered public accounting firm, the matters required to be discussed with the independent registered public accounting firm under applicable Public Company Accounting Oversight Board ("PCAOB") standards.

The Audit Committee also received and reviewed the written disclosures and the letter from PwC required by applicable requirements of the PCAOB regarding PwC's communications with the Audit Committee concerning independence and discussed with PwC their independence.

Based on the reviews and discussions with management and the independent registered public accounting firm referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the company's annual report on Form 10-K for the year ended December 31, 2015 for filing with the SEC, and the Audit Committee retained PwC as the company's independent registered public accounting firm for the year ending December 31, 2016.

AUDIT COMMITTEE:

John A. Kritzmacher, Chair
Kai O. Öistämö
Jean F. Rankin (member through March 2016)

The foregoing Audit Committee report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act and shall not otherwise be deemed filed under these acts, except to the extent specifically incorporated by reference.

EXECUTIVE OFFICERS

Set forth below is certain information concerning our executive officers as of March 31, 2016:

Name	Age	Position
William J. Merritt	57	President and Chief Executive Officer
Richard J. Brezski	43	Chief Financial Officer and Treasurer
Jannie K. Lau	40	Executive Vice President, General Counsel and Secretary
Scott A. McQuilkin	61	Senior Executive Vice President, Innovation
James J. Nolan	55	Executive Vice President, IoT Solutions
Lawrence F. Shay	57	Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel

There are no family relationships among the individuals serving as our directors or executive officers. Set forth below are the name, office and position held with our company and principal occupations and employment of each of our executive officers. Biographical information on Mr. Merritt is discussed under the caption "Election of Directors" above.

Richard J. Brezski is InterDigital's Chief Financial Officer, responsible for overseeing the company's finance, accounting, audit, tax, treasury, IT and facilities functions, including the company's internal and external financial reporting and analysis. Mr. Brezski joined the company as Director and Controller in May 2003. Mr. Brezski was promoted to Senior Director in July 2006 and in January 2007 was appointed Chief Accounting Officer. In January 2009, Mr. Brezski was promoted to Vice President, Controller and Chief Accounting Officer, and in March 2011 he was appointed to the additional post of Treasurer. In May 2012, he was appointed Chief Financial Officer. Prior to joining InterDigital, Mr. Brezski served as an audit manager for PwC in its technology, information, communications and entertainment practice, where he provided business advisory and auditing services to product and service companies in the electronics, software and technology industries. Mr. Brezski earned a Bachelor of Science in Accountancy from Villanova University and an Executive Master of Business Administration from Hofstra University.

Jannie K. Lau is InterDigital's Executive Vice President, General Counsel and Secretary, responsible for managing the company's legal and government affairs functions. Ms. Lau joined InterDigital in 2008 as Associate General Counsel and was promoted to Deputy General Counsel in 2010. She was appointed to her current position in October 2012 and assumed responsibility for oversight of the company's intellectual property litigation and management of its intellectual property assets at the end of 2015. Prior to joining InterDigital, Ms. Lau served as securities and transactional counsel at IKON Office Solutions, Inc., then a Fortune® 500 document management solutions company. Before beginning her in-house career, she was an associate at leading global law firms in New York and Boston, where she represented public and pre-IPO companies as well as private equity and venture capital funds. Ms. Lau serves on the boards of directors of the Delaware Children's Museum and Jobs for Delaware Graduates and on the development committee of the Pennsylvania Academy of the Fine Arts. Ms. Lau earned a Juris Doctor, with honors, from the University of Pennsylvania Law School and holds a Bachelor of Arts in English and Comparative Literature from Columbia University.

Scott A. McQuilkin is InterDigital's Senior Executive Vice President, Innovation. Since 2014, Mr. McQuilkin has been responsible for leading the organization's non-patent commercial business initiatives and overseeing strategic business investments. Mr. McQuilkin joined the company as Chief Financial Officer in July 2007, and was appointed Senior Executive Vice President, Strategy and Finance, in May 2012, in which role he was responsible for overseeing the organization's strategy, corporate development and finance functions. In October 2012, Mr. McQuilkin assumed the title of Senior Executive Vice President, Innovation, and was responsible for leading the company's internal and external technology sourcing efforts, through oversight of InterDigital Labs until 2014 and of Innovation Partners through the end of 2015. Until joining InterDigital in 2007, Mr. McQuilkin served as Chief Financial Officer of Metavante Lending Solutions, a provider of banking

and payment technology solutions, where he was responsible for all financial activities, including accounting, budgeting/forecasting, capital planning, cash management, strategic planning, mergers and acquisitions, tax, purchasing and payables. Mr. McQuilkin served as Chief Financial Officer for GHR Systems, Inc. ("GHS Systems"), a provider of lending technologies and related support services, from February 2000 to August 2006, when GHR Systems was acquired by Metavante Corporation. Mr. McQuilkin earned a Master of Business Administration from The Wharton School and a Bachelor of Science from Pennsylvania State University.

James J. Nolan is InterDigital's Executive Vice President, IoT Solutions. As head of IoT Solutions, Mr. Nolan oversees the development of IoT technology and solutions under InterDigital Labs and the advancement of market-ready IoT technologies toward commercialization. Since joining the company in 1996, Mr. Nolan has held a variety of engineering and management positions, including serving as the company's senior engineering officer from 2006 to 2014. Before assuming his current role at the end of 2015, Mr. Nolan served as head of InterDigital Solutions and was responsible for advancing the company's market-ready technologies toward commercialization as well as establishing and developing strategic business relationships and identifying potential new business opportunities. Prior to that, he was InterDigital's Executive Vice President, Research and Development, from 2009 to 2014. In those roles, Mr. Nolan led InterDigital's research and development teams, overseeing the development of standards-based technology as well as next generation technology initiatives. Prior to leading the company's engineering and R&D organizations, he led technology and product development of modems, protocol software and radio designs for multiple wireless standards. Mr. Nolan serves on the board of directors of Convida Wireless, the company's joint venture with Sony. He is also a board member of EvoNexus, a San Diego-based, member-supported, non-profit technology incubator, and serves on the Dean's advisory board for Hofstra University's School of Engineering and Applied Science. Mr. Nolan earned a Bachelor of Science in Electrical Engineering from the State University of New York at Buffalo, a Master of Science in Electrical Engineering from Polytechnic University and an Executive Master of Business Administration from Hofstra University.

Lawrence F. Shay is InterDigital's Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel. Mr. Shay is responsible for overseeing all of the company's activities pertaining to cellular wireless technology, including long-term research and development under InterDigital Labs, participation in wireless standards bodies, the negotiation and administration of license agreements, the advancement of market-ready technologies toward commercialization and strategic patent sales and joint ventures. Mr. Shay was appointed to his current position at the end of 2015. Prior to that, Mr. Shay had served since 2008 as Executive Vice President, Intellectual Property, and Chief Intellectual Property Counsel, overseeing the management of the company's intellectual property assets and litigation related to intellectual property rights in addition to managing the company's patent business and licensing program and, from 2014 to the end of 2015, overseeing the InterDigital Labs function. He joined InterDigital in November 2001 as Chief Legal Officer and served as Corporate Secretary from November 2001 to September 2004. He previously served as General Counsel of U.S. Interactive, Inc., a multinational, publicly held Internet professional services corporation. From 1985 until 1999, Mr. Shay practiced corporate law with Dilworth Paxson LLP, a major Philadelphia law firm. Mr. Shay earned his Juris Doctor, with honors, from the Temple University School of Law and is a magna cum laude graduate of Saint Joseph's University, where he earned a Bachelor of Arts in Economics.

The company's executive officers are appointed to the offices set forth above to hold office until their successors are duly appointed.

EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on its review and discussions, has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and the company's Annual Report on Form 10-K.

COMPENSATION COMMITTEE:

Jean F. Rankin, Chair
Jeffrey K. Belk
S. Douglas Hutcheson

The foregoing Compensation Committee report shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act and shall not otherwise be deemed filed under these acts, except to the extent specifically incorporated by reference.

Compensation Discussion and Analysis

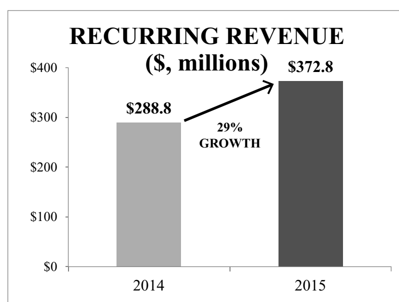
This Compensation Discussion and Analysis covers all material elements of compensation awarded to, earned by or paid to the company's Named Executive Officers ("NEOs") and focuses on the principles underlying the company's executive compensation policies and decisions. The following individuals are our NEOs for 2015:

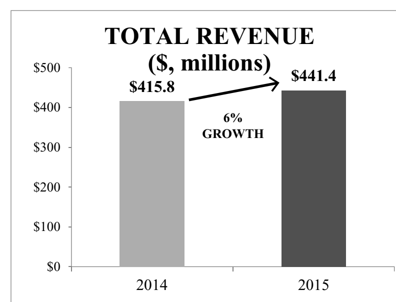
- William J. Merritt – President and Chief Executive Officer;
- Richard J. Brezski – Chief Financial Officer and Treasurer;
- Scott A. McQuilkin – Senior Executive Vice President, Innovation;
- James J. Nolan – Executive Vice President, IoT Solutions;
- Lawrence F. Shay – Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel; and
- Byung K. Yi – Executive Vice President and Chief Technology Officer. See "Summary Compensation Table" for additional information regarding our NEOs for 2015.

Executive Summary

2015 Company Performance

InterDigital delivered a very strong year, continuing to drive recurring revenue growth while managing its operating expenses. We reported total revenue in 2015 of $441.4 million, compared to $415.8 million in 2014. Recurring revenue (comprised of current patent royalties and current technology solutions revenue) for 2015 was $372.8 million, an increase of 29% compared to 2014. These revenue numbers were achieved while maintaining relatively flat operating expenses for the year. We also maintained our prolific pace of innovation, with approximately 210 U.S. patents and approximately 1,300 non-U.S. patents issued in 2015. Finally, the company returned a cumulative total of $125.3 million to shareholders in 2015 in the form of cash dividends and share repurchases.





Good Governance Practices and Policies:

The company strives to maintain good governance practices and regularly reviews and updates such practices related to the compensation of our executive officers, including our NEOs. The following summarizes what we do and what we do not do in our executive compensation practices to highlight both the responsible practices we have implemented and the practices we have avoided to best serve our shareholders' long-term interests:

WHAT WE DO:

- ✓ We create a ***balanced compensation program*** through a mix of fixed and variable short- and long-term incentives.
- ✓ We ***cap*** both our annual short-term incentive plan ("STIP") pool and individual employee STIP payouts, including those of our NEOs, at two times target, even if company or individual performance would result in payouts in excess of two times target.
- ✓ We have ***double-trigger*** severance payout provisions (i.e., an executive must be terminated in connection with a change in control in order to receive any severance) in all executive employment contracts.
- ✓ We have a ***clawback policy*** under which the company may recover excess compensation paid to our executive officers if intentional misconduct or gross negligence by one or more of our executives results in a material restatement of our financial statements.
- ✓ We have target ***stock ownership*** levels for our executive officers and directors. Each NEO has met the applicable stock ownership requirements as described below under "Stock Ownership Guidelines."
- ✓ We ***review compensation related risk*** with an outside independent compensation consultant on an annual basis to ensure our plans do not create incentives that would put the company at risk of a material adverse effect.

WHAT WE DO NOT DO:

☒ We do not provide excise tax gross-ups.

☒ We do not guarantee minimum STIP payouts.

☒ We do not use discretionary equity awards as a regular part of our executive compensation program. We may issue such awards from time to time when necessary to align with our compensation peer group or to reward performance. We did not grant any discretionary equity awards in 2015.

☒ We do not provide any perquisites to executive officers that other employees at or above the senior director level do not receive.

☒ We do not permit the hedging of InterDigital stock by any employee, including executive officers.

☒ We do not pay out dividend equivalents on unearned RSUs; accrued dividend equivalents are paid out only if and to the extent that the underlying RSU award vests.

2015 Compensation Decisions and Actions

Following are highlights of the key compensation decisions made by the Compensation Committee for 2015:

- *Base salaries* for our NEOs were increased slightly, in line with the company-wide budgeted salary increase of 3%, except for Mr. Brezski and Dr. Yi, who received increases of 7% and 20%, respectively. Please see “2015 Executive Compensation in Detail – Base Salary” below for details.
- The *STIP executive incentive pool* was funded at 163% of target, as a result of superior achievement of the related corporate financial goal. The NEOs’ *target STIP levels* for 2015 remained at the same levels, stated as a percentage of base salary, as in 2014, except for Dr. Yi’s target STIP level, which was increased. The NEOs received *STIP payouts* ranging from 157% to 182% of target as a result of individual, departmental and corporate performance. Please see “2015 Executive Compensation in Detail – Short-Term Incentive Plan” below for details.
- NEOs received *Long-Term Compensation Program* (“LTCP”) *equity awards* for the 2015-2017 performance cycle (with an emphasis on performance-based equity) as follows: 50% of the total value in the form of performance-based RSUs, 25% of the total value in the form of stock options, and 25% in the form of time-based RSUs. In addition, the Compensation Committee determined the total goal achievement with respect to the goals associated with the performance-based RSUs for the 2013-2015 performance cycle to be below the minimum 80% achievement level required for vesting of any performance-based RSUs; therefore, no vesting occurred and all performance-based RSUs for the 2013-2015 performance cycle were forfeited. Please see “2015 Executive Compensation in Detail – Long-Term Compensation Program” below for details.

Results from 2015 Shareholder Advisory Vote on Executive Compensation

At the 2015 annual meeting of shareholders, we held an advisory vote on executive compensation. Approximately 91% of the votes cast supported the compensation of the company’s named executive officers as disclosed in our 2015 proxy statement. Although the support for our compensation program was very favorable in 2015, we continued our shareholder outreach efforts in the second half of 2015 to discuss and obtain feedback on our executive compensation programs. The Chairman of the Board of Directors led the 2015 shareholder outreach to some of our largest institutional investors, which included discussions about executive pay and governance issues of interest.

What Guides Our Program

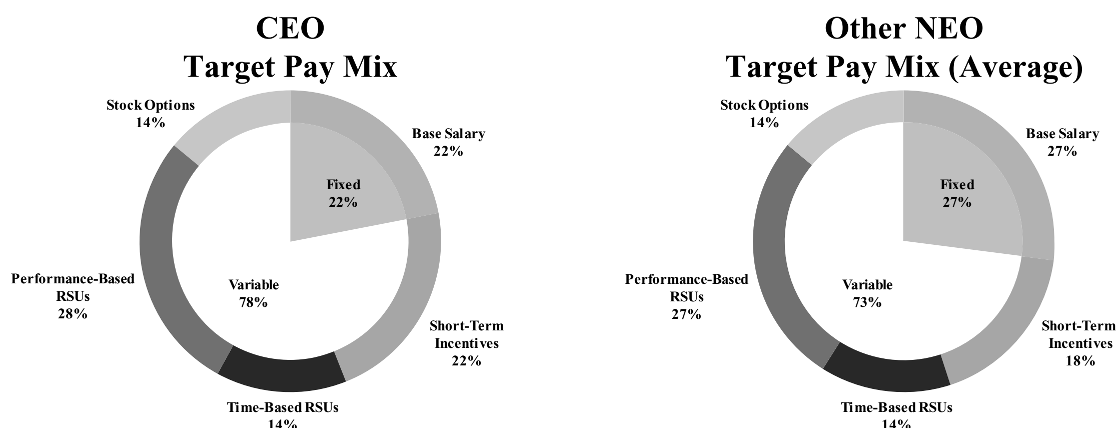
Compensation Objectives and Philosophy

The primary purpose of our executive compensation program is to attract, retain and motivate talented individuals who will drive the successful execution of the company's strategic plan. Specifically, we:

- Attract talented leaders to serve as executive officers of the company by setting total compensation levels and program targets at competitive levels for comparable roles in the marketplace;
- Retain our executives by providing a balanced mix of current and long-term compensation;
- Motivate our executives by "paying for performance," or rewarding individual performance and the accomplishment of corporate and departmental goals, as determined by the Compensation Committee, through the use of performance-based compensation; and
- Align with shareholders' interests; our compensation program seeks to reward our NEOs for increasing our stock price over the long term and maximizing shareholder value by providing a portion of total compensation in the form of direct ownership in our company through long-term equity awards.

Pay for Performance (Principal Elements of Pay)

Our executive compensation program is intended to hold our executive officers accountable for business results and reward them for strong corporate performance and value creation for our shareholders by rewarding performance that meets or exceeds the goals established by the Compensation Committee. Our NEOs' total compensation is comprised of a mix of base salary, STIP and LTCP and, from time to time, other equity awards. Consistent with our compensation philosophy, the actual compensation received by our NEOs will vary based on individual, departmental and corporate performance measured against annual and long-term performance goals. Additionally, because a significant percentage of our NEOs' pay is comprised of equity awards, the value of their pay increases and decreases with changes in our stock price. For 2015, approximately 78% of our CEO's target compensation and close to 74%, on average, of the target compensation of our other NEOs was comprised of STIP and LTCP awards and thus dependent upon the company's performance.



Role of the Compensation Committee

The Compensation Committee oversees the executive compensation program and has final approval with respect to the composition, structure and amount of all executive officer compensation, subject to Board review. The Compensation Committee is comprised of no less than three independent, non-employee members of Board. Guided in the execution of its primary functions by the Board's philosophy that the interests of key leadership should be aligned with the long-term interests of the company and its shareholders, the Compensation Committee annually reviews and approves goals relevant to the performance-based incentive compensation of the Chief

Executive Officer and other executive officers. The Compensation Committee works very closely with management and its independent consultant, Pearl Meyer & Partners ("Pearl Meyer"), to examine the effectiveness of the company's executive compensation program throughout the year. Details of the Compensation Committee's authority and responsibilities are specified in the Compensation Committee's charter, which is available on our website at http://ir.interdigital.com/committees.cfm.

Role of Executive Officers

As part of the annual performance and compensation review for executive officers other than the Chief Executive Officer, the Compensation Committee considers the Chief Executive Officer's assessment of the other executive officers' departmental and individual performances, including the identification of major individual accomplishments and any other recommendations of the Chief Executive Officer with respect to their compensation. The Chief Executive Officer also reports to the Compensation Committee on the company's achievement of objectively measurable goals established under performance-based programs, based upon data related to achievement provided by the Chief Financial Officer and verified by the company's internal auditors.

Role and Independence of Advisors

As referenced above, the Compensation Committee has engaged Pearl Meyer, an independent compensation consultant, to assist in carrying out its responsibilities. The Compensation Committee is responsible for selecting the consultant, negotiating the fees that are paid and determining the scope of the engagement. The Compensation Committee retained the compensation consultant to advise it and the rest of the Board, as applicable, on matters including, but not limited to, trends in executive compensation, compensation peer group composition, assessing total direct compensation of the executives as compared to the compensation peer group, short and long-term incentive plan design and compensation of the company's executive officers. Based on consideration of the various factors as set forth in the SEC rules and the listing standards of NASDAQ, the Compensation Committee has determined that Pearl Meyer does not have any conflicts of interest.

Factors Considered in Setting Compensation Amounts and Targets

In establishing compensation amounts and program targets for executives, the Compensation Committee seeks to provide compensation that is competitive in light of current market conditions and industry practices. Accordingly, the Compensation Committee annually reviews market data that is comprised of proxy-disclosed data from peer companies and information from nationally recognized published surveys for the general and high-technology industries, adjusted for size.

In December 2014, Pearl Meyer assisted the Compensation Committee with its process of identifying peer group companies for compensation purposes. When choosing compensation peers, we not only look for companies with similar revenue in the communications equipment industry, but also companies for which licensing revenue is a significant component of their total revenue stream (approximately 20% to 100% of total revenue). The compensation peer group for 2015 contained the same companies as 2014, with the exception of Silicon Image, Inc., which was acquired in January 2015, and Nuance Communications, Inc. ("Nuance"). The Compensation Committee removed Nuance because the total compensation for Nuance's chief executive officer was much higher, and therefore an outlier, compared to the total compensation of the chief executive officers of the other companies comprising the peer group. The companies comprising the 2015 peer group were as follows:

Acacia Research Corporation
ADTRAN Inc.
Alkermes plc
ARM Holdings plc
Comtech Telecommunications Corp.
Dolby Laboratories, Inc.
DTS Inc.
Harmonic Inc.
Immersion Corporation
Rambus Inc.
Rovi Corporation
Synaptics Inc.
Tessera Technologies Inc.
Universal Display Corp.

Pearl Meyer conducted a peer group review and reviewed market data from nationally recognized published surveys. Pearl Meyer then presented a report to the Compensation Committee that included such publicly available information about the levels and targets for base salary, short-term incentive compensation, long-term incentive compensation and total compensation for comparable executive-level positions at such peer group companies. The market data helps the Compensation Committee gain perspective on the compensation levels and practices at the peer companies and to assess the relative competitiveness of the total compensation paid to the company's executives. The data thus guides the Compensation Committee in its efforts to set executive compensation levels and program targets at competitive levels for comparable roles in the marketplace. The Compensation Committee uses the data to look for outliers or, in other words, those executives whose total compensation is substantially below the 50th percentile and those executives whose total compensation is above the 75th percentile of peer companies. In addition, the Compensation Committee takes into account other factors, such as the importance of each executive officer's role to the company, individual expertise, experience and performance, retention concerns and relevant compensation trends in the marketplace, in making its final compensation determinations.

2015 Executive Compensation in Detail

Base Salary

Base salary is the fixed element of an executive's current cash compensation, which the company pays to afford each executive the baseline financial security necessary to focus on his or her day-to-day responsibilities. Base salaries for the executives are set at competitive levels to attract and retain highly qualified and talented leaders. The Compensation Committee reviews and approves base salaries for the executives annually. Salary adjustments for our NEOs in 2015 were based on consideration of each NEO's position, scope of responsibility and importance to the company and his performance during 2014, as well as a review of the market data and a comparison of each NEO's total compensation against that of the other executive officers in the company's compensation peer group. Salary increases for NEOs other than Mr. Brezski and Dr. Yi averaged 3%, in line with the salary increases of the rest of the company. Mr. Brezski, our Chief Financial Officer, received a salary increase of 7% to recognize his exceptional performance in 2014 and because his base salary was substantially below the 50th percentile. Dr. Yi received a 20% increase to bring his total compensation in line with his expanded role as Chief Technology Officer, which role he assumed during 2014.

Set forth below are the 2014 and 2015 base salaries for our NEOs:

NEO	2014	2015
William J. Merritt	$600,000	$620,000
Richard J. Brezski	325,000	350,000
Scott A. McQuilkin	400,000	415,000
James J. Nolan	350,000	360,500
Lawrence F. Shay	425,000	437,750
Byung K. Yi	290,000	350,000

Short-Term Incentive Plan

The STIP annual incentive award is designed to reward the achievement of corporate goals and individual accomplishments during each fiscal year. Individual STIP payouts are determined based on performance against pre-determined strategic corporate goals, departmental performance and individual performance. The company's STIP provides for two "incentive pools," an executive incentive pool from which all executive STIP payments are made and an incentive pool for the rest of the company's employees. The amount of money available for payouts under both pools is based on the company's performance against pre-determined financial goals. The aggregate value of the STIP awards paid to the company's executives, including the NEOs, combined with the aggregate value of the STIP awards paid to the company's other employees cannot be greater than the total funded incentive pools.

The target executive incentive pool is an amount equal to the sum of the individual STIP targets of all eligible executives, plus an additional 25% of such sum that is reserved for discretionary awards for strategic leadership. The executive incentive pool is funded based on performance against a financial goal or goals pre-established by the Compensation Committee. Actual funding of the executive incentive pool may range from a minimum of 25% to a maximum of 200% of the target pool based on the achievement level(s) attained with respect to the financial goal or goals. A floor of 25% of the target pool is set because the funding "floor" provides a mechanism for the company to reward extraordinary individual results of select employees relative to objectives other than the financial goal or goals. While there is a minimum "floor" for STIP incentive pool funding, there is no minimum guaranteed individual STIP payout for any participant, and, as a result, NEOs are not guaranteed an STIP payout.

For 2015, the STIP executive incentive pool was funded based on one normalized cash flow goal pre-established by the Compensation Committee, as follows:

Threshold	Target	Superior
$145 million of normalized cash flow	$235 - $260 million of normalized cash flow	$350 million of normalized cash flow

Performance at or above the superior achievement level would result in funding of the executive incentive pool at the 200% maximum. Performance levels that fall between the amounts established for threshold, target and superior achievement are calculated using straight-line interpolation between the achievement level amounts. For additional information on the company's use of normalized cash flow as a performance measure, see "Long-Term Compensation Program – Normalized Cash Flow" below.

In January 2016, the Chief Executive Officer reported to the Compensation Committee on the company's achievement of the normalized cash flow goal for the purpose of funding the 2015 STIP executive incentive pool. For 2015, normalized cash flow was $315 million. Following consideration of the performance results, the Compensation Committee determined that, as a result of the company's achievement, the executive incentive pool would be funded at 163% of target. Normalized cash flow is a measure used by the company solely for the purposes of its compensation plan goals and it is not calculated in accordance with generally accepted accounting principles ("GAAP"). A presentation showing how the $315 million normalized cash flow number was calculated based on numbers contained within the company's audited financial statements is set forth in Appendix A to this proxy statement.

While the achievement level of the normalized cash flow goal determined the executive incentive pool funding, when making the final 2015 STIP payout determinations for the NEOs, the Compensation Committee considered performance against pre-determined strategic corporate goals, departmental performance and individual performance. The Compensation Committee approves strategic corporate goals with pre-defined targets and other goals that provide for discretion upon evaluation so that it can reward meeting and exceeding our targets while also considering the quality of our results and other factors not anticipated at the beginning of the year.

For 2015, the strategic corporate goals for the company's executives and the relative weights assigned to each were as follows:

2015 STIP Strategic Corporate Performance Goals:

Goal	Description	Target Weight
Licensing	Achieve a specified amount of licensing revenue and achieve additional specified licensing goal	*45%*
Research	Develop a specified number of inventions; expand participation in certain research initiatives; expand number of commercial initiatives	*10%*
Pivot	Expand number of commercial initiatives; achieve a specified amount of revenue; invest a specified amount in technology through partnerships with external inventors and/or research organizations	*10%*
Outreach	Achieve specified outcome related to investor relations; increase awareness of InterDigital's research and development capability	*10%*
Compensation Committee Discretion	Allow Compensation Committee to adjust performance upward or downward as a result of unexpected outcomes or circumstances	*25%*
TOTAL		**100%**

These strategic corporate goals were intended to align the executive team around a key set of company performance objectives. The strategic corporate goals were structured to challenge and motivate executives, so that reasonable "stretch" performances would collectively yield a payout at or about 100% of target.

The actual STIP payout for the Chief Executive Officer is based on achievement of the strategic corporate goals and his individual performance. The actual STIP award paid to all other executives is based on the achievement of the strategic corporate goals, his or her department's performance and his or her individual performance.

In first quarter 2015, the Compensation Committee approved target STIP levels for each of the NEOs at the same levels as 2014, with the exception of Dr. Yi, who whose target level was increased from 50% to 60% as a result of his expanded role as Chief Technology Officer. The 2015 target STIP levels, set as a percentage of annual base salary, for the NEOs were as follows:

NEO	2015 Target STIP Level
William J. Merritt	100%
Richard J. Brezski	60%
Scott A. McQuilkin	75%
James J. Nolan	60%
Lawrence F. Shay	75%
Byung K. Yi	60%

The Chief Executive Officer reported to the Compensation Committee on the achievement of the objectively measurable strategic corporate goals and provided his assessment with respect to departmental and individual executive officer performance for the year. For 2015, the strategic corporate goals related to licensing, pivot and outreach fell short of target. However, the achievement level of the research goal far exceeded target as a result of the impressive number of proposal wins with Horizon 2020 projects in the United Kingdom. The Compensation Committee also considered other developments in 2015 that were not captured specifically by the goals, including the expansion of technology development and innovation through external strategic relationships, or were unexpected, such as the delay in the receipt of licensing revenue as a result of a licensee's appeal of a final arbitration award. Accordingly, using its discretion, the Compensation Committee determined that the total achievement level with respect to the strategic corporate goals was 107%.

In determining the STIP payout to the Chief Executive Officer for 2015, the Compensation Committee considered the Board's assessment of his performance in 2015, as reflected in the recommendation of the non-executive Chairman of the Board, who is the primary liaison between the Chief Executive Officer and the full Board. Based on the achievement level with respect to the strategic corporate goals and the performance of the Chief Executive Officer on an individual level, the Compensation Committee determined that Mr. Merritt's STIP payout for 2015 should be 177% of target. For the other NEOs, the Compensation Committee reviewed the performance assessments provided by Mr. Merritt with respect to each executive's individual and departmental performance and also considered its own direct interactions with each NEO. As a result of the achievement level with respect to the strategic corporate goals and departmental and individual performances, 2015 STIP payouts for the NEOs ranged from 157% to 182% of target.

The 2015 STIP awards paid to the NEOs in 2016 were entirely in cash. The Grants of Plan-Based Awards Table below reports the threshold, target and maximum potential STIP payouts for each NEO for 2015, and the Summary Compensation Table below reports the amounts actually earned by each NEO for 2015 under the STIP.

Long-Term Compensation Program

The LTCP is designed to align management's interests with those of the company's shareholders to maximize the value of the company's stock over the long term and to enhance retention efforts by incentivizing executive officers to drive the company's long-term strategic plan. It currently consists of three components:

- *performance-based RSU*s, which align employee and shareholder interests by tying value to both business results and future stock price;
- *stock option grants*, which the Compensation Committee considers to be performance-based compensation and an important form of long-term incentive compensation because they are only valuable if our stock price increases over time; and
- *time-based RSUs,* which provide retention benefits and, in concert with our stock ownership guidelines, focus our executives on long-term share ownership and sustained value.

The Compensation Committee determines annually the participation level and components of each executive officer's LTCP award, emphasizing internal pay equity between the company's NEOs and other executives to motivate and incentivize performance across the senior management team while encouraging collaboration and shared responsibility for executing the company's strategic plan. For performance-based RSUs, 100% achievement of the associated performance goal results in a full vesting of the associated RSUs. For each 1% change above or below 100% achievement, the actual award amount is adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target. Accordingly, for performance that falls below 80% achievement, no performance-based award would vest.

Payouts of performance-based awards under the LTCP have varied in recent years, ranging from no payout for the most recent performance period and the 2007-2009 performance period to a 110% payout for the 2012-2014 performance period:

Performance Period	LTCP Payout
2007-2009	none
2008-2010	86%
2009-2011	31%
2010-2012	100%
2011-2013	71%
2012-2014	110%
2013-2015	none

2013-2015 Cycle

For the performance cycle that began on January 1, 2013, and ended December 31, 2015 (the "2013-2015 cycle"), each NEO received 50% of their target award in performance-based RSUs, 25% in stock options and 25% in time-based RSUs that vested in March 2016. The total target values of the awards granted to the NEOs in January 2013 for the 2013-2015 cycle were as follows:

NEO	Target
William J. Merritt	$1,500,000
Richard J. Brezski	600,000
Scott A. McQuilkin	750,000
James J. Nolan	600,000
Lawrence F. Shay	1,000,000
Byung K. Yi	N/A*

* Dr. Yi did not receive an LTCP award for the 2013-2015 cycle because he did not join the company until 2014.

The goals associated with the performance-based RSU awards for the 2013-2015 cycle were as follows:

- normalized cash flow, not including cash receipts derived from the sale of patents, of $1.05 billion (80% weight)
- normalized cash flow derived from the sale of patents of $100 million (20% weight)

In January 2016, the Chief Executive Officer reported to the Compensation Committee on the achievement of the performance goals for the 2013-2015 cycle. The total normalized cash flow achieved, not including cash receipts derived from the sale of patents, was $797 million, and the total normalized cash flow derived from the sale of patents was $6 million. After reviewing the company's progress toward these goals as of December 31, 2015, the Compensation Committee determined the company's total goal achievement for the 2013-2015 cycle to be below the 80% threshold required for the vesting of any portion of the performance-based RSU awards. As a result, all performance-based RSUs granted under the 2013-2015 cycle were forfeited. As stated above, normalized cash flow is a measure used by the company solely for the purposes of its compensation plan goals and it is not calculated in accordance with GAAP. A presentation showing how the $797 million and $6 million normalized cash flow numbers were calculated based on numbers contained within the company's audited financial statements is set forth in Appendix A to this proxy statement.

2015-2017 Cycle

For those equity awards granted in 2015 for the performance cycle that began on January 1, 2015, and runs through December 31, 2017 (the "2015-2017 cycle"), each NEO received 50% of his total award in the form of performance-based RSUs that vest, if at all, at the end of the performance period based on the company's achievement of a pre-approved goal established by the Compensation Committee, 25% in stock options and 25% in the form of time-based RSUs that vest in full on March 15, 2018. All equity awards were granted to the NEOs on March 15, 2015. To determine the number of performance-based RSUs and time-based RSUs awarded, the respective allocated target amounts are divided by the closing stock price on the day prior to the grant. The number of performance-based RSUs that vest, if any, will depend on the goal achievement as determined by the Compensation Committee after the end of the cycle. The number of stock options that are granted is calculated using the Black-Scholes option pricing model. For the options granted in 2015, the weighted average assumptions underlying the valuation under the Black-Scholes model are as follows: expected life: 4.5 years; volatility of 39.78%; a risk-free interest rate of 1.6%; and a dividend yield of 1.51%. The goal associated with the performance-based RSU awards for the 2015-2017 cycle is to generate a specified amount of normalized cash flow over the performance period of the cycle.

The total target values of the LTCP equity awards granted to the NEOs in March 2015 for the 2015-2017 cycle were as follows:

NEO	Target
William J. Merritt	$1,575,000
Richard J. Brezski	700,000
Scott A. McQuilkin	1,000,000
James J. Nolan	600,000
Lawrence F. Shay	1,000,000
Byung K. Yi	550,000

While the target values of the LTCP awards for each NEO are generally consistent with the target long-term equity award values for the executives in our compensation peer group, when determining the value of the LTCP awards, the Compensation Committee reviews the total direct compensation of the executives in the peer group to ensure that the aggregate target awards for each executive result in a total direct compensation level that is not substantially below the 50th percentile or above the 75th percentile of our compensation peer group. Pay and equity pay mix of our compensation peers and general industry companies is also considered.

Normalized Cash Flow

The Compensation Committee has selected normalized cash flow goals for the LTCP and for funding the incentive pool of the STIP because it believes that normalized cash flow most effectively aligns management's interests with those of the company and its shareholders and is the most accurate measure of the company's performance. As more fully described in our Annual Report on Form 10-K for the year ended December 31, 2015, revenue recognition for revenues derived from patent license agreements is complex, and we derive the vast majority of our revenue from patent licensing. The complicated and unpredictable nature of patent licensing revenue recognition make GAAP cash flow or revenue an inaccurate measure of performance for the company, but using such measures could also incentivize management to enter into patent license agreements that are structured in a way that helps meet incentive plan goals rather than in the way that is most beneficial for the company.

The timing and amount of revenue recognized from each license depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations and, as a result, components of our revenue tend to be highly variable year to year. In addition, the timing of our revenue recognition is often disjointed from the timing of the related cash receipts as a result of components of the agreement terms provided for prepayment of royalties, past sales, etc. So that our executives are properly motivated to maximize the overall value of our patent portfolio and not to maximize short-term gains strictly for the purpose of attaining incentive plan goals, we normalize the cash inflow under our license agreements to treat all licensing revenue as if it were negotiated as royalty bearing over the life of the agreement.

In addition to normalizing our cash inflows, we also adjust our cash outflows to capture the appropriate cash expenditures for which we manage our business. This process begins with our total operating expenses and deducts defined non-cash expenses (e.g., depreciation and amortization) and then adds in capital expenditures. We also exclude certain items that (a) make the calculation iterative (e.g., performance-based compensation) or (b) are non-operational (e.g., intellectual property enforcement costs) or non-recurring (e.g., repositioning costs) in nature and which we would otherwise back out when evaluating our financial performance.

For example, when using normalized cash flow as a measure, if a patent licensing agreement includes a large up-front payment, in order to avoid having that payment disproportionately drive cash flow for the performance period, the payment is spread out over the term of the license agreement, mimicking what would happen if the cash was received pursuant to a running royalty-based license agreement. Strictly for illustrative purposes, assume the company set a GAAP cash flow goal of $100 for a three-year LTCP performance period

and in each of the first two years of the performance period the company had generated $33 of cash flow from running royalties—bringing the total cash flow achieved for the first two years to $66. Because the cash flow was from running royalties, the amount included toward the goal for the performance period would be the same under both a GAAP cash flow and a normalized cash flow measure. Then, during year 3 of the performance period, the company negotiates a new 5-year $100 patent license agreement. A GAAP cash flow goal could incentivize management to accept less than $100 in licensing royalties ($50 in this example) if the total discounted amount was paid up front (Deal A), which would then contribute $50 toward the achievement of the goal for the performance period, rather than the full $100 paid over five years (Deal B), which would contribute only $20 toward the achievement of the performance goal. Although Deal B is clearly better for the company and its shareholders, the use of a GAAP cash flow performance incentive measure could create an incentive to enter into Deal A, as that deal would have led to a larger incentive payout for the performance period (140% under Deal A vs. 65% under Deal B, as illustrated in the following table). By using normalized cash flow as the performance measure, management is properly incentivized to enter into Deal B, which not only leads to a higher incentive payout (65% under Deal B vs. no payout under Deal A, as illustrated in the following table), but also to the better outcome for the company and its shareholders.

Normalized Cash Flow Illustrative Example

	DEAL A Incentive Plan Performance Measure		DEAL B Incentive Plan Performance Measure	
Performance Period Year	**GAAP Cash Flow**	**Normalized Cash Flow**	**GAAP Cash Flow**	**Normalized Cash Flow**
Year 1	$ 33	$33	$33	$33
Year 2	$ 33	$33	$33	$33
Year 3	$ 50	$10	$20	$20
Total	$116	$76	$86	$86
Goal Achievement	116%	76%	86%	86%
LTCP Payout(a)	140%	0%	65%	65%

(a) For each 1% change above or below 100% achievement, the actual award amount is adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target. Accordingly, for performance that falls below 80% achievement, no performance-based award would vest.

Other Practices, Policies and Guidelines

Grant Practices

RSU awards and stock options granted to executives under the LTCP are targeted to be granted each year on the later of March 15 or the date the Compensation Committee approves the goals associated with the performance-based RSUs. If a participant joins the company or becomes eligible to receive awards through a promotion after the annual grant date, he or she would be eligible for an award on the 15th of the month following his or her date of hire or promotion, respectively. The company's closing stock price on the day prior to the grant date is used to determine the number of performance-based and time-based RSUs granted, and the closing stock price on the date of grant determines the exercise price of stock option grants. As noted above, performance-based RSUs are tied to a 3-year performance period. Time-based RSUs vest 100% on the third anniversary of the grant date (i.e., "cliff" vesting). Stock options vest one-third on each of the first, second and third anniversaries of the grant date (i.e., "ratable" vesting). Stock options expire on the seventh anniversary of the grant date. The Compensation Committee believes that these grant procedures provide assurance that the grant timing does not take advantage of material nonpublic information.

The Compensation Committee may, in its sole discretion, grant additional equity awards to executives, including the NEOs, outside of the LTCP and the other compensation programs described above. As noted

above, the Compensation Committee intends to limit the use of discretionary awards, but may issue such awards from time to time when necessary. In approving such awards, the Compensation Committee may consider the specific circumstances of the grantee, including, but not limited to, total compensation relative to our peer group, compensation for his or her position, promotion, expansion of responsibilities, exceptional achievement recognition and retention concerns.

Stock Ownership Guidelines

To align the interests of our executive officers with those of our shareholders, the company has established stock ownership guidelines for its executive officers. The Chief Executive Officer's target ownership level is the lesser of an amount of company stock with a value of at least five times his current annual base salary or 65,000 shares. The company's senior executive vice presidents (Messrs. McQuilkin and Shay) are expected to own the lesser of an amount of company stock with a value of at least three times their current annual base salary or 25,000 shares, and the company's other executive officers (including Messrs. Brezski and Nolan) are expected to own the lesser of an amount of company stock with a value of at least two times their current annual base salary or 12,500 shares. Because Dr. Yi is no longer an executive officer, he is not subject to the stock ownership guidelines.

Qualifying stock includes shares of common stock held outright or through the company's 401(k) Plan (as defined below), restricted stock and, on a pre-tax basis, unvested time-based RSUs. For purposes of calculating the value of company stock holdings, each share or other qualifying stock unit is priced at a price per share/unit equal to the average closing stock price of the company's common stock for the 200 trading days leading up to and including the calculation date. The 200-day average closing stock price is calculated annually on the date of the company's annual meeting of shareholders.

Any executive who has not reached or fails to maintain his or her target ownership level must retain at least 50% of any after-tax shares derived from vested RSUs or exercised options until his or her level is met. An executive may not make any disposition of shares that results in his or her holdings falling below the target level without the express approval of the Compensation Committee. As of March 31, 2016, all of the NEOs to whom the policy applies are in compliance and have reached their target ownership levels.

Clawback Policy

In 2014, the Board adopted a clawback policy that would, under certain circumstances, entitle the company to recover certain compensation previously paid to the company's executive officers, in accordance with the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In the event of any intentional misconduct or gross negligence by one or more executives that results in a material restatement of any company financial statement that was filed during the company's then-current fiscal year or during one of the three prior full fiscal years, each executive would be required to repay or forfeit any excess compensation. The company will reevaluate its policy once final rules are adopted by the SEC and NASDAQ.

Savings and Protection and Nonqualified Deferred Compensation Plans

The company's Savings and Protection Plan ("401(k) Plan") is a tax-qualified retirement savings plan pursuant to which employees, including NEOs, are able to contribute the lesser of 100% of their annual base salary and bonus or the annual limit prescribed by the Internal Revenue Service ("IRS") on a pre-tax basis. The company provides a 50% matching contribution on the first 6% of an employee's eligible earnings contributed to the 401(k) Plan, up to the cap mandated by the IRS. The company offers this benefit to encourage employees to save for retirement and to provide a tax-advantaged means for doing so.

As noted above, the IRS imposes limits on the amounts that an employee may contribute annually to a 401(k) Plan account. InterDigital's nonqualified deferred compensation plan (the "deferred compensation plan")

provides certain management and highly compensated employees, including the NEOs, with an opportunity to defer up to 40% of their base salary and up to 100% of their STIP payment. For 2015, the company matched up to 50% of the first 6% of the participant's eligible deferrals, determined on a combined plan basis taking into account deferred amounts under both the deferred compensation plan and the 401(k) Plan; these contributions will receive the investment performance of InterDigital common stock. Matching contributions are made once annually after the end of the year. Participants vest one-third in company matching contributions after one year of service, two-thirds after two years of service and fully after three years of service, a vesting schedule identical to the 401(k) Plan. For more information about the nonqualified deferred compensation plan, see "Nonqualified Deferred Compensation."

Agreements with NEOs

In March 2013, the company entered into amended and restated employment agreements with each NEO other than Dr. Yi. In May 2014, the company entered into an employment agreement with Dr. Yi upon his acceptance of the role of Chief Technology Officer. Among other things, the agreements provide severance payments and benefits upon certain qualifying terminations of employment, including upon termination of the NEO's employment by the company without "Cause" or by the executive for "Good Reason," and provide for enhanced payments and benefits if such termination occurs on or within one year after a "Change in Control" of the company, each as defined in the applicable agreement. For more information regarding the provisions governing these termination scenarios, see "Potential Payments upon Termination or Change in Control."

Prohibition against Hedging

The company's insider trading policy prohibits directors, officers, employees and consultants of the company from engaging in any hedging transactions involving company stock.

Impact of Tax Treatment

Section 162(m) of the Code generally limits the company's tax deduction for compensation paid to our Chief Executive Officer and other NEOs (other than the Chief Financial Officer) to $1 million per person in any tax year. Qualified performance-based compensation is not subject to the deduction limit if specified requirements are met. The Compensation Committee may consider the deductibility of compensation when making decisions, but will authorize the payment of compensation that is not deductible when it believes it is appropriate.

Compensation-Related Risk Assessment

We have assessed our employee compensation policies and practices and determined that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the company. In reaching this conclusion, the Compensation Committee considered all components of our compensation program and assessed any associated risks. The Compensation Committee also considered the various strategies and measures employed by the company that mitigate such risk, including: (i) the overall balance achieved through our use of a mix of cash and equity, annual and long-term incentives and time- and performance-based compensation; (ii) our use of multi-year vesting periods for equity grants; (iii) limits on the maximum goal achievement levels and overall payout amounts under the STIP and LTIP awards; (iv) the company's adoption of, and adherence to, various compliance programs, including a code of ethics, a clawback policy, a contract review and approval process and signature authority policy and a system of internal controls and procedures; (v) the use of normalized cash flow as a performance metric; and (vi) the oversight exercised by the Compensation Committee over the performance metrics and results under the STIP and the LTCP. In addition, compensation programs are reviewed with Pearl Meyer, the compensation consultant, on an annual basis to ensure plans do not create incentives that would put the company at excessive risk. Based on the assessment described above, the Compensation Committee concluded that any risks associated with our compensation policies and practices were not reasonably likely to have a material adverse effect on the company.

Accounting for Share-Based Compensation

We follow ASC Topic 718 for our share-based compensation awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based compensation awards made to employees and directors, including stock options and RSUs, based on the grant date "fair value" of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our NEOs may never realize any value from their awards; ASC Topic 718 also requires companies to recognize the compensation cost of their share-based compensation awards in their income statements over the period that an executive officer is required to render services in exchange for the option or other award.

Summary Compensation Table

The following table contains information concerning compensation awarded to, earned by or paid to our NEOs in the last three years. Our NEOs include: (i) William J. Merritt, our Chief Executive Officer, (ii) Richard J. Brezski, our Chief Financial Officer, (iii) Scott A. McQuilkin, James J. Nolan and Lawrence F. Shay, who are our three other most highly compensated executive officers in 2015 who were serving as executive officers of the company at December 31, 2015, and (iv) Byung K. Yi, a former executive officer who would have been among the three other most highly compensated executive officers in 2015 but for the fact that he was no longer serving as an executive officer of the company at December 31, 2015. Additional information regarding the items reflected in each column follows the table.

Name and Principal Position	Year	Salary ($)(2)	Stock Awards ($)(3)(4)	Option Awards ($)(5)	Non-Equity Incentive Plan Compensation ($)(6)	All Other Compensation (7)	Total ($)
William J. Merritt	2015	613,846	393,785	393,780	1,100,000	59,406	2,560,817
President and Chief	2014	600,000	393,753	393,750	1,196,908	32,662	2,617,073
Executive Officer	2013	575,000	1,737,573	375,000	645,000	15,575	3,348,148
Richard J. Brezski	2015	343,076	175,039	175,000	381,239	24,820	1,099,174
Chief Financial Officer and	2014	325,000	261,395	175,000	368,986	15,500	1,145,881
Treasurer	2013	285,000	163,459	125,000	156,000	11,090	740,549
Scott A. McQuilkin	2015	410,846	250,033	250,000	517,694	26,703	1,455,276
Senior EVP, Innovation	2014	400,000	250,001	250,000	599,048	21,437	1,520,486
	2013	375,000	838,881	187,500	271,000	13,041	1,685,422
James J. Nolan	2015	357,592	150,041	150,000	342,358	27,469	1,027,460
EVP, IoT Solutions	2014	350,000	150,013	150,000	382,315	18,252	1,050,580
	2013	325,000	642,766	150,000	167,000	12,916	1,297,682
Lawrence F. Shay	2015	434,218	250,033	250,000	548,590	36,324	1,519,165
Senior EVP, Future Wireless,	2014	425,000	250,001	250,000	636,928	20,906	1,582,835
and Chief Intellectual Property Counsel	2013	410,000	1,044,806	250,000	266,000	13,909	1,984,715
Byung K. Yi(1) EVP and Chief Technology Officer	2015	333,384	137,516	137,500	329,167	131,878	1,069,445

(1) At January 1, 2015, Dr. Yi was serving as the company's Executive Vice President, InterDigital Labs, and Chief Technology Officer and in such role had been deemed by the Board to be an "executive officer" of the company (as that term is defined under Rule 3b-7 under the Exchange Act). As a result of organizational changes by the company in fourth quarter 2015, Dr. Yi's title was changed to Executive Vice President and Chief Technology Officer and he was no longer deemed by the Board to be an "executive officer" as of the end of 2015. Dr. Yi was not among the company's NEOs in 2013 or 2014.

(2) Base salary increases for 2015 did not become effective until April 1, 2015. Amounts reported for 2015 reflect the value of base salary earned by each NEO during 2015.

(3) Amounts reported reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for time-based RSU awards granted during the designated fiscal year. The assumptions used in valuing these awards are incorporated by reference to Notes 2 and 10 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2015. Under generally accepted accounting principles, compensation expense with respect to stock awards granted to our employees and directors is generally equal to the grant date fair value of the awards and is recognized over the vesting periods applicable to the awards.

(4) Amounts reported also reflect the value at the grant date of performance-based RSUs granted in such years based upon the probable outcome of the performance conditions for such awards, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The assumptions used in valuing these awards are incorporated by reference to Notes 2 and 10 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

On March 15, 2015, the company granted performance-based RSU awards to its NEOs for the 2015-2017 cycle under the LTCP. As of the date of grant, consistent with the estimate determined as of the grant date under FASB ASC Topic 718, the probable outcome of the performance condition for these grants was 0%. Accordingly, there is no value reported for the performance-based RSUs granted to the NEOs in 2015. The following table sets forth the grant date fair value of the performance-based RSUs granted to the NEOs in 2015 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level of 200%:

NEO	Maximum Value Performance-Based RSU Awards 2015-2017 Cycle ($)
William J. Merritt	1,575,035
Richard J. Brezski	700,051
Scott A. McQuilkin	1,000,027
James J. Nolan	600,058
Lawrence F. Shay	1,000,027
Byung K. Yi	550,062

(5) Amounts reported reflect the value recognized for financial statement reporting purposes in accordance with FASB ASC Topic 718.

(6) Amounts reported for fiscal 2015 include the value of payouts earned under the company's STIP.

(7) The following table details each component of the "All Other Compensation" column in the Summary Compensation Table for fiscal 2015:

NEO	401(k) Plan Matching Contributions ($)(a)	Supplemental LTD ($)(b)	Deferred Compensation Plan Matching Contributions ($)(c)	Relocation Expenses ($)(d)	Gym Membership ($)(e)	Total ($)
William J. Merritt	7,950	5,005	46,451	—	—	59,406
Richard J. Brezski	7,950	3,458	13,412	—	—	24,820
Scott A. McQuilkin	7,950	5,391	13,362	—	—	26,703
James J. Nolan	7,950	5,272	14,247	—	—	27,469
Lawrence F. Shay	7,950	4,190	24,184	—	—	36,324
Byung K. Yi	7,950	—	—	123,578	350	131,878

(a) Amounts represent company matching contributions to all employees, including the NEOs, on 50% of the first 6% of the employee's eligible salary and annual bonus contributed to the 401(k) Plan, up to the maximum amount permitted by the Internal Revenue Service.

(b) Amounts represent premium amounts paid by the company for supplemental executive long-term disability insurance for the benefit of such NEO.

(c) Amounts represent company matching contributions made pursuant to the company's nonqualified deferred compensation plan for NEO contributions. For more information, see "Nonqualified Deferred Compensation."

(d) Amount represents relocation expenses and costs paid by the company in 2015 in connection with Dr. Yi's relocation to the company's San Diego office.

(e) Amount represents reimbursement of Dr. Yi's annual gym membership fee paid, which benefit is available to any employee whose primary office location does not have a gym.

Grants of Plan-Based Awards in 2015

The following table summarizes the grants of (i) cash awards under the STIP (STIP) and (ii) options (OPT), time-based RSU awards (TRSU) and performance-based RSU awards (PSU) under the 2015-2017 cycle of the LTCP, each made to the NEOs during the year ended December 31, 2015. Each of these types of awards is discussed in "Compensation Discussion and Analysis" above.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Type of Award	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($)(3)
William J. Merritt	STIP		155,000	620,000	1,240,000							
	OPT	3/15/2015								24,291	52.85	393,750
	TRSU	3/15/2015							7,451			393,785
	PSU	3/15/2015				7,450	14,901	29,802				0
Richard J. Brezski	STIP		52,500	210,000	420,000							
	OPT	3/15/2015								10,796	52.85	175,000
	TRSU	3/15/2015							3,312			175,039
	PSU	3/15/2015				3,311	6,623	13,246				0
Scott A. McQuilkin	STIP		77,813	311,250	622,500							
	OPT	3/15/2015								15,423	52.85	250,000
	TRSU	3/15/2015							4,731			250,033
	PSU	3/15/2015				4,730	9,461	18,922				0
James J. Nolan	STIP		54,075	216,300	432,600							
	OPT	3/15/2015								9,254	52.85	150,000
	TRSU	3/15/2015							2,839			150,041
	PSU	3/15/2015				2,838	5,677	11,354				0
Lawrence F. Shay	STIP		82,078	328,313	656,625							
	OPT	3/15/2015								15,423	52.85	250,000
	TRSU	3/15/2015							4,731			250,033
	PSU	3/15/2015				4,730	9,461	18,922				0
Byung K. Yi	STIP		52,500	210,000	420,000							
	OPT	3/15/2015								8,483	52.85	137,500
	TRSU	3/15/2015							2,602			137,516
	PSU	3/15/2015				2,602	5,204	10,408				0

(1) Amounts reported represent the potential threshold, target and maximum STIP payouts depending on the level of performance achieved under the STIP for fiscal 2015. Such amounts ranged from 25% of the target payout, representing the minimum percentage of the STIP executive incentive pool that would be funded upon achievement of a certain level of performance against the related financial goal, to 200% of the target payout, representing the maximum payout possible under the STIP. For all NEOs, the actual amount earned for fiscal 2015, which was paid in 2016 and is reported in the Summary Compensation Table above, was based on the company's achievement of the 2015 financial and strategic corporate goals established by the Compensation Committee in March 2015 and departmental and individual performance of the NEO during 2015.

(2) Amounts reported represent the potential threshold, target and maximum number of performance-based RSUs the NEO could earn pursuant to his performance-based RSU award under the 2015-2017 cycle. 100% achievement of the performance goal or goals results in a 100% payout of the associated target amounts. For each 1% change above or below 100% achievement, the actual award amount is adjusted by 2.5 percentage points, with a threshold payout of 50% of target and a maximum payout of 200% of target. Accordingly, for performance that falls below 80% achievement, no performance-based RSUs would vest.

(3) Grant date fair value of RSU awards is determined in accordance with FASB ASC Topic 718. The TRSU awards granted in 2015 are scheduled to vest in full on March 15, 2018. Amounts reported for option grants reflect the value recognized for financial statement reporting purposes in accordance with FASB ASC Topic 718. For fiscal 2015, the weighted-average assumptions underlying the valuation of the stock options under the Black-Scholes option pricing model are as follows: expected life of 4.5 years; volatility of 39.78%; a risk-free interest rate of 1.6%; and a dividend yield of 1.51%. Amounts reported for performance-based RSUs are based upon the probable outcome of the performance conditions, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. As of the date of grant, the probable outcome of the performance condition for the 2015-2017 cycle was 0%. Accordingly, there is no value reported for the performance-based RSUs granted in 2015.

Outstanding Equity Awards at 2015 Fiscal Year End

The following table sets forth information concerning outstanding option and stock awards of the NEOs as of December 31, 2015.

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
William J. Merritt	1/18/13	14,723	7,362	—	44.19	1/18/20				
	1/18/13						8,816	432,382		
	1/18/13(6)								17,634	864,815
	3/15/14	12,552	25,106	—	30.69	3/15/21				
	3/15/14						13,181	646,425		
	3/15/14(7)								26,363	1,292,849
	3/15/15	—	24,291	—	52.85	3/15/22				
	3/15/15						7,533	369,458		
	3/15/15(8)								15,066	738,867
Richard J. Brezski	1/18/13	4,908	2,454	—	44.19	1/18/20				
	1/18/13						2,939	144,144		
	1/18/13(6)								5,878	288,289
	2/15/14(9)						1,027	50,384		
	3/15/14	5,579	11,158	—	30.69	3/15/21				
	3/15/14						5,859	287,339		
	3/15/14(7)								11,717	574,628
	3/15/15	—	10,796	—	52.85	3/15/22				
	3/15/15						3,348	164,226		
	3/15/15(8)								6,696	328,402
Scott A. McQuilkin	1/18/13	7,361	3,681	—	44.19	1/18/20				
	1/18/13						4,408	216,191		
	1/18/13(6)								8,817	432,433
	3/15/14	7,970	15,940	—	30.69	3/15/21				
	3/15/14						8,369	410,427		
	3/15/14(7)								16,738	820,853
	3/15/15	—	15,423	—	52.85	3/15/22				
	3/15/15						4,783	234,587		
	3/15/15(8)								9,566	469,124
James J. Nolan	1/18/13	5,889	2,945	—	44.19	1/18/20				
	1/18/13						3,526	172,932		
	1/18/13(6)								7,053	345,916
	3/15/14	4,782	9,564	—	30.69	3/15/21				
	3/15/14						5,021	246,276		
	3/15/14(7)								10,043	492,552
	3/15/15	—	9,254	—	52.85	3/15/22				
	3/15/15						2,870	140,772		
	3/15/15(8)								5,740	281,494
Lawrence F. Shay	1/18/13	9,815	4,908	—	44.19	1/18/20				
	1/18/13						5,877	288,238		
	1/18/13(6)								11,756	576,526
	3/15/14	7,970	15,940	—	30.69	3/15/21				
	3/15/14						8,369	410,427		
	3/15/14(7)								16,738	820,853
	3/15/15	—	15,423	—	52.85	3/15/22				
	3/15/15						4,783	234,587		
	3/15/15(8)								9,566	469,124

Name	Grant Date	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Stock Awards: Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
Byung K. Yi	4/15/14(10)						3,073	150,715		
	5/15/14(11)						7,049	345,690		
	5/15/14(7)								6,557	321,576
	3/15/15	—	8,483	—	52.85	3/15/22				
	3/15/15						2,630	129,020		
	3/15/15(8)								5,261	258,041

(1) Amounts reported represent awards of options under the LTCP. All options vest annually, in three equal installments, beginning on the first anniversary of the grant date.

(2) All awards made on January 18, 2013 are time-based RSUs granted pursuant to the 2013-2015 cycle that vested in full on January 18, 2016. All awards made on March 15, 2014 are time-based RSUs granted pursuant to the LTCP performance cycle that began on January 1, 2014, and ends December 31, 2016 (the "2014-2016 cycle"), and are scheduled to vest in full on March 15, 2017. All awards made on March 15, 2015 are time-based RSUs granted pursuant to the 2015-2017 cycle and are scheduled to vest in full on March 15, 2018.

(3) Values reported were determined by multiplying the number of unvested time-based RSUs by $49.04, the closing price of our common stock on December 31, 2015, the last trading day in 2015 (plus cash in lieu of a fractional share).

(4) Amounts reported were based on target performance measures and represent awards of performance-based RSUs made under the LTCP.

(5) Values reported were based on target performance measures and determined by multiplying the number of unvested performance-based RSUs by $49.04, the closing price of our common stock on December 31, 2015, the last trading day in 2015 (plus cash in lieu of a fractional share).

(6) Performance-based RSU award granted pursuant to the 2013-2015 cycle, which was scheduled to vest on January 18, 2016 provided that the Compensation Committee had determined that the threshold level of performance had been achieved with respect to the goals associated with the cycle. As discussed above in "Compensation Discussion and Analysis," the Compensation Committee determined that a total achievement level of less than 80% had been met with respect to the goals for this cycle, resulting in a payout of 0% of the target performance-based RSU award.

(7) Performance-based RSU award granted pursuant to the 2014-2016 cycle, which is scheduled to vest on March 15, 2017 provided that the Compensation Committee has determined that the threshold level of performance has been achieved with respect to the goals associated with the cycle.

(8) Performance-based RSU award granted pursuant to the 2015-2017 cycle, which is scheduled to vest on March 15, 2018 provided that the Compensation Committee has determined that the threshold level of performance has been achieved with respect to the goals associated with the cycle.

(9) Supplemental grant of time-based RSUs awarded in connection with a promotion.

(10) Amount reported represents a discretionary grant of time-based RSUs (including dividend equivalents accrued) awarded to Dr. Yi upon hire. The grant is scheduled to vest annually, in three equal installments, beginning on the first anniversary of the grant date.

(11) Time-based RSU award granted pursuant to the 2014-2016 cycle, which is scheduled to vest in full on March 15, 2017.

Option Exercises and Stock Vested in 2015

The following table sets forth information, on an aggregated basis, concerning stock options exercised and stock awards vested during 2015 for the NEOs.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
William J. Merritt	—	—	29,398	1,547,415
Richard J. Brezski	—	—	6,640	348,705
Scott A. McQuilkin	—	—	12,506	657,869
James J. Nolan	—	—	9,964	524,402
Lawrence F. Shay	—	—	14,905	783,937
Byung K. Yi	—	—	1,519	77,326

(1) Includes dividend equivalents accrued and paid out in additional shares of common stock upon the vesting of the underlying awards.

(2) Amounts reported represent the total pre-tax value realized upon the vesting of RSUs (number of shares vested times the closing price of our common stock on the vesting date) plus cash in lieu of a fractional share.

Nonqualified Deferred Compensation

In 2013, the company introduced a nonqualified deferred compensation plan to complement the 401(k) Plan. The IRS imposes limits on the amounts that an employee may contribute annually to a 401(k) plan account. The deferred compensation plan provides the company's directors and certain designated highly compensated employees, including the NEOs, with an opportunity to set aside additional compensation for their retirement. Pursuant to the terms of the deferred compensation plan, each eligible employee, including each NEO, may elect to defer base salary and STIP payouts, and non-employee members of the Board of Directors may elect to defer Board fees, in each case on a pre-tax basis and up to a maximum amount selected annually by the Compensation Committee.

An employee participant or director may allocate deferrals to one or more deemed investments under the deferred compensation plan. The amount of earnings (or losses) that accrue to a participant's account attributable to deferrals depends on the performance of investment alternatives selected by the participant. The deemed investment options are currently similar to those available under the 401(k) Plan. However, a participant's election of investment alternatives as measuring devices for determining the value of a participant's account does not represent actual ownership of, or any ownership rights in or to, the investments to which the investment alternatives refer, nor is the company in any way bound or directed to make actual investments corresponding to such deemed investments.

The company will not make any matching or discretionary contributions to the accounts of directors. However, the company may, but is not required to, make matching or discretionary contributions in cash to the accounts of employee participants. Any such company contributions are subject to a vesting schedule as determined by the Compensation Committee. The specific terms for each plan year, including eligible compensation, minimum and maximum deferral amounts (by percentage of compensation) and matching terms, are determined on an annual basis by the Compensation Committee.

Employee participant and director account payment obligations are payable in cash on a date or dates selected by the employee participant or director or upon certain specified events such as termination of employment, death or disability, subject to change in certain specified circumstances. An employee participant or director may elect to defer to a single lump-sum payment of his or her account, or may elect payments over time.

For the 2015 plan year, eligible employees could elect to defer 6%, 10%, 20%, 30% or 40% of their base salary and 25%, 50%, 75% or 100% of their STIP. Matching contributions are determined on a combined plan basis taking into account deferred amounts under both the 401(k) Plan and the deferred compensation plan. Deferral elections had to be made by December 31, 2014. For 2015, a participant's combined match for the 401(k) and deferred compensation plan was 50% of the combined deferrals up to 6% of the participant's eligible deferrals. Matching contributions are deemed to be notionally invested in the InterDigital Stock Fund and are not eligible for transfer to other investment options. Matching contributions vest ratably based on years of service of the participant over three years in one-third increments, with the first vesting occurring after one year of service. Each NEO participating in the plan had at least three years of service with the company prior to the adoption of this plan; therefore, all will be immediately and fully vested in any matching contributions. Matching contributions are made once annually after the end of the year.

The following table sets forth the relevant information regarding the deferred compensation plan for 2015.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings (Losses) in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(4)
William J. Merritt	361,112	46,451	(8,460)	—	825,375
Richard J. Brezski	34,231	13,412	(1,277)	—	71,497
Scott A. McQuilkin	24,623	13,362	(946)	—	117,427
James J. Nolan	372,440	14,247	(7,235)	—	473,833
Lawrence F. Shay	491,995	24,184	(2,137)	—	917,233
Byung K. Yi(5)	—	—	—	—	—

(1) Contributions include deferred 2015 salary amounts and deferred 2014 STIP amounts (which were paid in 2015). The payouts of the 2015 STIP were not made until 2016; as a result, any deferrals of 2015 STIP amounts are not reflected in this column. For Messrs. Merritt, Brezski, McQuilkin and Shay, $61,385, $34,231, $24,623 and $173,531, respectively, were included in the "Salary" column of the Summary Compensation Table for fiscal 2015.

(2) For the 2015 plan year, the company matched deferrals up to 50% of the first 6% of the participant's base salary and annual bonus, determined on a combined plan basis taking into account amounts deferred under both the 401(k) Plan and the deferred compensation plan during the 2015 calendar year. The amounts disclosed in this column reflect matching contributions (made by the company in 2016) for 2015 NEO deferral contributions and are included in the "All Other Compensation" column of the Summary Compensation Table for fiscal 2015. Because the 2015 STIP payments were made in 2016, the 2015 STIP deferrals are considered 2016 contributions and will be matched after year-end 2016.

(3) The company does not pay guaranteed, above-market or preferential earnings on deferred compensation; therefore, the amounts in this column are not included in the Summary Compensation Table. Balances include earnings or losses credited to the NEO's account from notional investment alternatives elected by the NEO from alternatives that are similar to those available to participants in the 401(k) Plan. Because the 2015 STIP payouts were not made until 2016, there were no 2015 earnings or losses associated with the 2015 STIP deferral amounts.

(4) Aggregate balance consists of employee contributions made in 2013, 2014 and 2015, company matching contributions for 2013, 2014 and 2015 and notional investment earnings in 2013, 2014 and 2015.

Set forth below are the amounts reported in the aggregate balance that were previously reported in the "Salary," "Non-Equity Incentive Plan Compensation" and "All Other Compensation" columns of the Summary Compensation Table for fiscal 2013 and 2014, in the aggregate:

Name	Salary ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(a)
William J. Merritt	215,962	460,977	24,490
Richard J. Brezski	—	19,500	4,260
Scott A. McQuilkin	—	67,750	8,246
James J. Nolan	—	455,940	5,186
Lawrence F. Shay	237,770	451,464	10,029

The deferred compensation plan was newly implemented in 2013; therefore, there are no amounts included that were reported as compensation to any NEO prior to 2013.

(5) Dr. Yi has not made any contributions to the deferred compensation plan.

Potential Payments upon Termination or Change in Control

Employment Agreements

As discussed above in "Compensation Discussion and Analysis," each NEO has an employment agreement with the company that provides for severance pay and benefits, among other things, in certain events of termination of employment, as described below.

Time-Based RSU, Performance-Based RSU, Option and STIP Awards

If an NEO's employment terminates due to disability or death or the NEO is terminated by the company without cause (as described below), the NEO would be entitled to pro-rata vesting of all time-based RSUs. For time-based RSU awards, the pro-rata portion of each grant is determined by multiplying the total number of RSUs by a fraction equal to the number of company payroll periods during the vesting period for which the NEO was employed by the total number of payroll periods during the vesting period.

If an NEO's employment terminates for any reason prior to the second anniversary of the grant date of an award of performance-based RSUs, the NEO would forfeit eligibility to receive any payout of such performance-based RSUs. If, however, the NEO's employment terminates subsequent to the second anniversary of the grant date of a performance-based RSU award, in the event of disability or death or termination by the company without cause, the NEO would be eligible to earn a pro-rata portion of such performance-based RSU award. For such awards, the pro-rated amount is determined by multiplying the number of RSUs that would otherwise have vested (based on actual performance over the performance period) by a fraction equal to the portion of the vesting period that had transpired prior to the cessation of employment.

If an NEO is terminated by the company without cause, the NEO would be entitled to pro-rata vesting of options granted under the LTCP. The pro-rata portion of each option grant is determined by multiplying the total number of options by a fraction equal to the number of company payroll periods during the vesting period for which the NEO was employed by the total number of payroll periods during the vesting period.

Pursuant to the terms of their respective employment agreements, in the event of his termination without "cause" or his resignation for "good reason," in each case, on or within one year following a "change in control" of the company, Messrs. Merritt, McQuilkin and Shay and Dr. Yi each would be entitled to receive an amount equal to 200% of his target payout under the STIP and Messrs. Brezski and Nolan each would be entitled to receive an amount equal to 100% of his target payout under the STIP.

Pursuant to the terms of the LTCP and STIP awards, the NEO forfeits any such awards if his employment terminates for cause.

Any rights that the NEOs would have under these awards in connection with other termination scenarios are discussed below in connection with the relevant scenario.

Deferred Compensation

If an NEO's employment terminates due to retirement or disability or the NEO voluntarily terminates his employment with the company for any reason, the NEO would receive a distribution of his deferred amounts under the deferred compensation plan, including the vested portion of any company matching or discretionary contributions, in accordance with the NEO's applicable distribution elections. In the event of a termination due to death, the NEO would receive the balance of his deferred compensation account in a lump sum as soon as administratively practicable. In the event the NEO is involuntarily terminated by the company, the NEO would receive the balance of his deferred compensation account in a lump sum within 90 days of the date of termination. In the event of a change in control, as defined by the deferred compensation plan, the NEO would receive a distribution of his account balance in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

Termination Scenarios

The following is a discussion of the various termination scenarios that would require us to make payments to the NEOs. Unless different treatment is indicated below, please see "Time-Based RSU, Performance-Based RSU, Option and STIP Awards" above for the treatment of the LCTP and STIP awards upon termination under each of the following termination scenarios.

Termination Due to Retirement

The retirement of an NEO would trigger the distribution of such NEO's deferred amounts under the deferred compensation plan in accordance with his applicable distribution elections.

Termination Due to Death

In the event of the termination of an NEO's employment due to death, the company would pay to the NEO's executors, legal representatives or administrators an amount equal to the accrued but unpaid portion of the NEO's base salary. The NEO's executors, legal representatives or administrators would be entitled to receive the payment prescribed under any death or disability benefits plan in which the NEO was a participant as our employee, and to exercise any rights afforded under any compensation or benefit plan then in effect.

Termination for Cause

Pursuant to the terms of the NEO employment agreements, the company may terminate the employment of any NEO at any time for "cause" which is generally defined in the employment agreements to include: (a) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the NEO with respect to the NEO's obligations or otherwise relating to the business of the company; (b) the NEO's material breach of his employment agreement or the company's nondisclosure and assignment of ideas agreement; (c) the NEO's conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, any felony, or any crime of moral turpitude; or (d) the NEO's willful neglect of duties as determined in the sole and exclusive discretion of the Board. In the event of such a termination, the NEO would be entitled to receive any earned but unpaid base salary and any accrued but unused paid time off, in each case as of the date of the termination (together, the "Standard Entitlements").

Termination Without Cause

Pursuant to the terms of the NEO employment agreements, the company may terminate the employment of any NEO at any time, for any reason, without cause upon 30 days prior written notice to the NEO. In the event of a termination without cause, the NEO would be entitled to receive the Standard Entitlements. In addition, provided he executes a separation agreement in a form acceptable to the company (which includes, among other things, a broad release of all claims against the company and a non-disparagement provision) (a "Separation Agreement"), the NEO would be entitled to receive: (i) severance in an amount equal to one and a half times his base salary then in effect (in the case of Mr. Merritt, two and a half times his base salary then in effect) paid over a period of twelve months (eighteen months in the case of Mr. Merritt) commencing 60 days after his date of termination; (ii) health coverage on terms and conditions comparable to those most recently provided to him for the period of one year (18 months in the case of Mr. Merritt) commencing upon the date of termination; and (iii) outplacement services in an amount not to exceed $10,000, paid by the company directly to the entity providing such services.

Termination by the NEO

Pursuant to the terms of the NEO employment agreements, each NEO may terminate his employment with us at any time for "good reason," which means the NEO's resignation of employment with the company follows the occurrence of one or more of the following, in each case without the NEO's consent: (i) a material diminution in the NEO's base salary or in the NEO's target bonus opportunity under the STIP as in effect for the year in which the termination occurs; (ii) a material diminution in the NEO's title, authority, duties or responsibilities; (iii) a material failure to comply with the compensation provision of the NEO's employment agreement; (iv) relocation of the NEO's primary office more than 50 miles from the NEO's current office; or (v) any other action or inaction that constitutes a material breach by the company of the employment agreement or the company's nondisclosure and assignment of ideas agreement. In the event that an NEO terminates his employment for good reason, the NEO would be entitled to receive the Standard Entitlements. In addition, provided he executes a Separation Agreement, the NEO would be entitled to receive: (i) severance in an amount equal to one and a half times his base salary then in effect (in the case of Mr. Merritt, two and a half times his base salary then in effect) paid over a period of eighteen months; (ii) health coverage on terms and conditions comparable to those most recently provided to him for the period of one year (18 months in the case of Mr. Merritt) commencing upon the date of termination; and (iii) outplacement services in an amount not to exceed $10,000, paid by the company directly to the entity providing such services.

In addition, pursuant to the terms of the employment agreements, each NEO can terminate his employment with us without good reason, provided that the date of termination is at least 30 days after the date he gives written notice of the termination to the company. In the event that an NEO terminates his employment without good reason, he would be entitled to receive the Standard Entitlements.

Termination Following a Change in Control

Pursuant to the terms of the NEO employment agreements, if the company terminates an NEO other than for cause or such NEO terminates his employment with us for good reason, in each case within one year following a change in control of the company, he would be entitled to receive the Standard Entitlements. In addition, provided that he executes a Separation Agreement, the NEO would be entitled to (i) severance in an amount equal to (a) for Messrs. Merritt, McQuilkin and Shay and Dr. Yi, two times the sum of his base salary and target bonus under the STIP then in effect and (b) for Messrs. Brezski and Nolan, two times the base salary then in effect and one times the bonus target under the STIP then in effect, in each case, paid in a lump sum 60 days after his date of termination; (ii) an amount equal to the cost of continued health coverage on terms and conditions comparable to those most recently provided to him for the period of twenty-four months, paid in a lump sum 60 days after date of termination and (iii) outplacement services in an amount not to exceed $10,000, paid by the company directly to the entity providing such services.

For this purpose, under the NEO employment agreements, “change in control” of the company generally means the acquisition (including by merger or consolidation, or by our issuance of securities) by one or more persons, in one transaction or a series of related transactions, of more than 50% of the voting power represented by our outstanding stock on the date of the NEO’s employment agreement, or a sale of substantially all of our assets.

If the company terminates an NEO other than for cause or such NEO terminates his employment with us for good reason, in each case within one year following a change in control of the company, (i) the NEO would be entitled to the early vesting of all outstanding performance-based RSU awards at target and (ii) all outstanding stock option and time-based RSU awards would become fully vested.

Change in Control without Termination

In the event of a change in control without termination, each outstanding performance-based RSU award would be deemed to have been earned at target as of the effective date of the change in control; however, the award would remain subject to any employment and time-based vesting conditions.

Post-Termination Obligations

Each of the NEOs is bound by certain confidentiality obligations, which extend indefinitely, and, pursuant to the terms of their respective employment agreements by certain non-competition and non-solicitation covenants (i) for a period of (a) one year for Mr. Merritt following termination of employment by the company for any reason or resignation by Mr. Merritt for any reason, and (b) for a period up to a maximum of one year for all other NEOs except Dr. Yi, depending on the nature of termination and whether the company pays severance to the NEO following termination; or (ii) two years following termination of employment by the company without cause or resignation by the NEO for good reason, in each case, on or within twelve months after a change in control. Pursuant to the terms of his employment agreement, Dr. Yi is bound by certain non-solicitation covenants for a period of one year following termination of employment. In addition, each of the NEOs is bound by certain covenants protecting our right, title and interest in and to certain intellectual property that either has been or is being developed or created in whole or in part by the NEO.

Taxes

In the event that the payments made to each NEO upon termination constitute “parachute payments” pursuant to Section 280G of the Code, the NEO employment agreements provide that either (i) the payments will be reduced to such lesser amount that would result in no amount being subject to excise tax or (ii) the payments will be made in full, whichever produces the larger after-tax net benefit to the NEO. The employment agreements do not provide for an excise tax “gross-up.”

Term of Employment

The employment agreement with each NEO other than Dr. Yi provides for an initial employment term of two years, and the employment agreement with Dr. Yi provides for an initial term of 21 months, which terms automatically renew for additional successive one-year periods (unless either party provides notice of non-renewal at least 90 days before the expiration of the term (as extended by any renewal period)). In the event that a change in control occurs at any time during the term, then the term shall extend for an additional year and 90 days from the date of the change in control, provided such extension serves to lengthen the term that would otherwise have been in place.

Potential Payments upon Termination or Change in Control

The following tables reflect the potential payments and benefits that would be provided to each NEO upon: (i) termination due to disability, (ii) retirement, (iii) death, (iv) termination without cause, (v) termination by the NEO for good reason, (vi) termination upon a change in control of the company (by the company without cause or by the NEO for good reason) within one year of a change in control and (vii) change in control of the company without a termination. The amounts shown assume that the termination (or the change in control in the case of (vii)) was effective as of December 31, 2015, the last business day of 2015, and the price per share used to calculate the value of the company's stock awards was $49.04, the per share closing market price of our common stock as of that date. The amounts reflected are estimates of the amounts that would have been paid to the NEOs upon their termination. In addition, note that the tables below do not take into account the cutback provision described above under "Termination Scenarios — Taxes;" as a result, the actual amounts paid could be lower than what is presented. The actual amounts to be paid can be determined only at the time the events described above actually occur.

William J. Merritt

Assuming the following events occurred on December 31, 2015, Mr. Merritt's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	902,797(3)	825,375	—	20,000	—	—
Retirement	—	—	825,375	—	—	—	—
Death	—	902,797(3)	825,375	300,000	—	—	—
Without Cause	1,550,000(1)	1,209,755(3)	825,375	—	—	14,391(8)	10,000
Voluntary Resignation for Good Reason	1,550,000(1)	—	825,375	—	—	14,391(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Merritt for Good Reason, within 1 year)	2,480,000(2)	4,841,197(4)	825,375	—	—	19,188(9)	10,000
Change in Control (Without Termination)	—	—	825,375	—	—	—	—

(1) This amount represents severance equal to two and a half times Mr. Merritt's base salary of $620,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 18 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Mr. Merritt's base salary of $620,000 and target 2015 STIP payout of $620,000. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 31, 2015, of Mr. Merritt's time-based and performance-based RSUs granted under the 2013-2015 cycle, time-based RSUs granted under the 2014-2016 cycle and time-based RSUs granted under the 2015-2017 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Merritt would forfeit eligibility to receive any payout of performance-based RSUs under the 2014-2016 and 2015-2017 cycles since a termination on December 31, 2015 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2013-2015 cycle (the performance period for which ended December 31, 2015), the value

is zero, as performance for that cycle was below the threshold required for the vesting of any performance-based RSUs. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $426,839, representing the value of 8,703 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $381,225, representing the value of 7,773 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); and (c) $94,733, representing the value of 1,931 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Merritt's options granted under the 2013-2015, 2014-2016, and 2015-2017 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 7,268, 14,807 and 6,229 options, with a value of $35,250, $271,708 and $0, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 31, 2015 of $49.04 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(4) This amount represents the value, at December 31, 2015, of Mr. Merritt's time-based RSUs, performance-based RSUs and option awards granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $432,382, representing the value of 8,816 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $864,815, representing the value of 17,634 performance-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (c) $646,425, representing the value of 13,181 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (d) $1,292,849, representing the value of 26,363 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (e) $369,458, representing the value of 7,533 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (f) $738,867 representing the value of 15,066 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (g) $35,706, representing the value of 7,362 options granted under the 2013-2015 cycle; (h) $460,695 representing the value of 25,106 options granted under the 2014-2016 cycle and (i) $0 representing the value of 24,291 options granted under the 2015-2017 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $49.04 on December 31, 2015 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(5) This amount represents the balance, at December 31, 2015, of Mr. Merritt's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, a portion of which would be paid out in a lump sum within 90 days of the date of termination and a portion of which would be paid out in annual installments over five years, as applicable pursuant to Mr. Merritt's deferral elections, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control, in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Merritt under our executive long-term disability plan in the event of his termination due to disability on December 31, 2015, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of 18 months after termination on terms and conditions comparable to those most recently provided to Mr. Merritt as of December 31, 2015 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Merritt as of December 31, 2015 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Richard J. Brezski

Assuming the following events occurred on December 31, 2015, Mr. Brezski's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Value of Other RSUs Subject to Acceleration ($)	Deferred Compensation ($)(7)	Payments under Executive Life Insurance Program ($)(8)	Payments under Executive Long-Term Disability Program ($)(9)	Welfare Benefits ($)	Out-placement Services ($)(12)
Disability	—	353,861(3)	46,508(5)	71,497	—	20,000	—	—
Retirement	—	—	—	71,497	—	—	—	—
Death	—	353,861(3)	46,508(5)	71,497	300,000	—	—	—
Without Cause	525,000(1)	486,374(3)	46,508(5)	71,497	—	—	15,912(10)	10,000
Voluntary Resignation for Good Reason	525,000(1)	—	—	71,497	—	—	15,912(10)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Brezski for Good Reason, within 1 year)	910,000(2)	2,003,679(4)	50,384(6)	71,497	—	—	31,825(11)	10,000
Change in Control (Without Termination)	—	—	—	71,497	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. Brezski's base salary of $350,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to the sum of two times Mr. Brezski's base salary of $350,000 and one times his target 2015 STIP payout of $210,000. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 31, 2015, of Mr. Brezski's time-based and performance-based RSUs granted under the 2013-2015 cycle, time-based RSUs granted under the 2014-2016 cycle and time-based RSUs granted under the 2015-2017 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Brezski would forfeit eligibility to receive any payout of performance-based RSUs under the 2014-2016 and 2015-2017 cycles since a termination on December 31, 2015 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2013-2015 cycle (the performance period for which ended December 31, 2015), the value is zero, as performance for that cycle was below the threshold required for the vesting of any performance-based RSUs. All RSU amounts include accrued dividend equivalents, which are paid out in the form of

additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $142,296, representing the value of 2,901 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $169,456, representing the value of 3,455 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); and (c) $42,109, representing the value of 858 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Brezski's options granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 2,423, 6,581 and 2,769 options, with a value of $11,752, $120,761 and $0, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 31, 2015 of $49.04 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(4) This amount represents the value, at December 31, 2015, of Mr. Brezski's time-based RSUs, performance-based RSUs and option awards granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $144,144, representing the value of 2,939 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $288,289, representing the value of 5,878 performance-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (c) $287,339, representing the value of 5,859 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (d) $574,628, representing the value of 11,717 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (e) $164,226, representing the value of 3,348 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (f) $328,402 representing the value of 6,696 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (g) $11,902, representing the value of 2,454 options granted under the 2013-2015 cycle; (h) $204,749 representing the value of 11,158 options granted under the 2014-2016 cycle and (i) $0 representing the value of 10,796 options granted under the 2015-2017 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $49.04 on December 31, 2015 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(5) This amount represents the value upon termination due to disability, death or termination by the company without cause, at December 31, 2015, of 948 time-based RSUs (plus cash in lieu of a fractional share) from the pro rata vesting of a supplemental RSU grant.

(6) This amount represents the value, at December 31, 2015, of an unvested supplemental grant of 1,027 time-based RSUs (plus cash in lieu of a fractional share) that would vest in full upon termination (by us without cause or by Mr. Brezski for good reason) within one year following a change in control.

(7) This amount represents the balance, at December 31, 2015, of Mr. Brezski's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, in a lump sum within 90 days of the date of termination, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(8) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(9) This amount represents the monthly benefit that would become payable to Mr. Brezski under our executive long-term disability plan in the event of his termination due to disability on December 31, 2015, calculated

as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) his 65th birthday.

(10) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. Brezski as of December 31, 2015 pursuant to his employment agreement.

(11) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Brezski as of December 31, 2015 pursuant to his employment agreement.

(12) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Scott A. McQuilkin

Assuming the following events occurred on December 31, 2015, Mr. McQuilkin's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	515,617(3)	117,427	—	20,000	—	—
Retirement	—	—	117,427	—	—	—	—
Death	—	515,617(3)	117,427	300,000	—	—	—
Without Cause	622,500(1)	705,750(3)	117,427	—	—	15,912(8)	10,000
Voluntary Resignation for Good Reason	622,500(1)	—	117,427	—	—	15,912(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. McQuilkin for Good Reason, within 1 year)	1,452,500(2)	2,893,967(4)	117,427	—	—	31,825(9)	10,000
Change in Control (Without Termination)	—	—	117,427	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. McQuilkin's base salary of $415,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Mr. McQuilkin's base salary of $415,000 and target 2015 STIP payout of $311,250. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 31, 2015, of Mr. McQuilkin's time-based and performance-based RSUs granted under the 2013-2015 cycle, time-based RSUs granted under the 2014-2016 cycle and time-based RSUs granted under the 2015-2017 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. McQuilkin would forfeit eligibility to receive any payout of performance-based RSUs under the 2014-2016 and 2015-2017 cycles since a termination on December 31, 2015 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2013-2015 cycle (the performance period for which ended December 31, 2015), the

value is zero, as performance for that cycle was below the threshold required for the vesting of any performance-based RSUs. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $213,419, representing the value of 4,351 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $242,047, representing the value of 4,935 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); and (c) $60,151, representing the value of 1,226 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. McQuilkin's options granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 3,634, 9,401 and 3,955 options, with a value of $17,625, $172,508 and $0, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 31, 2015 of $49.04 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(4) This amount represents the value, at December 31, 2015, of Mr. McQuilkin's time-based RSUs, performance-based RSUs and option awards granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $216,191, representing the value of 4,408 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $432,433, representing the value of 8,817 performance-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (c) $410,427, representing the value of 8,369 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (d) $820,853, representing the value of 16,738 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (e) $234,587, representing the value of 4,783 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (f) $469,124 representing the value of 9,566 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (g) $17,853, representing the value of 3,681 options granted under the 2013-2015 cycle; (h) $292,499 representing the value of 15,940 options granted under the 2014-2016 cycle and (i) $0 representing the value of 15,423 options granted under the 2015-2017 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $49.04 on December 31, 2015 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(5) This amount represents the balance, at December 31, 2015, of Mr. McQuilkin's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, in a lump sum within 90 days of the date of termination, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. McQuilkin under our executive long-term disability plan in the event of his termination due to disability on December 31, 2015, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) 48 months from the commencement of benefits (since his benefits would have commenced under the plan after he reached age 61).

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. McQuilkin as of December 31, 2015 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. McQuilkin as of December 31, 2015 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

James J. Nolan

Assuming the following events occurred on December 31, 2015, Mr. Nolan's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	352,050(3)	473,833	—	20,000	—	—
Retirement	—	—	473,833	—	—	—	—
Death	—	352,050(3)	473,833	300,000	—	—	—
Without Cause	540,750(1)	469,666(3)	473,833	—	—	15,912(8)	10,000
Voluntary Resignation for Good Reason	540,750(1)	—	473,833	—	—	15,912(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Nolan for Good Reason, within 1 year)	937,300(2)	1,869,724(4)	473,833	—	—	31,825(9)	10,000
Change in Control (Without Termination)	—	—	473,833	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. Nolan's base salary of $360,500, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to the sum of two times Mr. Nolan's base salary of $360,500 and one times his target 2015 STIP payout of $216,300. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 31, 2015, of Mr. Nolan's time-based and performance-based RSUs granted under the 2013-2015 cycle, time-based RSUs granted under the 2014-2016 cycle and time-based RSUs granted under the 2015-2017 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Nolan would forfeit eligibility to receive any payout of performance-based RSUs under the 2014-2016 and 2015-2017 cycles since a termination on December 31, 2015 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2013-2015 cycle (the performance period for which ended December 31, 2015), the value is zero, as performance for that cycle was below the threshold required for the vesting of any performance-based RSUs. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $170,715, representing the value of 3,481 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $145,240, representing the value of 2,961 time-based

RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); and (c) $36,095, representing the value of 736 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Nolan's options granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 2,908, 5,641 and 2,373 options, with a value of $14,104, $103,512 and $0, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 31, 2015 of $49.04 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(4) This amount represents the value, at December 31, 2015, of Mr. Nolan's time-based RSUs, performance-based RSUs and option awards granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $172,932, representing the value of 3,526 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $345,916, representing the value of 7,053 performance-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (c) $246,276, representing the value of 5,021 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (d) $492,552, representing the value of 10,043 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (e) $140,772, representing the value of 2,870 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (f) $281,494 representing the value of 5,740 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (g) $14,283, representing the value of 2,945 options granted under the 2013-2015 cycle; (h) $175,499 representing the value of 9,564 options granted under the 2014-2016 cycle and (i) $0 representing the value of 9,254 options granted under the 2015-2017 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $49.04 on December 31, 2015 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(5) This amount represents the balance, at December 31, 2015, of Mr. Nolan's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, a portion of which would be paid out in annual installments over five years beginning in 2020 and a portion of which would be paid out in annual installments over 10 years, as applicable pursuant to Mr. Nolan's deferral elections (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Nolan under our executive long-term disability plan in the event of his termination due to disability on December 31, 2015, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (a) the date he ceases to be totally disabled or (b) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. Nolan as of December 31, 2015 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Nolan as of December 31, 2015 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Lawrence F. Shay

Assuming the following events occurred on December 31, 2015, Mr. Shay's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Deferred Compensation ($)(5)	Payments under Executive Life Insurance Program ($)(6)	Payments under Executive Long-Term Disability Program ($)(7)	Welfare Benefits ($)	Out-placement Services ($)(10)
Disability	—	586,740(3)	917,233	—	20,000	—	—
Retirement	—	—	917,233	—	—	—	—
Death	—	586,740(3)	917,233	300,000	—	—	—
Without Cause	656,625(1)	782,751(3)	917,233	—	—	15,912(8)	10,000
Voluntary Resignation for Good Reason	656,625(1)	—	917,233	—	—	15,912(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Shay for Good Reason, within 1 year)	1,532,126(2)	3,116,058(4)	917,233	—	—	31,825(9)	10,000
Change in Control (Without Termination)	—	—	917,233	—	—	—	—

(1) This amount represents severance equal to one and a half times Mr. Shay's base salary of $437,750, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Mr. Shay's base salary of $437,750 and target 2015 STIP payout of $328,313. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 31, 2015, of Mr. Shay's time-based and performance-based RSUs granted under the 2013-2015 cycle, time-based RSUs granted under the 2014-2016 cycle and time-based RSUs granted under the 2015-2017 cycle that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Shay would forfeit eligibility to receive any payout of performance-based RSUs under the 2014-2016 and 2015-2017 cycles since a termination on December 31, 2015 would be prior to the second anniversary of the grant date for such awards. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. For the performance-based RSU award granted under the 2013-2015 cycle (the performance period for which ended December 31, 2015), the value is zero, as performance for that cycle was below the threshold required for the vesting of any performance-based RSUs. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $284,542, representing the value of 5,802 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $242,047, representing the value of 4,935 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); and (c) $60,151, representing the value of 1,226 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Mr. Shay's options granted under the 2013-2015, 2014-2016 and 2015-2017 cycles

that would vest. Pursuant to the terms of the awards, such options would vest on a pro rata basis, resulting in the accelerated vesting of 4,846, 9,401 and 3,955 options, with a value of $23,503, $172,508 and $0, respectively. The value of accelerated options is the aggregate spread between the closing stock price on December 31, 2015 of $49.04 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(4) This amount represents the value, at December 31, 2015, of Mr. Shay's time-based RSUs, performance-based RSUs and option awards granted under the 2013-2015, 2014-2016 and 2015-2017 cycles that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $288,238, representing the value of 5,877 time-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (b) $576,526, representing the value of 11,756 performance-based RSUs granted under the 2013-2015 cycle (plus cash in lieu of a fractional share); (c) $410,427, representing the value of 8,369 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (d) $820,853, representing the value of 16,738 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (e) $234,587, representing the value of 4,783 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (f) $469,124 representing the value of 9,566 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (g) $23,804, representing the value of 4,908 options granted under the 2013-2015 cycle; (h) $292,499 representing the value of 15,940 options granted under the 2014-2016 cycle and (i) $0 representing the value of 15,423 options granted under the 2015-2017 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $49.04 on December 31, 2015 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(5) This amount represents the balance, at December 31, 2015, of Mr. Shay's deferred compensation plan account (including matching contributions), which is payable (a) upon retirement, disability or his voluntary termination of employment with the company for any reason, a portion of which would be paid out in annual installments over two years and a portion of which would be paid out in annual installments over four years, as applicable pursuant to Mr. Shay's deferral elections, (b) upon death, in a lump sum as soon as administratively practicable following his death, (c) upon an involuntary termination by the company, in a lump sum within 90 days of the date of termination and (d) upon a change in control in a lump sum as soon as administratively practicable, but in no event later than 30 days from the effective date of the change in control.

(6) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Shay under our executive long-term disability plan in the event of his termination due to disability on December 31, 2015, calculated as follows: 60% of his monthly earnings (i.e., pre-tax base salary and annual bonus), up to $10,000, and a supplemental monthly payment of up to $10,000. Monthly benefits would be payable until the earlier of (1) the date he ceases to be totally disabled or (2) his 65th birthday.

(8) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Mr. Shay as of December 31, 2015 pursuant to his employment agreement.

(9) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Mr. Shay as of December 31, 2015 pursuant to his employment agreement.

(10) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

Byung K. Yi

Assuming the following events occurred on December 31, 2015, Dr. Yi's payments and benefits would have an estimated value of:

	Severance ($)	Long-Term Compensation Awards ($)	Value of Other RSUs Subject to Acceleration ($)	Deferred Compensation ($)(7)	Payments under Executive Life Insurance Program ($)(8)	Payments under Long-Term Disability Program ($)(9)	Welfare Benefits ($)	Out-placement Services ($)(12)
Disability	—	236,951(3)	86,951(5)	—	—	10,000	—	—
Retirement	—	—	—	—	—	—	—	—
Death	—	236,951(3)	86,951(5)	—	300,000	—	—	—
Without Cause	525,000(1)	236,951(3)	86,951(5)	—	—	—	12,232(10)	10,000
Voluntary Resignation for Good Reason	525,000(1)	—	—	—	—	—	12,232(10)	10,000
Change in Control (Termination by Us Without Cause or by Dr. Yi for Good Reason, within 1 year)	1,120,000(2)	1,054,327(4)	150,715(6)	—	—	—	24,463(11)	10,000
Change in Control (Without Termination)	—	—	—	—	—	—	—	—

(1) This amount represents severance equal to one and a half times Dr. Yi's base salary of $350,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 12 months after the date of his termination.

(2) This amount represents severance equal to two times the sum of Dr. Yi's base salary of $350,000 and target 2015 STIP payout of $210,000. He is entitled to this amount at the date of his termination if his termination (by us without cause or by him for good reason) occurred within one year following a change in control, in a lump sum after his Separation Agreement becomes effective.

(3) This amount represents the value, at December 31, 2015, of Dr. Yi's time-based RSUs granted under the 2014-2016 and 2015-2017 cycles that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Dr. Yi would forfeit eligibility to receive any payout of performance-based RSUs under the 2014-2016 and 2015-2017 cycles since a termination on December 31, 2015 would be prior to the second anniversary of the grant date for such awards. Because Dr. Yi joined the company in 2014, he was not eligible to participate in the 2013-2015 cycle. For time-based RSU awards, the amounts were prorated based on the portion of the vesting period that would have transpired prior to cessation of employment. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $203,869, representing the value of 4,157 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); and (b) $33,082, representing the value of 674 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, this amount also includes the value of Dr. Yi's options granted under the 2015-2017 cycle that would vest. Dr. Yi did not receive any option awards pursuant to the 2013-2015 or 2014-2016 cycles. Pursuant to the terms of the 2015-2017 cycle award, such options would vest on a pro rata basis, resulting in the accelerated vesting 2,176 options, with a value of $0. The value of accelerated options is the aggregate spread between the closing stock price on December 31, 2015 of $49.04 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(4) This amount represents the value, at December 31, 2015, of Dr. Yi's time-based and performance-based RSUs granted under the 2014-2016 and 2015-2017 cycles and options granted under the 2015-2017 cycle

that would vest upon termination (by us without cause or by him for good reason) within one year following a change in control. All performance-based RSU awards would be paid out at target. All RSU amounts include accrued dividend equivalents, which are paid out in the form of additional shares of common stock at the time, and only to the extent, that the awards vest. The value shown is comprised of: (a) $345,690, representing the value of 7,049 time-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (b) $321,576, representing the value of 6,557 performance-based RSUs granted under the 2014-2016 cycle (plus cash in lieu of a fractional share); (c) $129,020, representing the value of 2,630 time-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share); (d) $258,041 representing the value of 5,261 performance-based RSUs granted under the 2015-2017 cycle (plus cash in lieu of a fractional share) and (e) $0 representing the value of 8,483 options granted under the 2015-2017 cycle. The value of accelerated options is the aggregate spread between the closing stock price of $49.04 on December 31, 2015 and the exercise price of the options, if less than $49.04. The stock options granted for the 2015-2017 cycle were underwater at December 31, 2015.

(5) This amount represents the value upon termination due to disability, death or termination by the company without cause, at December 31, 2015, of 1,773 time-based RSUs (plus cash in lieu of a fractional share) from the pro rata vesting of a discretionary new hire RSU grant.

(6) This amount represents the value, at December 31, 2015, of an unvested discretionary new hire grant of 3,073 time-based RSUs (plus cash in lieu of a fractional share) that would vest in full upon termination (by us without cause or by Dr. Yi for good reason) within one year following a change in control.

(7) As of December 31, 2015, Dr. Yi had not made any contributions pursuant to the deferred compensation plan.

(8) This amount represents the payment prescribed under our basic term life insurance program, calculated as follows: 1.5 times base salary, up to a maximum of $300,000.

(9) This amount represents the actuarial present value of the monthly benefit that would become payable to Dr. Yi under our long-term disability plan in the event of his termination due to disability on December 31, 2015, calculated as follows: 66% of his monthly (pre-tax) base salary, up to $10,000.

(10) This amount represents the value of health coverage pursuant to COBRA for a period of one year after termination on terms and conditions comparable to those most recently provided to Dr. Yi as of December 31, 2015 pursuant to his employment agreement.

(11) This amount represents the value of health coverage pursuant to COBRA for a period of 24 months after termination on terms and conditions comparable to those most recently provided to Dr. Yi as of December 31, 2015 pursuant to his employment agreement.

(12) This amount represents the maximum amount payable by the company for outplacement services in the event of termination by the company without cause or termination by the NEO for good reason.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes the company's equity compensation plan information relating to the common stock authorized for issuance under the company's equity compensation plans as of December 31, 2015:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(2)
Equity compensation plans approved by InterDigital shareholders	1,902,692	$31.16	1,403,022
Equity compensation plans not approved by InterDigital shareholders(3)	—	$ —	—
Total	1,902,692	$31.16	1,403,022

(1) Column (a) includes 589,113 shares of common stock underlying outstanding time-based RSU awards and 891,141 shares of common stock underlying outstanding performance-based RSU awards, assuming a maximum payout of 200% of the target number of performance-based awards after the end of the applicable performance period, in each case including dividend equivalents credited. Because there is no exercise price associated with RSUs, these stock awards are not included in the weighted-average exercise price calculation presented in column (b). Dividend equivalents are paid in shares of common stock at the time, and only to the extent, that the related RSU awards vest.

(2) On June 4, 2009, the company's shareholders adopted and approved our 2009 Stock Incentive Plan (the "2009 Plan"), which provides for grants of stock options, stock appreciation rights, restricted stock, RSUs and incentive bonuses, and on June 12, 2014, the company's shareholders re-approved the material terms of the 2009 Plan. Amounts reported relate to the 2009 Plan.

(3) The company does not have any awards outstanding or shares remaining available for grant under equity compensation plans not approved by its shareholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

How many shares of the company's common stock do the directors, director nominees, executive officers and certain significant shareholders own?

The following table sets forth information regarding the beneficial ownership of the 34,663,945 shares of our common stock outstanding as of March 31, 2016, except as otherwise indicated below, by each person who is known to us, based upon filings with the SEC, to beneficially own more than 5% of our common stock, as well as by each director, each director nominee, each NEO and all directors and executive officers as a group. Except as otherwise indicated below and subject to the interests of spouses of the named beneficial owners, each named beneficial owner has sole voting and sole investment power with respect to the stock listed. None of the shares reported are currently pledged as security for any outstanding loan or indebtedness. If a shareholder holds options or other securities that are exercisable or otherwise convertible into our common stock within 60 days of March 31, 2016, pursuant to SEC rules, we treat the common stock underlying those securities as beneficially owned by that shareholder, and as outstanding shares when we calculate that shareholder's percentage ownership of our common stock. However, pursuant to SEC rules, we do not consider that common stock to be outstanding when we calculate the percentage ownership of any other shareholder.

	Common Stock	
Name	**Shares**	**Percent of Class**
Directors and Director Nominees:		
Jeffrey K. Belk	15,216	*
S. Douglas Hutcheson	4,147	*
John A. Kritzmacher	6,893	*
William J. Merritt(1)	169,772	*
Kai O. Öistämö	5,247	*
Jean F. Rankin	14,317	*
Robert S. Roath(2)	18,246	*
Philip P. Trahanas	—	—
Named Executive Officers:		
Richard J. Brezski(3)	38,793	*
Scott A. McQuilkin(4)	77,826	*
James J. Nolan(5)	63,923	*
Lawrence F. Shay(6)	72,377	*
Byung K. Yi(7)	5,319	*
All directors and executive officers as a group (14 persons)(8)	512,625	1.5%
Greater Than 5% Shareholders:		
BlackRock, Inc.(9) 55 East 52nd Street New York, New York 10055	3,137,093	8.9%
The Vanguard Group(10) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	2,512,776	7.1%

* Represents less than 1% of our outstanding common stock.

(1) Includes 55,287 shares of common stock that Mr. Merritt has the right to acquire through the exercise of stock options within 60 days of March 31, 2016 and 3,476 whole shares of common stock beneficially owned by Mr. Merritt through participation in the 401(k) Plan.

(2) Includes 13,214 shares of common stock that have vested but have been deferred by Mr. Roath.

(3) Includes 22,118 shares of common stock that Mr. Brezski has the right to acquire through the exercise of stock options within 60 days of March 31, 2016 and 1,904 whole shares of common stock beneficially owned by Mr. Brezski through participation in the 401(k) Plan.

(4) Includes 32,123 shares of common stock that Mr. McQuilkin has the right to acquire through the exercise of stock options within 60 days of March 31, 2016 and 1,446 whole shares of common stock beneficially owned by Mr. McQuilkin through participation in the 401(k) Plan.

(5) Includes 21,482 shares of common stock that Mr. Nolan has the right to acquire through the exercise of stock options within 60 days of March 31, 2016 and 3,456 whole shares of common stock beneficially owned by Mr. Nolan through participation in the 401(k) Plan.

(6) Includes 35,804 shares of common stock that Mr. Shay has the right to acquire through the exercise of stock options within 60 days of March 31, 2016 and 3,513 whole shares of common stock beneficially owned by Mr. Shay through participation in the 401(k) Plan.

(7) Includes 2,827 shares of common stock that Dr. Yi has the right to acquire through the exercise of stock options within 60 days of March 31, 2016 and 1,543 shares of common stock issuable to Dr. Yi upon the settlement of an RSU award that is scheduled to vest within 60 days of March 31, 2016.

(8) Includes: 182,490 shares of common stock that all directors and executive officers as a group have the right to acquire through the exercise of stock options within 60 days of March 31, 2016; 1,543 shares of common stock issuable to all directors and executive officers as a group upon settlement of RSU awards that are scheduled to vest within 60 days of March 31, 2016; 13,214 shares of common stock that have vested but have been deferred by all directors and executive officers as a group; and 13,795 whole shares of common stock beneficially owned by all directors and executive officers as a group through participation in the 401(k) Plan.

(9) As of December 31, 2015, based on information contained in the Schedule 13G/A filed on February 10, 2016 by BlackRock, Inc. With respect to the shares beneficially owned, BlackRock, Inc. reported that it has sole voting power with respect to 3,055,301 shares and sole dispositive power with respect to 3,137,093 shares.

(10) As of December 31, 2015, based on information contained in the Schedule 13G/A filed on February 10, 2016 by The Vanguard Group. With respect to the shares beneficially owned, the Vanguard Group reported that it has sole voting power with respect to 75,556 shares, shared voting power with respect to 2,100 shares, sole dispositive power with respect to 2,437,320 shares and shared dispositive power with respect to 75,456 shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The company has a written statement of policy with respect to related person transactions that is administered by the Audit Committee. Under the policy, a "Related Person Transaction" means any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) between the company (including any of its subsidiaries) and a related person, in which the related person had, has or will have a direct or indirect interest. A "Related Person" includes any of our executive officers, directors or director nominees, any shareholder owning in excess of 5% of our common stock, any immediate family member of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed as an executive officer or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest. Related Person Transactions do not include certain transactions involving only director or executive officer compensation, transactions where the Related Person receives proportional benefits as a shareholder along with all other shareholders, transactions involving competitive bids or transactions involving certain bank-related services.

Pursuant to the policy, a Related Person Transaction may be consummated or may continue only if:

- The Audit Committee approves or ratifies the transaction in accordance with the terms of the policy; or
- The chair of the Audit Committee, pursuant to authority delegated to the chair by the Audit Committee, pre-approves or ratifies the transaction and the amount involved in the transaction is less than $100,000, provided that, for the Related Person Transaction to continue, it must be approved by the Audit Committee at its next regularly scheduled meeting.

It is the company's policy to enter into or ratify Related Person Transactions only when the Audit Committee determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the company, including but not limited to situations where the company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or where the company provides products or services to Related Persons on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally.

In determining whether to approve or ratify a Related Person Transaction, the committee takes into account, among other factors it deems appropriate, whether the Related Person Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

During 2015, did all directors and officers timely file all reports required by Section 16(a)?

Based upon a review of filings with the SEC furnished to us and written representations that no other reports were required, we believe that during and with respect to 2015 all of our directors and officers timely filed all reports required by Section 16(a) of the Exchange Act.

Shareholder Proposals

How may shareholders make proposals or director nominations for the 2017 annual meeting?

Shareholders interested in submitting a proposal for inclusion in our proxy statement for the 2017 annual meeting may do so by submitting the proposal in writing to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727. To be eligible for inclusion in our proxy statement for the 2017 annual meeting, shareholder proposals must be received no later than December 26, 2016, and they must comply with all applicable SEC requirements. The submission of a shareholder proposal does not guarantee that it will be included in our proxy statement.

Our bylaws also establish an advance notice procedure with regard to nominations of persons for election to the Board and shareholder proposals that are not submitted for inclusion in the proxy statement but that a shareholder instead wishes to present directly at an annual meeting. Shareholder proposals and nominations may not be brought before the 2017 annual meeting unless, among other things, the shareholder's submission contains certain information concerning the proposal or the nominee, as the case may be, and other information specified in our bylaws, and we receive the shareholder's submission no earlier than March 10, 2017, and no later than April 9, 2017. However, if the date of our 2017 annual meeting is more than 30 days before or more than 60 days after the anniversary of our 2016 annual meeting, the submission and the required information must be received by us no earlier than the 90th day prior to the 2017 annual meeting and no later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which we first publicly announce the date of the 2017 annual meeting. Proposals or nominations that do not comply with the advance notice requirements in our bylaws will not be entertained at the 2017 annual meeting. A copy of the bylaws may be obtained on our website at *http://ir.interdigital.com* under the heading "Corporate Governance – CG Documents," or by writing to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727.

Proxy Solicitation Costs and Potential Savings

Who pays for the proxy solicitation costs?

We will bear the entire cost of proxy solicitation, including preparation, assembly, printing and mailing of the Notice, this proxy statement, the proxy card and any additional materials furnished to shareholders. Copies of proxy solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. In addition, we may reimburse such persons for their cost of forwarding the solicitation materials to such beneficial owners. Our directors, officers or regular employees may supplement solicitation of proxies by mail through the use of one or more of the following methods: telephone, email, telegram, facsimile or personal solicitation. No additional compensation will be paid for such services. For 2016, we have also engaged Alliance Advisors, LLC, a professional proxy solicitation firm, to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners for an anticipated fee of not more than $10,000.

What is "householding" of proxy materials, and can it save the company money?

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single annual report and proxy statement to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. Although we do not household for registered shareholders, a number of brokerage firms have instituted householding for shares held in street name, delivering a single set of proxy materials to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, now or in the future, you no longer wish to participate in householding and would prefer to receive a separate Notice or annual report and proxy statement, please notify us by calling (302) 281-3600 or by sending a written request to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727, and we will promptly deliver a separate copy of our Notice or annual report and proxy statement, as applicable. If you hold your shares in street name and are receiving multiple copies of the Notice or annual report and proxy statement and wish to receive only one, please notify your broker.

Annual Report on Form 10-K

How can I receive the annual report?

We will provide to any shareholder without charge a copy of our 2015 annual report on Form 10-K upon written request to our Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727. Our annual report booklet and this proxy statement are also available online at *http://ir.interdigital.com/annuals-proxies.cfm.*

Other Business

Will there be any other business conducted at the annual meeting?

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to in this proxy statement. If any other matter is properly brought before the annual meeting for action by shareholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

Calculation of Normalized Cash Flow for 2015 STIP Goal

	For the Year Ended 12/31/15 ($, in thousands)	
GOAL—Normalized Cash Flow		
Total cash receipts	$408,025	
Adjustment to normalize cash inflow (1)	57,475	
Normalized Cash Receipts		**465,500**
Total Operating Expenses	232,886	
Less Defined Non-Cash Expenses (2)		
Depreciation and amortization	(47,793)	
Other share-based compensation	(2,090)	
Add Capital Expenditures		
Purchases of property and equipment	3,700	
Capitalized patent costs	29,766	
Less Additional Items (3)		
Performance-based compensation	(32,312)	
Intellectual property enforcement and non-patent litigation	(32,700)	
Repositioning	—	
Net loss attributable to noncontrolling interest	(2,831)	
Normalized Expenses		**148,626**
Normalized Cash Flow—Actual		**$316,874**
Normalized Cash Flow—Goal		**$260,000**
Total Achievement STIP Goal (4)		**163%**

(1) As discussed in "Compensation Discussion and Analysis," we normalize the cash inflow under our license agreements to treat all licensing revenue as if it were negotiated as royalty bearing over the life of the agreement.

(2) Defined non-cash expenses include depreciation, patent amortization, and other share-based compensation (i.e. share- based awards other than those granted to employees under the LTCP).

(3) As discussed in "Compensation Discussion and Analysis," we also exclude certain items that (a) make the calculation iterative (e.g., performance-based compensation) or (b) are non-operational (e.g., intellectual property enforcement costs) or non-recurring (e.g., repositioning costs) in nature.

(4) As discussed in "Compensation Discussion and Analysis," goal achievement is calculated using straight-line interpolation between the target achievement level (which was between $235 million and $260 million of normalized cash flow) and the superior achievement level ($350 million of normalized cash flow), with a maximum potential goal achievement of 200%.

Calculation of Normalized Cash Flow for 2013-2015 LTCP Goals

	For the Three Years Ended 12/31/15 ($, in thousands)	
GOAL 1—Normalized Cash Flow not Including Patent Sales		
Total Cash Receipts	$1,409,556	
Less cash receipts from patent sales	(5,999)	
Adjustment to normalize cash inflow (1)	(168,557)	
Normalized Cash Receipts not Including Patent Sales		**1,235,000**
Total Operating Expenses	720,352	
Less Defined Non-Cash Expenses (2)		
Depreciation and amortization	(123,424)	
Other share-based compensation	(8,943)	
Add Capital Expenditures		
Purchases of property and equipment	15,386	
Capitalized patent costs	95,755	
Less Additional Items (3)		
Performance-based compensation	(90,848)	
Intellectual property enforcement and non-patent litigation	(160,600)	
Repositioning	(1,544)	
Net loss attributable to noncontrolling interest	(8,235)	
Normalized Expenses		**437,899**
Normalized Cash Flow not including Patent Sales—Actual		**$ 797,101**
Normalized Cash Flow not including Patent Sales—Goal		**$1,054,000**
Achievement—Goal 1		76%
Weighting—Goal 1		80%
Weighted Contribution—Goal 1		61%
GOAL 2—Normalized Cash Flow from Patent Sales		
Cash receipts from Patent Sales	5,999	
Cash Flow from Patent Sales—Actual (4)		**$ 5,999**
Cash Flow from Patent Sales—Goal		**$ 100,000**
Achievement—Goal 2		6%
Weighting—Goal 2		20%
Weighted Contribution—Goal 2		1%
Total Achievement 2013-2015 LTCP Goals		**62%**

(1) As discussed in "Compensation Discussion and Analysis," we normalize the cash inflow under our license agreements to treat all licensing revenue as if it were negotiated as royalty bearing over the life of the agreement.

(2) Defined non-cash expenses include depreciation, patent amortization, and other share-based compensation (i.e. share- based awards other than those granted to employees under the LTCP).

(3) As discussed in "Compensation Discussion and Analysis," we also exclude certain items that (a) make the calculation iterative (e.g., performance-based compensation) or (b) are non-operational (e.g., intellectual property enforcement costs) or non-recurring (e.g., repositioning costs) in nature.

(4) No normalization of the cash receipts from patent sales was required. Normalization of expenses was captured in Goal 1 calculation.

BOARD OF DIRECTORS

S. DOUGLAS HUTCHESON
Chairman of the Board, InterDigital, Inc.
Chief Executive Officer, Laser, Inc.

JEFFREY K. BELK
Managing Director, ICT168 Capital, LLC

JOHN A. KRITZMACHER
Executive Vice President and Chief Financial Officer, John Wiley & Sons, Inc.

WILLIAM J. MERRITT
President and Chief Executive Officer, InterDigital, Inc.

KAI O. ÖISTÄMÖ
Former Executive Vice President, Chief Development Officer, Nokia Corporation

JEAN F. RANKIN
Former Executive Vice President, General Counsel and Secretary, LSI Corporation

ROBERT S. ROATH
Retired Chief Financial Officer, RJR Nabisco, Inc.

PHILIP P. TRAHANAS
Former Managing Director, General Atlantic LLC

EXECUTIVE OFFICERS

WILLIAM J. MERRITT
President and Chief Executive Officer

RICHARD J. BREZSKI
Chief Financial Officer and Treasurer

JANNIE K. LAU
Executive Vice President, General Counsel and Secretary

SCOTT A. MCQUILKIN
Senior Executive Vice President, Innovation

JAMES J. NOLAN
Executive Vice President, IoT Solutions

LAWRENCE F. SHAY
Senior Executive Vice President, Future Wireless, and Chief Intellectual Property Counsel

SHAREHOLDER INFORMATION

ANNUAL MEETING OF SHAREHOLDERS
Wednesday, June 8, 2016
11:00 a.m. Eastern Time
IDCC.onlineshareholdermeeting.com

COMMON STOCK INFORMATION
The primary market for InterDigital's common stock is the NASDAQ Global Select Market®. InterDigital trades under the ticker symbol "IDCC".

REGISTRAR AND TRANSFER AGENT
Shareholders with questions concerning stock certificates, shareholder records, account information, dividends, or stock transfers should contact InterDigital's transfer agent:

American Stock Transfer & Trust Company, LLC
Operations Center
6201 15th Avenue
Brooklyn, New York 11219
+1 800 937 5449
http://www.amstock.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania

INVESTOR RELATIONS
Patrick Van de Wille
Chief Communications Officer
+1 858 210 4814
e-mail: patrick.vandewille@InterDigital.com

LOCATIONS

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1000 Sherbrooke Street West, 10th Floor
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H3A 3G4

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London, England
EC2A 3QR

Two Huntington Quadrangle, 4th Floor
Melville, New York 11747

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San Diego, California 92121

(Yeoksam-dong) 21-6
Teheran-ro 34-gil
Gangnam-gu, Seoul
South Korea

Corporate Information is as of April 14th, 2016.
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CREATING THE LIVING NETWORK

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