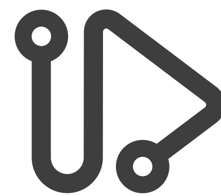


2020

interdigital™

WE INVENT THE TECHNOLOGIES THAT MAKE LIFE BOUNDLESS

Annual Report 2020
Notice of 2021 Annual Meeting and Proxy Statement
InterDigital, Inc.

RESILIENCE... AND TRANSITION

We've always taken great pride in InterDigital as a company. We're proud of the research we do and the positive impact of the industries that we contribute our research to – industries that connect people to each other and to the experiences that make for a richer life. We're proud of our business model, which capitalizes on that research to drive new revenue opportunities without a corresponding increase in expense. We're very proud of our licensing practices: in an industry where there's enormous debate about the correct way to go about licensing, InterDigital is an unquestioned thought leader and example for others to follow.

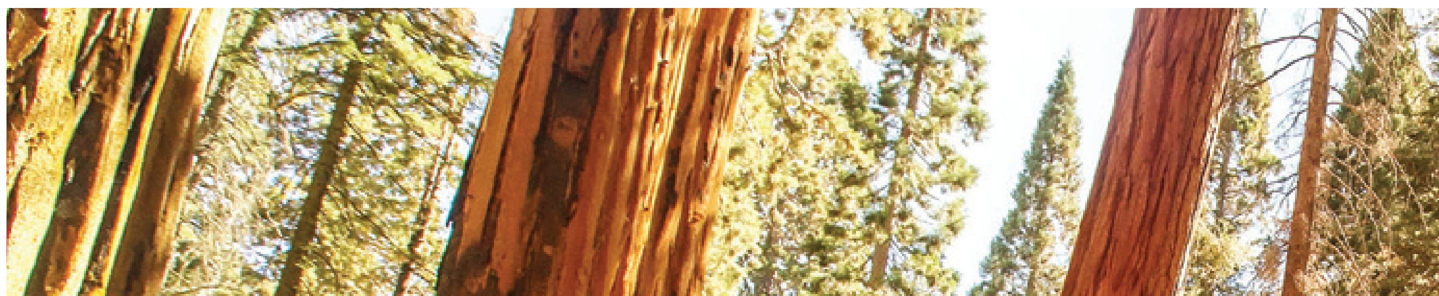
But 2020 gave us another reason to be proud: our resilience. There's no point in belaboring the effects of COVID on our lives; the challenges were global, the effects far-reaching, and the impact enormous. Amidst these challenges, InterDigital was able to shine both on the business front and on the human front.

Let's start with the human front - if the events of the past year have taught us anything, it's been to understand and celebrate the importance of our lives, those of our loved ones, and embrace our social role. As soon as there was some discussion that COVID might pose a concern, InterDigital began planning, putting our technology tools in place, and accelerating what was needed to operate in a fully remote environment. We ran remote work tests well before any mandated shutdown in our various locations and were able to apply the lessons learned so that, when we did transition, everything would be smooth. And that transition was essentially seamless. Our adjustment to COVID did not result in a slowdown in the business. On the contrary, shortly after the shutdown we were able to announce a new license agreement with Huawei.

2020 was a strong year for licensing generally, with the Huawei agreement joined by several other smaller agreements on the consumer electronics licensing side. InterDigital has always innovated in licensing, and in January 2020 the company took an additional step in its industry leadership by launching a comprehensive web presence that provided our licensing philosophy, FRAND interpretation, major portfolio metrics as well as our rate structure – a first for an industry major player. The move was heralded as a new step in transparency: as Intellectual Asset Management noted in their report, "As licensing opportunities continue to proliferate for wireless SEP owners, the question now is will any others follow its lead and, if not, why?"

On the research side, despite COVID, we were able to demonstrate remarkable firsts in visual and wireless technology, including the launch of an AI-powered compression platform and, remarkably, the demonstration with key partners of a platform featuring wireless transmission at >100GB/second – more than 100 times faster than 5G – with the potential for even higher speeds. Our technology and thought leadership efforts in 6G were underscored by our hosting (with our partner Northeastern University) of the first broad, global 6G virtual conference, the 6G Symposium, which drew thousands of participants from around the world.

Research and development and licensing are the most visible aspects of our company, but in recent years InterDigital



has made enormous strides to strengthen every aspect of our operations. Our finance processes have been strengthened, and we've launched a comprehensive ESG program. Corporate development and strategy, under the leadership of Eric Cohen, has put in place a tremendous long-term strategy that ties together every aspect of our company. The addition in 2020 of Eeva Hakoranta to head licensing and of Steve Akerley to head litigation has made us much more powerful in enforcing and securing the value of our portfolio.

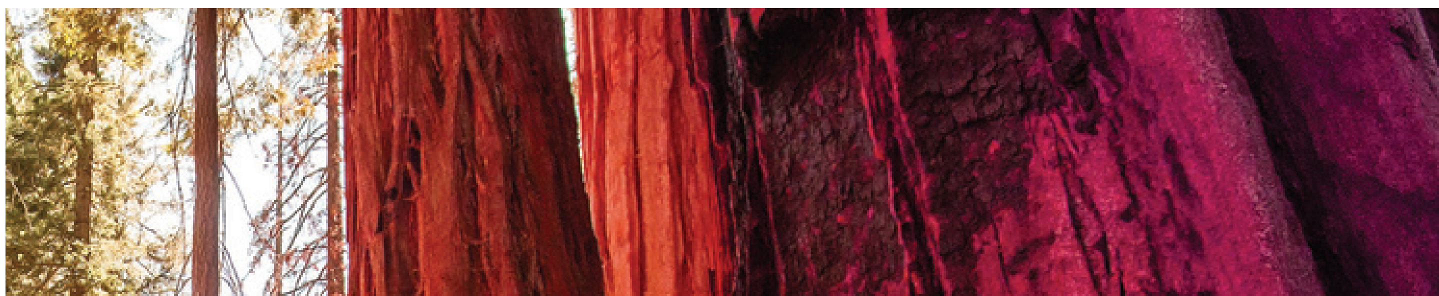
Finally, in early 2021 and after 25 years at the company and 16 years as President and CEO, Bill Merritt decided to step down. Bill took over a company in 2005 that had less than $30 million in cash, and where the only bright spot was the licensing program that he'd created. In 2021, he leaves a company with a near-billion-dollar balance sheet that has returned almost $1.7 billion to shareholders during his tenure, recognized leadership in three successive generations of mobile standards, an expanded technology footprint, and the strongest executive team in the company's history. More than that, Bill was – and is – passionate about the role InterDigital plays in our industry, about the company's contributions to seminal technology, and about our role as an unquestioned leader in fair licensing.

Bill's retirement was a long-planned move, and the Board of Directors were equally deliberate in finding someone who could bring that same mix of market understanding, licensing and technology experience, and – crucially – enthusiasm for the company and the role it plays in our ecosystem. We found that in Liren Chen, who brings more than two decades of experience with our industry's licensing and technology leaders and a deep understanding of the technological, legal, and business ramifications of standards development and licensing.

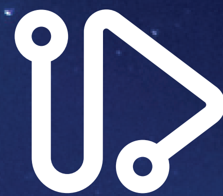
Today, InterDigital is addressing more markets than ever before. Our research is increasingly strong. Our licensing efforts are more robust and focused. And we're implementing best practices in every area, from employee engagement to governance to back-office processes. Our strategy is in place, our execution path clear, and we're excited to translate that into value for shareholders.

S. DOUGLAS HUTCHESON
Chairman of the Board

LIREN CHEN
President and Chief Executive Officer



AS THE PRODUCT WORLD BEGINS TO ROLL OUT 5G AND NEW VIDEO STANDARDS, CREATING A LICENSING OPPORTUNITY TODAY FOR THE COMPANY, THE RESEARCH WORLD IS TURNING ITS ATTENTION TO 6G AND ADVANCED VIDEO CAPABILITIES, AND THE ROLE OF ARTIFICIAL INTELLIGENCE IN BOTH.



INTERDIGITAL IS FOCUSED ON THESE AREAS, DRIVING OPPORTUNITY FOR THE FUTURE.

A YEAR UNLIKE ANY OTHER, AND A NEW ROLE FOR TECHNOLOGY

2020 was a year unlike any we'd seen. Protests in Europe, America, and Hong Kong, among other places, highlighted the challenges we continue to face as a society – as well as the pivotal role that the intersection of wireless and video technology can have in bringing these issues to the attention of the world. COVID took hold and underscored the importance of being able to operate effectively, anytime, anywhere, often in virtual environments. On-screen realities – in gaming, in entertainment, in business, in interpersonal communications – became the norm. All of this highlighted the vital interpersonal and social role our technologies play.

It also brought into stark relief some of the inequalities and injustices that we see in our society. In some of the areas where we operate, the cell phone was the only means of internet access, sometimes for entire families. Schools closed and children were sent home to go to school virtually… often in situations where there was a single computer or even just a cell phone for multiple children. Some visual entertainment or work options weren't available to people, and they were left resourceless and alone.

InterDigital has always believed in the importance of our technology development, and in the role of standards and licensing in bringing those technologies to the very broadest audience possible. 2020 took that from being something we believed in and made it the core of our mission.

InterDigital: We Invent Technologies that Make Life Boundless

A decade ago, as the world was beginning to roll out 4G LTE, InterDigital was hard at work on the set of technologies that would become 5G. In 2020, as the world began the rollout of 5G in earnest – despite the shockwaves and slowdowns associated with COVID – InterDigital began to ramp up its efforts on the technologies that would shape markets in a decade.

The most obvious example is 6G, which is variously being referred to as B5G ("Beyond 5G") or Next G. In October, InterDigital joined the ATIS Next G Alliance as a Founding Member. The group is committed to ensuring that the U.S. is prepared for the next generation of wireless and includes North American industry leaders like AT&T, Bell Canada, Ciena, Ericsson, JMA Wireless, Nokia, Qualcomm Technologies Inc., Samsung, TELUS, Telnyx, T-Mobile, US Cellular, and Verizon.

While InterDigital is developing some key 6G technologies – contributing, for instance, to the development of a 100GB/sec platform as a key part of the EPIC Consortium – a great deal of the current 6G landscape is thought leadership: discussions to define the scope and focus of this future technology. InterDigital's own Alan Carlton and Alain Mourad presented compelling 6G roadmaps at scientific conferences in 2020, and in October InterDigital co-hosted the first 6G Symposium with partner Northeastern University. The 6G Symposium attracted thousands of participants from around the world and featured FCC Chairman Ajit Pai and Dr. Walter Copan, Under Secretary of Commerce for Standards and Technology and Director of the National Institute of Standards and Technology (NIST).

While the focus is turning to 6G, there remains a lot of work to do with existing technologies. In January, InterDigital announced our participation in the 5G-CLARITY project, designed to lay the framework for integration of 5G New Radio, Wi-Fi, and LiFi in private networks – a growing use case. And in February, InterDigital was awarded a Specialist Task Force (STF) contract to develop a publicly accessible "edge sandbox" environment for the European Telecommunications Standards Institute (ETSI). The Multi-Access Edge Computing (MEC) Sandbox, an online edge emulation environment, is designed to help application developers learn and experiment with MEC Service Application Programming Interfaces (APIs).

Technology has always been about capabilities and innovations, but some technology observers are beginning to examine the broader impact of humankind's tech footprint. So, in November, InterDigital introduced a new sustainability initiative to drive awareness and discussion of the energy footprint of wireless, video, and future innovative technologies. The microsite launched with white papers by key partners like ABI Research, Futuresource, and Mobile World Live on the energy footprint of the wireless and visual technology industries and has grown to feature research reports, industry surveys, webinars, and other content dedicated to driving discussion around greater energy sustainability in tech.

In perfect alignment with that focus on sustainability, December saw the finalization of the Versatile Video Coding (VVC) and Video-based Point Cloud Compression (V-PCC) video standards at MPEG, which our engineers played a key role. The new VVC standard improves high-efficiency video coding (HEVC) performance by 50% - an important metric, as video climbs to upwards of 80% of mobile traffic – while V-PCC represents the first MPEG compression standard for dynamic point cloud content for immersive video experiences like AR telepresence and free viewpoint TV. Another key moment in the year for video technology was the September release of CompressAI, a software platform to simplify and accelerate AI-based video compression research that allows researchers to quickly design, train, test, and evaluate AI-based codecs.

TOWARDS A NEW GENERATION

FINANCIAL HIGHLIGHTS

	2018	2019	2020
TOTAL REVENUE	$307.4	$318.9	$359.0
INCOME FROM OPERATIONS	62.6	37.8	55.2
NET INCOME	59.5	15.0	37.9
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	65.0	20.9	44.8
NET INCOME PER COMMON SHARE – DILUTED	$1.84	$0.66	$1.44
TOTAL CASH, CASH EQUIVALENTS, RESTRICTED CASH & SHORT TERM INVESTMENTS	959.5	936.3	930.8
TOTAL ASSETS	1626.6	1612.1	1616.3
TOTAL INTERDIGITAL, INC. SHAREHOLDERS' EQUITY	936.7	761.6	773.4
TOTAL EQUITY	938.0	786.3	796.6

IN MILLIONS, EXCEPT FOR PER SHARE DATA

CREATE
CONNECT
LIVE
inspire

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 potential avenues for continued growth, including licensing opportunities, our beliefs regarding our ability to increase shareholder value, and the future of 6G, artificial intelligence and related emerging technologies 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.

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, 2020

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	**82-4936666**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727
(Address of Principal Executive Offices and Zip Code)
Registrant's telephone number, including area code (302) 281-3600

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value $0.01 per share)	IDCC	NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐

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: $1,730,267,697 as of June 30, 2020.

The number of shares outstanding of the registrant's common stock was 30,828,895 as of February 16, 2021.

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 2021 annual meeting of shareholders are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

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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.

EXPLANATORY NOTE ABOUT INTERDIGITAL, INC.

On April 3, 2018, for the purpose of reorganizing its holding company structure, InterDigital, Inc., a Pennsylvania corporation and then-existing NASDAQ-listed registrant (the "Predecessor Company"), executed an Agreement and Plan of Merger ("Merger Agreement") with InterDigital Parent, Inc., a Pennsylvania corporation (the "Successor Company") 100% owned by the Predecessor Company, and another newly formed Pennsylvania corporation owned 100% by the Successor Company ("Merger Sub"). Pursuant to the Merger Agreement, on April 3, 2018, Merger Sub merged (the "Merger" or "Reorganization") with and into the Predecessor Company, with the Predecessor Company surviving. As a result of the Merger, the Predecessor Company is now a wholly owned subsidiary of the Successor Company. Neither the business conducted by the Successor Company and the Predecessor Company in the aggregate, nor the consolidated assets and liabilities of the Successor Company and the Predecessor Company in the aggregate, changed as a result of the Reorganization. By virtue of the Merger, each share of the Predecessor Company's outstanding common stock was converted, on a share-for-share basis, into a share of common stock of the Successor Company. As a result, each shareholder of the Predecessor Company became the owner of an identical number of shares of common stock of the Successor Company. Immediately following the Reorganization, the Successor Company was renamed as "InterDigital, Inc.," identical to the Predecessor Company's name prior to the Merger. The Successor Company's common stock continues to be traded under the name "InterDigital, Inc." and continues to be listed on the NASDAQ Global Select Market under the ticker symbol "IDCC." In addition, immediately following the Merger the directors and executive officers of the Successor Company were the same individuals who were directors and executive officers, respectively, of the Predecessor Company immediately prior to the Merger.

For the purpose of this Annual Report on Form 10-K, references to the Company, our Board of Directors or any committee thereof, or our management, employees, business or financial results at or for any period prior to the Merger refer to those of the Predecessor Company and thereafter to those of the Successor Company.

PART I

Item 1. *BUSINESS.*

Overview

InterDigital, Inc. (“InterDigital”) is a research and development company that licenses its innovations to the global wireless and consumer electronics industries. We design and develop advanced technologies that enable connected, immersive experiences in a broad range of communications and entertainment products and services. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in wireless products and networks, from the earliest digital cellular systems to 5G and, today, solutions that we believe will shape the world beyond 5G. With the acquisition of the patent licensing business of visual technology industry leader Technicolor SA (“Technicolor”) in 2018 (the “Technicolor Patent Acquisition”), followed by the acquisition of their Research & Innovation unit in 2019 (the “R&I Acquisition” and, together with the Technicolor Patent Acquisition, the “Technicolor Acquisitions”), we are now a leader in video processing, encoding/decoding, and display technology, with a significant Artificial Intelligence (“AI”) research effort that intersects with both wireless and visual technologies.

InterDigital is one of the largest pure research & development and licensing companies in the world, with one of the most significant patent portfolios in the wireless and video industries. As of December 31, 2020, InterDigital’s wholly owned subsidiaries held a portfolio of approximately 28,000 patents and patent applications related to wireless communications, video coding, display technology, and other areas relevant to the wireless and consumer electronics industries. Our portfolio includes numerous patents and patent applications that we believe are or may be essential or may become essential to standards established by many Standards Development Organizations (“SDOs”), including cellular and other wireless communications and video technology standards. Those wireless standards include 3G, 4G and the IEEE 802 suite of standards, as well as patents and patent applications that we believe are or may become essential to 5G standards that currently exist and as they continue to develop. Our video technology portfolio includes patents and applications relating to standards established by ISO/IEC Moving Picture Expert Group (MPEG), the ITU-T Video Coding Expert Group (VCEG), the Joint Collaborative Team on Video Coding (JCT-VC) and the Joint Video Expert Team (JVET), among others.

Our wireless portfolio has largely been built through internal development, supplemented by joint development projects with other companies, and select acquisitions of patents and companies. Products incorporating our patented inventions in wireless include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; wireless infrastructure equipment, such as base stations; components, dongles and modules for wireless devices; and Internet of Things (“IoT”) devices and software platforms. Our video technology portfolio largely represents patents and applications that InterDigital obtained through the Technicolor Patent Acquisition, supplemented by internal development. Our patented inventions in video are incorporated in a range of products and services, including cellular phones, notebook computers, televisions, gaming consoles, set-top boxes, streaming devices and other consumer electronics.

InterDigital derives revenues primarily from patent licensing, with contributions from patent sales, product sales, technology solutions licensing and sales and engineering services. In 2020, our total revenues were $359.0 million, including recurring revenues of $336.8 million, which consisted of current patent royalties and current technology solutions revenue. In 2019, our total revenues were $318.9 million, which consisted of recurring revenues of $298.2 million. 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 Consolidated 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 innovator, designer and developer of technology solutions for the wireless and consumer electronics industries and to monetize those solutions and innovations primarily through licensing.

To execute our strategy, we intend to:

- ***Continue to invest in advanced research and development.*** We intend to build upon our leading position in advanced wireless technology, video coding, IoT, AI, and other related technology areas by growing our investment in our industry-leading research and development organization, actively participating in SDOs and other industry consortia, and partnering with leading inventors and industry players to source and develop new technologies and grow our worldwide patent portfolio.
- ***Grow our patent-based revenue.*** We intend to grow our licensing revenue base by adding licensees and leveraging the size of the overall mobile technology market, expanding our licensing revenue in the consumer electronics market, and expanding into adjacent and new technology areas that align with our intellectual property position. These licensing efforts may be direct or executed in conjunction with licensing partnerships, trusts and other efforts, and may require the enforcement and defense of our intellectual property through litigation and other means.
- ***Maintain a collaborative relationship with key industry players and worldwide standards bodies.*** We intend to continue contributing to the ongoing process of defining wireless, video and other 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 help guide technology and intellectual property sourcing through partners and other external sources.
- ***Pursue commercial opportunities for our advanced platforms and solutions.*** As part of our ongoing research and development efforts, InterDigital often creates entire functioning platforms in various technology areas that incorporate our proprietary innovations. We also believe that our advanced capabilities in visual technologies will continue to result in developing solutions that can be implemented in adjacent industries, such as content production, gaming, and other areas. We will 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.

Technology Research and Development

InterDigital R&I

InterDigital operates a diversified research and development operation, InterDigital Research & Innovation (“InterDigital R&I”). InterDigital R&I was created through the combination of InterDigital’s research team with Technicolor’s R&I team that was acquired in the R&I Acquisition.

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. That early involvement, and our continued development of advanced digital wireless 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. With the completion of the Technicolor Acquisitions, InterDigital R&I is a leader in key video technologies, including emerging technologies such as immersive video and AI-based video coding. Our current research efforts are focused on a variety of areas related to future technology and devices, including cellular wireless technology, advanced video coding and transmission, and AI.

Our capabilities in the development of advanced technologies are based on the efforts of a highly specialized engineering team, leveraging leading-edge equipment and software platforms. As of December 31,

2020, InterDigital employed approximately 300 engineers, approximately 89% of whom hold advanced degrees (including 108 doctorate degrees). Over the last three years, investment in development has ranged from $69.7 million to $84.6 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.

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. Many of our inventions are being used in all 2G, 3G, 4G and 5G wireless networks and mobile terminal devices. We also continue to be engaged in development efforts to build and enhance our 3GPP (as defined herein) technology portfolio in areas including 5G NR, Beyond 5G (B5G), Extended Reality (XR) over wireless, and cellular IoT. Further, we continue to develop additional technologies in response to existing or perceived challenges of connected devices in the expanding terminal markets. The technologies we develop are essential for a variety of connected devices such as automobiles, wearables, smart homes, drones and other connected consumer electronic products. We are developing solutions that enable connectivity in both licensed and unlicensed spectrum, and across a large range of frequencies up to the terahertz (THz) wave bands.

Our wireless research and development activities focus on solutions that apply to cellular wireless standards, including 3G, 4G and 5G technologies (sometimes referred to as "3GPP") and other wireless market segments. Segments outside of 3GPP primarily fall within the scope of the IEEE 802, IETF and ETSI standards. We continue to grow a portfolio of technology related to Wi-Fi, Internet Standards, and Edge Computing, that includes, for example, improvements to the IEEE 802.11 PHY and MAC to increase peak data rates (802.11be—Extremely High Throughput), cloud gaming, and terminal mobility for edge and fog computing services.

Advanced Video Coding and Transmission Technology

An important and growing segment of wireless traffic is devoted to video streaming. InterDigital has been active for a number of years in developing advanced technologies that address the challenges of video as it relates to mobile, and we further enhanced our capabilities in this area with the completion of the R&I Acquisition. Specifically, in the area of video research and standards, we have been actively engaged in video standards development work in the ISO/IEC Moving Picture Expert Group (MPEG), the ITU-T Video Coding Expert Group (VCEG), the Joint Collaborative Team on Video Coding (JCT-VC) and the Joint Video Expert Team (JVET). Those efforts have focused on H.265/HEVC versions 1 to 4 and MPEG DASH, as well as development of the FVC/H.266 and the MPEG Immersive (MPEG-I) standards suite for the future. Beyond standards, InterDigital R&I is conducting research in groundbreaking areas such as immersive video, augmented and mixed reality, and other emerging technologies.

Artificial Intelligence

In addition to our historical work in major wireless standards that integrate some AI capabilities, the R&I Acquisition brought an advanced AI lab to InterDigital that is researching a variety of aspects of AI that intersect with video and wireless technology. Those areas of research include: energy-efficient deep learning, aimed at reducing the energy-intensive rollout of AI into specific service areas; deep video compression, seeking to design novel video codecs based on deep learning techniques and optimized for different use cases (e.g., machine vision); AI for dynamic wireless environments, focused on learning and optimizing wireless systems, particularly when channel characteristics are highly dynamic; and explainable or interpretable AI, addressing weaknesses in neural networks in providing transparency and generating trust.

Patent Portfolio; R&D Facilities

As of December 31, 2020, our patent portfolio consisted of approximately 28,000 patents and patent applications worldwide. The patents and applications comprising our portfolio relate predominantly to cellular

wireless standards, including 3G, 4G and 5G technologies, other wireless standards, including 802.11 (Wi-Fi) technology, and a variety of video technologies and standards, such as HEVC and VVC. Our issued patents expire at differing times ranging from 2021 through 2040. We currently operate seven research and development facilities in five countries: Berlin, Germany; Conshohocken, Pennsylvania, USA; London, United Kingdom; Montreal, Canada; New York, New York, USA; Palo Alto, California, USA; and Rennes, France.

Our Revenue Sources

Patent-Based Revenue

Overview of Patent Licenses

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 Apple Inc. ("Apple"), Huawei Investment & Holding Co., Ltd. ("Huawei"), Google LLC ("Google"), LG Electronics, Inc. ("LG"), Samsung Electronics Co., Ltd. ("Samsung"), Sony Corporation of America ("Sony"), and ZTE Corporation ("ZTE"), among others.

We have striven to be recognized within the licensing industry for the transparency of our business, fairness and flexibility of our approach, and our willingness to work with licensees. In furtherance of this objective, in January 2020, we made publicly available our rates, portfolio data and licensing policies with regard to mobile handsets, potentially setting a new industry standard for transparency in licensing.

Most of our patent license agreements are structured on a variable royalty basis, while others are structured on a fixed-fee 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).

Some of our patent licenses are fixed-fee agreements, 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 become paid-up based on the payment of fixed amounts or after the payment of royalties for a term.

Some of our 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. 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.

For a discussion of our revenue recognition policies with respect to patent license agreements, see "Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Critical Accounting Policies and Estimates—Revenue Recognition—Patent License Agreements*."

Licensing Through Platforms

As part of the Technicolor Patent Acquisition, we assumed Technicolor's rights and obligations under a joint licensing program with Sony relating to digital televisions ("DTVs") and standalone computer display monitors ("CDMs") (such program, the "Madison Arrangement"), including Technicolor's role as sole licensing agent. Under the Madison Arrangement, Technicolor and Sony combined portions of their respective DTV and CDM patent portfolios and created a combined licensing opportunity to DTV and CDM manufacturers. As licensing agent for the Madison Arrangement, we are responsible for making decisions regarding the prosecution and maintenance of the combined patent portfolio and the licensing and enforcement of the combined patent portfolio in the field of use of DTVs and CDMs. Refer to Note 5, "*Business Combinations and Other Transactions*," within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information about the Madison Arrangement.

In third quarter 2016, InterDigital joined Avanci, the industry's first marketplace for the licensing of cellular standards-essential technology for the IoT. The licensing platform brings together some of InterDigital's peers in standards-essential technology leadership, and makes 2G, 3G, 4G and 5G standards-essential patents available to IoT players in specific product segments with one flat-rate license. The Avanci licensing programs in specific product segments for the IoT industry will provide access to the entire applicable standards-essential wireless patent portfolios held by all of the platform participants, as well as any additions to their portfolios during the term of the license. Since December 2017, Avanci has announced signed patent license agreements with BMW Group, Audi and Porsche, the Volkswagen Group Companies and Volvo Cars.

During first quarter 2020, Sisvel International N.A. announced that it had launched a licensing program covering VP9 and AV1 video coding formats, which we have agreed to join as a licensor.

Patent Sales

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 Opportunities

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 all of its technology areas, InterDigital works 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. Those commercial efforts sometimes include the establishment of a separate commercial initiative focused on the specific opportunity. Although these initiatives are in their early stages, they are potential revenue opportunities for the Company.

In 2012, we formed 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. This joint venture was renewed in 2015 with its focus expanded to include advanced research and development into 5G and future wireless technologies, and further renewed in 2018 and is scheduled to expire at the end of 2021. As of December 31, 2020, Convida Wireless owned 2,100 patents and patent applications worldwide, which expire at different times ranging from 2021 through 2040.

Overview of Wireless Communications and Consumer Electronics Industries

The wireless communications industry continues to be one of the most impactful worldwide, and the number of devices and device types entering the market is growing. For example, despite the temporary impact on market rollout due to COVID-19, the introduction of 5G wireless networks is expected to drive a significant upgrade cycle for mobile phones, and 5G technology is expected to be implemented in an expanding range of products. In particular, IoT is an important new market that is expected to result in a significant increase in the number of connected devices worldwide and unlock new business capabilities. According to Transforma Research, at the end of 2019, there were 7.7 billion active IoT devices, a figure which will grow to 25.4 billion in 2030, a compound annual growth rate (CAGR) of 11%. Public networks, which are dominated by cellular networks, will grow from 1.2 billion connections to 6.0 billion in 2030, growing market share from 16% to 23%.

In addition to connectivity technology, demand remains robust for devices in the broader consumer electronics industry, including TV displays, computer displays, set-top boxes, gaming consoles, wireless assistants, headphones, wearables, smart home devices, and other types of consumer electronic devices that implement video, wireless technology, or a combination of both. The consumer electronics industry is also experiencing significant change, as technology-enabled services such as video streaming and 4K UHD video are being adopted globally.

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. Industry 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 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. The consumer electronics industry also implements many of the same standards, including standards related to Wi-Fi and increasingly, cellular technologies, as well as a broad range of video coding standards that are governed by regional and global SDOs.

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 industry standardized technologies such as, for example, 3G, 4G, 5G, Wi-Fi and HEVC. In doing this, we generally rely on the positions of the applicable SDOs in defining the relevant standards. However, the definitions may evolve or change over time, including after we have characterized certain transactions.

Business Activities

2020 Patent Licensing Activity

Direct Licenses

During first quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty bearing patent license agreement with Fairphone B.V. ("Fairphone"). The agreement covers Fairphone's sale of its 3G and 4G handsets.

Also during first quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty bearing patent license agreement with Humax Co., Ltd. ("Humax"). The agreement covers Humax's use of our HEVC technology in their digital set-top boxes.

During second quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license (the "Huawei PLA") with Huawei. In addition to agreement on terms for dismissal of the litigations and other proceedings between the parties, the agreement covers the sale of certain of Huawei's 3G, 4G, and 5G terminal unit products, including the use of Wi-Fi and HEVC in those products.

During fourth quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license with a mobile handset company covering 3G and 4G handsets, as well as 802.11 and HEVC technologies incorporated into such products.

Also during fourth quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing, patent license agreement with Blu Products, Inc. ("Blu"). The agreement covers Blu's sale of its 3G, 4G and 5G handsets, including the use of Wi-Fi and HEVC in those products.

Licenses Through Platforms

During third quarter 2020, as part of the Madison Arrangement, we entered into a non-exclusive, royalty-bearing patent license agreement with a manufacturer covering certain of the licensee's sales of digital televisions in the U.S., Mexico, and Canada.

During 2013, we announced the establishment of the Signal Trust for Wireless Innovation (the "Trust"), the goal of which was to monetize a patent portfolio primarily related to 3G cellular infrastructure. In response to a request from Signal Trust, in first quarter 2021, we provided our consent, as major beneficiary, to dissolve Signal Trust."

Customers Generating Revenues Exceeding 10% of Total 2020 Revenues

Apple, Samsung and Huawei comprised approximately 31%, 22% and 15% of our total 2020 revenues, respectively.

In 2016, we entered into a multi-year, royalty-bearing, worldwide and non-exclusive patent license agreement with Apple (the "Apple PLA"). The agreement sets forth terms covering the sale by Apple of its products and services, including, but not limited to, its 3G, 4G and future generation cellular and wireless-enabled products. The Apple PLA provided Apple the right to terminate certain rights and obligations under the license for the period after September 30, 2021, but has the potential to provide a license to Apple for a total of up to six years. Apple did not elect to terminate such rights and obligations, and the period for such election has expired. Accordingly, the term of the Apple PLA ends on September 30, 2022. During 2020, we recognized a total of $111.7 million of revenue associated with the Apple PLA under ASC 606.

In 2014, we entered into a patent license agreement with Samsung (the "Samsung PLA"). The royalty-bearing license agreement sets forth terms covering the sale by Samsung of 3G, 4G and certain future generation

wireless products. The Samsung PLA provided Samsung the right to terminate certain rights and obligations under the license for the period after 2017 but had the potential to provide a license to Samsung for a total of ten years, including 2013. Samsung did not elect to terminate such rights and obligations, and the period for such election has expired. Accordingly, the term of the Samsung PLA ends on December 31, 2022. During 2020, we recognized a total of $78.3 million of revenue associated with the Samsung PLA under ASC 606.

During second quarter 2020, we signed the Huawei PLA. The Huawei PLA covers the sale of certain of Huawei's 3G, 4G and 5G terminal unit products, including the use of Wi-Fi and HEVC in those products, and extends through December 31, 2023. During 2020, we recognized a total of $52.1 million of revenue associated with the Huawei PLA under ASC 606, which included $19.2 million of past sales.

Patent Infringement and Declaratory Judgment Proceedings

From time to time, if we believe a 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. Enforcing our intellectual property through this mechanism is an important alternative to bilateral negotiations with respect to licensees who engage in the pernicious practice of "holdout". More recently, courts in various jurisdictions have started to address "holdout" behavior by granting injunctions against unwilling licensees who would then no longer benefit from a right to a FRAND license. We welcome this development as it incentivizes potential licensees to negotiate in a timely and reasonable fashion or risk losing their right to a FRAND royalty. Enforcement through this mechanism has typically taken the form of a patent infringement lawsuit or an administrative proceeding, such as a Section 337 proceeding before the U.S. International Trade Commission ("USITC" or the "Commission"). In a patent infringement lawsuit, we would typically seek damages for past infringement and/or 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 or seek to petition a court to establish a rate and/or terms for a license to our patents. 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 (or be prepared to offer) a license to that party for patents that are or may become standards-essential patents ("SEPs") on fair, reasonable and non-discriminatory ("FRAND") 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 SEPs. 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 licensees, 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 patent license agreements typically provide for audit rights as well as private confidential arbitration as the mechanism for resolving disputes, and we may attempt to resolve such disputes in arbitration. In arbitration, licensees may seek to assert various claims, defenses, or counterclaims, such as claims based on waiver, promissory estoppel, breach of contract, fraudulent inducement to contract, antitrust, and unfair competition. 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 confirmed as 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.

In addition, arbitration may be a particularly effective means for resolving disputes with prospective licensees concerning the appropriate FRAND terms and conditions for license agreements that include SEPs, particularly where negotiations have otherwise reached an impasse. Binding arbitration to resolve the terms and conditions of a worldwide FRAND license to our relevant portfolio of SEPs is an efficient and cost-effective mechanism, as it allows the parties to avoid piecemeal litigation in multiple jurisdictions and ensures that an enforceable patent license agreement that is consistent with FRAND commitments will be in place at the end of the arbitration process.

Competition

With respect to our technology development activities and resulting commercialization efforts, we face competition from companies, including in-house development teams at other wireless and consumer electronics device companies, semiconductor companies and wireless operators, developing other and similar technologies that are competitive with our products and 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 patent 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, 5G and other wireless products, as well as other consumer electronics devices. However, numerous companies also claim that they hold patents that are or may be essential or may become essential to standards-based technology deployed on wireless products and other consumer electronics devices. 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 SEPs. 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.

Human Capital

As of December 31, 2020, we had 514 employees worldwide, 271 of whom were based outside of the U.S. None of our employees based in the United States are unionized or subject to collective bargaining agreements, however, our employees based in France are represented by works councils and subject to collective bargaining agreements. None of our employees in other geographic locations are subject to collective bargaining agreements. We consider our relations with our employees to be good. The health and safety of our workforce is fundamental to the success of our business. In order to protect the health and safety of our employees and their families, our entire worldwide workforce has worked remotely during the COVID-19 pandemic and will continue to do so well into 2021. As a research, development and licensing company, our business activities have continued to operate with minimal interruption even as our employees worked remotely. As a result, we learned that some work which we previously thought required face to face interaction, could progress remotely and going

forward, we will be re-thinking the necessity of some travel. However, we understand and value face-to-face interactions and do not expect to continue operating in a fully virtual environment indefinitely; we are working on achieving a balance. As our success, in part, depends upon our ability to attract, motivate and retain the best and brightest researchers, we believe we offer competitive compensation (including salary, incentive bonus, and equity) and benefits packages in each of our locations around the globe. We invest in tools, resources and opportunities for impactful training and tailored development to provide all employees with an opportunity to develop and grow. Throughout 2021, we will be focused on understanding our strengths and opportunities and developing a thoughtful diversity and inclusion strategy, given our commitment to promote and maintain a diverse and inclusive workplace.

Geographic Concentrations

See Note 4, "*Geographic/Customer Concentration*," in the Notes to 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 headquarters are located in Wilmington, Delaware, USA. Our research and development activities are conducted primarily in facilities located in Conshohocken, Pennsylvania, USA; London, United Kingdom; Montreal, Canada; New York, New York, USA; Los Altos, California, USA; and Rennes, France. We are also a party to leases for several smaller research and/or office spaces, including in Berlin, Germany; Brussels, Belgium; Hicksville New York, USA; Indianapolis, Indiana, USA; Paris, France; Princeton, New Jersey, USA; and Shanghai, China. In addition, we own a townhouse in Washington, District of Columbia, USA, that houses administrative office space.

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 (the "Exchange Act"), 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

Royalty rates, or other terms, under our patent license agreements could be subject to determination through arbitration or other third-party adjudications or regulatory or court proceedings, and arbitrators, judges 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, we strive for the terms of our patent license agreements, including our royalty rates, to be 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 FRAND consistency of such terms or the manner in which such terms are determined, including by determining a worldwide royalty rate for our SEPs. Changes to or clarifications of our obligations to be prepared to offer licenses to SEPs on FRAND terms and conditions could require such terms, including our royalty rates, to be determined through third party adjudications. Finally, we and certain of our current and prospective licensees have initiated, and we and others could in the future initiate, legal proceedings or regulatory proceedings requesting third party adjudicators or regulators to set FRAND terms and conditions for, or determine the FRAND-consistency of current terms and conditions in, our patent license agreements, and which could result in such third party adjudicators or regulators determining a worldwide royalty rate for our SEPs, such as the proceeding Xiaomi initiated before the Wuhan Intermediate People’s Court to determine a worldwide rate for our 3G and 4G SEPs. To the extent that our patent royalty rates for our patent license agreements are determined through arbitration or other third party adjudications or regulatory or court 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 historical rates, and this 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.

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, or that claim that our patents are invalid, unenforceable or not infringed. Litigation adversaries have and may continue allege that we have not complied with certain commitments to standards-setting organizations and therefore that we are not entitled to the relief that we seek. For example, Lenovo has alleged, and other parties may allege, that we have not complied with an obligation to offer a license to a party on FRAND terms and conditions, and may also file antitrust claims, unfair competition claims or regulatory complaints on that or other bases, and may seek damages and other relief based on such claims. Litigation adversaries have also filed against us, and other third parties may in the future file, validity challenges such as inter partes proceedings in the USPTO or the China National Intellectual Property Administration, which can lead to delays of our patent infringement actions as well as potential findings of invalidity. Such parties may also seek to obtain a determination that our patents are not infringed, are not essential or are unenforceable.

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. 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 in certain jurisdictions the costs and fees of opposing counsel 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.

Our plans to license handset manufacturers in China may be adversely affected by a deterioration in United States-China trade and geopolitical relations, our customers facing economic uncertainty there or our failure to establish a positive reputation in China, which could materially adversely affect our long-term business, financial condition and operating results.

Companies headquartered in China currently comprise a substantial portion of the handset manufacturers that remain unlicensed to our patent portfolio. Our ability to license such manufacturers is, among other things, affected by the macroeconomic and geopolitical climate, as well as our business relationships and perceived reputation in China. The U.S. and Chinese governments are currently engaged in trade negotiations, and the U.S. State Department issued a travel advisory in January 2019 that advised U.S. citizens to exercise increased caution in China due to arbitrary enforcement of local laws. This travel advisory and other security concerns, along with public health concerns related to the COVID-19 pandemic, have restricted our ability to conduct in-person negotiations with prospective Chinese licensees in the past, and could continue to do so in the future. In January 2020, the U.S. and China entered into Phase One of the Economic and Trade Agreement Between the United States of America and the People's Republic of China (the "Phase One Trade Agreement"). The Phase One Trade Agreement takes steps to ease certain trade tensions between the U.S. and China, including tensions involving intellectual property theft and forced intellectual property transfers by China. Although the Phase One Trade Agreement is an encouraging sign of progress in the trade negotiations between the U.S. and China, questions still remain as to the enforcement of its terms, the resolution of a number of other points of dispute between the parties, and the prevention of further tensions. If the U.S.-China trade dispute re-escalates or relations between the United States and China deteriorate, these conditions could adversely affect our ability to license our patent portfolio to Chinese handset manufacturers. Our ability to license such manufacturers could also be affected by economic uncertainty, particularly in the handset market, in China or by our failure to establish a positive reputation and relationships in China. The occurrence of any of these events could have an adverse effect on our ability to enter into license agreements with Chinese handset manufacturers, which, in turn, could cause our long-term business, financial condition and operating results to be materially adversely affected.

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, the number of forums in which we can seek to enforce our patents, the 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 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 us. Decisions that occur in the U.S. or in international forums may change the law applicable to various patent law issues, such as, for example, patentability, validity, claim construction, patent exhaustion, patent misuse, permissible licensing practices, available forums, and remedies such as damages and injunctive relief, in ways that are detrimental to the ability of patentees to enforce patents and obtain suitable relief.

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.

***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 or unfair 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 as part of court or arbitration proceedings, a judgment could require us to pay damages (including the possibility of treble damages for antitrust claims), such as the Wuhan Intermediate Court's imposition of a fine of up to one million yuan per day if the Company were to violate its September 23, 2020 discussed in Note 12, "Litigation and Legal Proceedings," 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, and, depending on the damages requested, could lead to the refund of certain payments already made. Finally, adverse legal decisions related to our licensing practices could have an adverse effect on our ability to enter into license agreements, which, in turn, could cause our cash flow and revenue to decline.

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 ensure 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 in these Risk Factors, 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 above in these Risk Factors 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.

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

Royalty payments to us under future license agreements could be lower than anticipated. Certain licensees and others in the wireless and consumer electronics industries, individually and collectively, are demanding that royalty rates for patents be lower than historic royalty rates and/or that such rates should be applied to royalty bases smaller than the selling price of an end product (such as the "smallest salable patent practicing unit"). There is also increasing downward pricing pressure on certain wireless products, including handsets, and other consumer electronics devices that we believe implement our patented inventions, and some of our royalty rates are tied to the pricing of these devices. In addition, a number of other companies also claim to hold patents that are essential with respect to products we aim to license. Demands by certain licensees to reduce royalties due to pricing pressure or the number of patent holders seeking royalties on these 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 revenue opportunities through acquiring or developing technology in new or expanded areas, such as technologies in the consumer electronics and IoT spaces, and enhanced intellectual property sourcing and joint ventures, 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 revenue opportunities through targeted acquisitions, research partnerships, joint ventures, licensing platforms and the continued development of new technologies. Increasingly, our future growth in part depends on developing or acquiring technology in new or expanded areas that are used on cellular devices (such as video coding technologies), in cellular infrastructure equipment and adjacent industry segments outside of traditional cellular industries (such as other consumer electronics devices and the IoT, including the connected home and smart cities, automotive, mobile computing, mobile health and sensor technology), and on third parties incorporating our technology and solutions into device types used in these areas and industry segments. There is no guarantee that we will succeed in acquiring or developing technology and patents or partnering with inventors and research organizations to create new revenue opportunities and/or 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 licensing or other avenues of revenue generation related to such development activities. In the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

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

Some third parties 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 ensure 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 technologies may not become patented, adopted by wireless or video 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, 5G, HEVC, VVC and others, 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. In addition, it is possible that in certain technology areas, such as in the IoT space, the adoption of proprietary systems could compete with or replace standards-based technology. It is also possible in certain technology areas, such as video coding and the IoT, that open source solutions such as AV1, VP-9 and OCF could compete with or replace proprietary standards-based technology. If the technologies in which we invest do not become patented or are not adopted by the relevant standards, or are not adopted by and deployed in the mainstream markets, at all or at the rate or within time periods that we expect, or in the case of open source solutions, do not infringe our technology, our business, financial condition and operating results could be adversely affected.

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 or 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, our revenue and cash flow could be materially adversely affected.

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 SEPs, including the enforcement of such patents against competitors and others. Such scrutiny has already resulted in enforcement actions against Qualcomm and could lead to additional investigations of, or enforcement actions against, us. Such inquiries and/or enforcement actions could 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 also result in monetary fines, penalties or other remedies or sanctions that could adversely affect our business and financial condition.

Our commercialization, licensing and/or mergers and acquisitions ("M&A") activities could lead to patent exhaustion or implied license issues that could materially adversely affect our business.

The legal doctrines of patent exhaustion and implied license may be subject to different judicial interpretations. Our commercialization or licensing of certain technologies and/or our M&A activities could potentially lead to patent exhaustion or implied license issues that could adversely affect our patent licensing program(s) and limit our ability to derive licensing revenue from certain patents under such program(s), whether through the assumption of license agreements that would result in our patents being captured by such agreements, the acquisition of a business that sells or licenses products that practice our patents, or otherwise. In the event of successful challenges by current or prospective licensees based on these doctrines that result in a material decrease to our patent licensing revenue, our financial condition and operating results may be materially adversely affected.

We may not be able to realize all of the anticipated benefits from the integration of the patent licensing business that we acquired from Technicolor in 2018 and the Research & Innovation unit of Technicolor (collectively, the "Technicolor business").

We may fail to realize the anticipated benefits from our integration of the Technicolor business on a timely basis, or at all, for a variety of reasons, including the following:

- failure of the acquisitions to materially increase the value of our core handset licensing business by not increasing the royalty amount we would otherwise derive on each handset, not accelerating the pace of licensing, or not allowing us to avoid litigation to protect our intellectual property;
- failure to continue to develop and expand our portfolio of video technology patent assets;
- failure to execute a successful business plan and licensing program related to consumer electronics;
- the risk that we could lose key employees of the Technicolor business;
- challenges associated with managing a geographically remote business;
- failure to forecast accurately the long-term value and costs of the Technicolor business or of certain assets acquired in the transactions;
- liabilities that are not covered by, or exceed the coverage under, the indemnification or other provisions of the acquisition-related agreements; and
- patent validity, infringement, exhaustion or enforcement issues not uncovered during our diligence process.

In the event that we fail to realize the anticipated benefits from the acquisition of the Technicolor business, our business and results of operations, and our stock price, may be adversely affected.

We have in the past and may in the future make acquisitions or engage in other strategic transactions that could result in significant changes, costs and/or management disruption and that may fail to enhance shareholder value or produce the anticipated benefits.

We have in the past and may in the future acquire companies, businesses, technology and/or intellectual property, enter into joint ventures or other strategic transactions. Acquisitions or other strategic transactions 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 or of any technologies we may acquire.

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 that we anticipate will be realized from such acquisitions. Our plans to integrate and/or expand upon research and development programs and technologies obtained through acquisitions may result in products or technologies that are not adopted by the market, or the market may adopt solutions competitive to our products or technologies.

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 2020, Apple, Samsung and Huawei accounted for approximately 31%, 22% and 15% 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 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. In addition, in the event that there is a material decrease in shipments of licensed products by one of our per-unit licensees, our revenues from such licensee could significantly decline and our future revenue and cash flow could be 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 alternative licensing arrangements or patent sales, and, if we are successful, there is no guarantee that the revenue and cash flow generated through such alternative licensing arrangements (such as the Avanci licensing platform or the Sisvel VP9/AV1 patent pools) or patent sales will be greater than the revenue and cash flow we would have generated if we had retained and/or 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.

A portion of 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 portion of our licensing revenues is dependent on sales by our licensees that are outside our control and that could be negatively affected by a variety of factors, including global, regional and/or country-specific economic conditions and/or public health concerns (e.g., the current coronavirus outbreak), country-specific natural disasters impacting licensee manufacturing and sales, demand and buying patterns of end users, which are often driven by replacement and innovation cycles, the service life of products incorporating our technologies, competition for our licensees' products, supply chain disruptions, 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 or market position of any licensee or (iii) the failure of sales to meet market forecasts due to global or regional economic conditions, political instability, natural disasters, competitive technologies, lower demand or otherwise. It is also difficult to predict the timing, nature and amount of licensing revenue associated with past infringement (including as a result of the unwillingness of our licensees to compensate us for such 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 upfront 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, 4G and 5G technologies or future-generation video standards, by the timing of such deployment, or by the need to extend or modify certain existing license agreements to cover subsequently issued patents.

We own an evolving portfolio of issued and pending patents related to 3G, 4G and 5G cellular technologies and non-cellular technologies including video coding technologies, and our patent portfolio licensing program for future-generation wireless standards or video coding 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 and video coding standards, including standards that will define 5G, our technologies might not be adopted by the relevant standards. In addition, we may not be as successful in the licensing of future-generation products as we have been in licensing products deploying existing wireless and video coding standards, or we may not achieve a level of royalty revenues on such products that is comparable to that which we have historically received on products deploying existing wireless and video coding standards. Furthermore, if there is a delay in the standardization and/or deployment of 5G or future video coding standards, our business and revenue could be negatively impacted.

The licenses that we grant under our patent license agreements typically only cover products designed to operate in accordance with specified 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, and we may not be able to do so on terms acceptable to us 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.

Our plans to expand our revenue opportunities through commercializing our market-ready technologies and acquiring and/or developing new technology with commercial applicability may not be successful.

As part of our business strategy, we are seeking to expand our revenue opportunities through the continued development, commercialization and licensing of technology projects, including in the video coding and IoT spaces. 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. Our technology development and acquisition activities may experience delays, or the markets for our technology solutions may fail to materialize to the extent or at the rate we expect, if at all, 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, and/or our offerings may require robust ecosystems of customers and service providers that may fail to materialize. 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 and secure support for our technologies 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 the event that any of these risks materialize, our long-term business, financial condition and operating results may be materially adversely affected.

The extent to which the COVID-19 pandemic or any other potential future public health crises, pandemics or similar events will adversely impact our business, financial condition and results of operations is highly uncertain and cannot be predicted.

The COVID-19 pandemic has created significant worldwide uncertainty, volatility and economic disruption. The extent to which COVID-19 and any other potential future public health crises, pandemics or similar events will adversely impact our business, financial condition and results of operations is dependent upon numerous factors, many of which are highly uncertain, rapidly changing and uncontrollable. These factors include, but are not limited to: (i) the duration and scope of the pandemic; (ii) governmental, business and individual actions that have been and continue to be taken in response to the pandemic or other event, including travel restrictions, quarantines, social distancing, work-from-home and shelter-in-place orders and shut-downs; (iii) the impact on our customers, including those that are presently unlicensed, and other business partners; (iv) the impact on U.S. and global economies and the timing and rate of economic recovery; (v) potential adverse effects on the financial markets and access to capital; (vi) potential goodwill or other impairment charges; (vii) increased cybersecurity risks as a result of pervasive remote working conditions; (viii) our ability to effectively carry out our operations due to any adverse impacts on the health and safety of our employees and their families; (ix) the ability of our customers to timely satisfy their payment obligations to us; and (x) fluctuations in global shipments of handsets and consumer electronics devices. Furthermore, as a result of the COVID-19 pandemic, our employees have been required to work from home and our office locations have remain closed for an extended period of time. The significant increase in remote working could exacerbate certain risks to our business, including an increased risk of cybersecurity events, improper dissemination of personal or confidential information and breakdowns in internal controls and processes.

We face risks from doing business and maintaining offices 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. In addition, in recent years, we have expanded, and we may continue to expand, our international operations, opening offices in France, the United Kingdom, Belgium and Germany. Accordingly, we are subject to the risks and uncertainties of operating internationally and could be affected by 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; retaliatory practices by foreign actors; currency control regulations; export license requirements and restrictions on the use of technology; social, economic and political instability; natural disasters, acts of terrorism, widespread illness and war; potentially adverse tax consequences; general delays in remittance of and difficulties collecting non-U.S. payments; foreign labor regulations; anti-corruption laws; public health issues; and difficulty in staffing and managing operations remotely. We also are subject to risks specific to the individual countries in which we and our licensees, potential licensees and customers do business.

In addition, 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.

- 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.

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 products and solutions that we may market or set forth, including into the standards-setting arena. Due to competing products and solutions, our products and solutions may not find a viable commercial marketplace or, where applicable, 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 SEPs, 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 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.

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 2020, Samsung, Apple and Huawei collectively accounted for approximately 50% of worldwide smartphone shipments. Although the rollout of 5G handsets is still in its early stages, we anticipate a similar level of concentration in worldwide shipments of those units as well. 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. We may also face a reduction in the number of licensing opportunities or existing royalty obligations as a result of government-imposed bans or other restrictions on the importation, manufacture and/or sale of cellular handsets by certain companies. 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.

Our use of open source software could materially adversely affect our business, financial condition, operating results and cash flow.

Certain of our technology and our suppliers' technology may contain or may be derived from "open source" software, which, under certain open source licenses, may offer accessibility to a portion of a product's source

code and may expose related intellectual property to adverse licensing conditions. Licensing of such technology may impose certain obligations on us if we were to distribute derivative works of the open source software. For example, these obligations may require us to make source code for derivative works available or license such derivative works under a particular type of license that is different from what we customarily use to license our technology. While we believe we have taken appropriate steps and employ adequate controls to protect our intellectual property rights, our use of open source software presents risks that, if we inappropriately use open source software, we may be required to re-engineer our technology, discontinue the sale of our technology, release the source code of our proprietary technology to the public at no cost or take other remedial actions, which could adversely affect our business, operating results and financial condition. There is a risk that open source licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions, which could adversely affect our business, operating results and financial condition. In addition, developing open source products, while adequately protecting the intellectual property rights upon which our licensing business depends, may prove burdensome and time-consuming under certain circumstances, thereby placing us at a competitive disadvantage.

We may have exposure to additional tax liabilities.

The United States government enacted tax reform in 2017 and continues to provide regulatory guidance related to tax reform provisions, and state authorities continue to provide guidance around the application of tax reform provisions, that in each case could impact future effective tax rates favorably or unfavorably. The United States government could enact further tax reform legislation, which could adversely impact our tax rate. The international tax environment also continues to change as a result of both coordinated efforts by governments and unilateral measures designed by individual countries, which could ultimately have an adverse effect on the taxation of international businesses such as ours. Accordingly, our tax rate could be adversely affected by several factors, many of which are outside of our control, including: changing tax laws, regulations and interpretations thereof; changes in tax rates; and assessments and any related tax, interest or penalties. If we are deemed to owe additional taxes, our business, financial condition, and results of operations could be adversely affected.

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. Pursuant to 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, including the $20.9 million net discrete tax benefits we recognized in 2020 primarily related to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year. As of December 31, 2020, and 2019, 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.

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

Our growth is partially dependent upon the increased use of wireless communications services and cellular handsets 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. Growth in the number of cellular handsets may slow as the number of people worldwide without a cellular handset declines. In addition, if the cost of cellular handsets increases, customers may be less likely to replace their existing devices with new devices. The growth of our business could be adversely affected if either of these events occur.

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.

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, the financial health of our customers, 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.

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

The standard terms of our per-unit 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.

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 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 (whether through a breach of our own systems or the breach of a system of a third party that provides services to us) 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.

Our business is subject to a variety of domestic and international laws, rules and policies and other obligations regarding data protection.

We also be affected by existing and proposed laws and regulations, as well as government policies and practices related to cybersecurity, privacy and data protection. For example, the European General Data Protection Regulation ("GDPR") adopted by the European Commission became effective in May 2018, the California Consumer Privacy Act of 2018 (the "CCPA") adopted by the California State Legislature became effective in January 2020, and China adopted a new cybersecurity law as of June 2017. Complying with the GDPR, the CCPA and other existing and emerging and changing requirements could cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in monetary penalties or significant legal liability.

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 our Convertible Notes

Our shareholders 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 $0.35 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 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.

Our approved stock repurchase programs may not result in a positive return of capital to shareholders.

Our board-approved stock repurchase program may not return value to shareholders 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 shareholder value over the long term, but stock price fluctuations can reduce the effectiveness of such programs. In addition, the board could choose to suspend or terminate the stock repurchase program at any time.

Our 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, 2020 was approximately $424.2 million, inclusive of debt resulting from the Technicolor Patent Acquisition (refer to Note 5, "*Business Combinations and Other Transactions*," within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information). 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 2.00% Senior Convertible Notes due 2024 (the "2024 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 2024 Notes.

In addition, as more fully described in Note 10 "*Obligations*" within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K, we made an irrevocable election to "Net Share Settle" our obligations under the 2024 Notes, which requires us to pay the outstanding principal amount due under the

2024 Notes in cash. Our ability to meet our payment and other obligations under the 2024 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 2024 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 2024 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 2024 Notes, and this default could cause us to be in default on any other currently existing or future outstanding indebtedness.

The convertible note hedge transactions and warrant transactions that we entered into in connection with the offering of the 2024 Notes may affect the value of the 2024 Notes, respectively, and the market price of our common stock.

In connection with each offering of the 2024 Notes, we entered into convertible note hedge transactions with certain financial institutions (the “option counterparties”) and sold warrants to the respective option counterparties. These transactions will be accounted for as an adjustment to our shareholders’ equity. The convertible note hedge transactions are expected to reduce the potential equity dilution upon any conversion of the 2024 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 addition, the respective 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 2024 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.

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

The respective option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that such 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. 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 applicable 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.

Provisions of the 2024 Notes could discourage an acquisition of us by a third party.

Certain provisions of the 2024 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 under the respective 2024 Notes, holders of the 2024 Notes will have the right, at their option, to require us to repurchase all of their applicable 2024 Notes or any portion of the principal amount of such 2024 Notes at a price of 100% of the

principal amount of the 2024 Notes being repurchased, plus accrued and unpaid interest. 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.

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 Berlin, Germany; Conshohocken, Pennsylvania, USA; London, United Kingdom; Montreal, Canada; New York, New York, USA; Los Altos, California, USA; and Rennes, France.

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

Location	Approximate Square Feet	Principal Use	Lease Expiration Date
Wilmington, Delaware	36,200	Corporate headquarters	November 2022
Conshohocken, Pennsylvania	30,300	Office and research space	September 2026
Montreal, Quebec	17,300	Office and research space	June 2021
New York, New York	19,400	Office and research space	July 2030
Los Altos, California	4,900	Office and research space	November 2027
Rennes, France	50,000	Office and research space	October 2024*
Princeton, New Jersey	16,900	Office space	February 2022

* We sublease our facility in Rennes from Thomson Licensing SAS.

We are also a party to leases for several smaller research and/or office spaces, including in Berlin, Germany; Brussels, Belgium; Indianapolis, Indiana, USA; London, United Kingdom; Paris, France; Hicksville, New York, USA; and Shanghai, China. 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.*

See Note 12, "*Litigation and Legal Proceedings*," to the Notes to Consolidated Financial Statements included below in Part II, Item 8 of this Form 10-K for a description of our material legal proceedings, which is incorporated herein by reference.

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."

Holders

As of February 16, 2021, there were 490 holders of record of our common stock.

Dividends

Cash dividends on outstanding common stock declared in 2020 and 2019 were as follows (in thousands, except per share data):

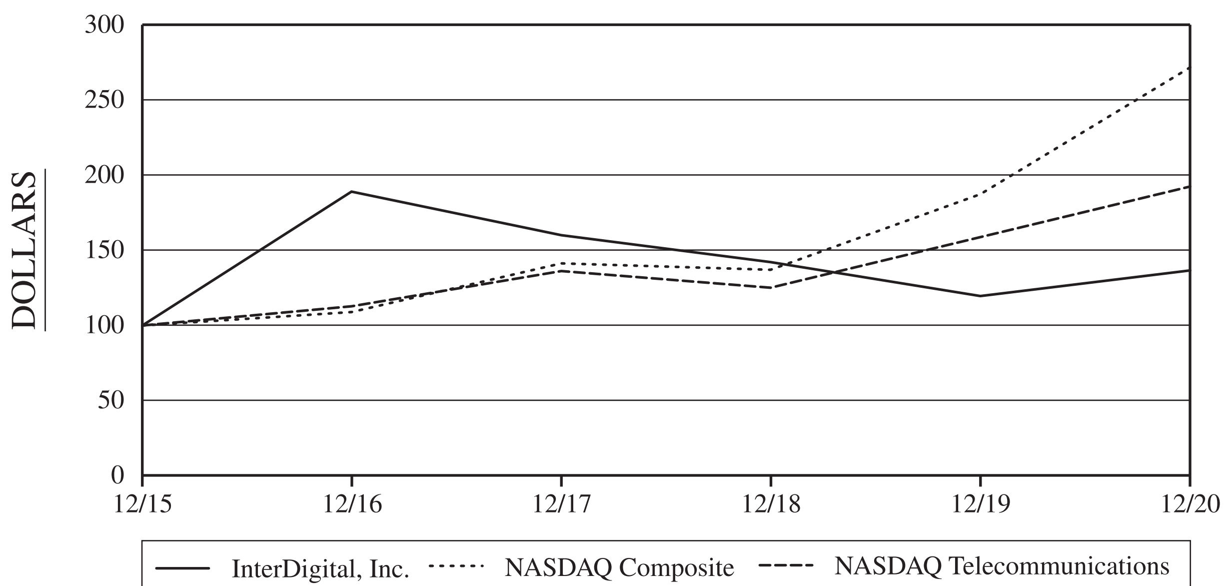
	Per Share	Total	Cumulative by Fiscal Year
2020			
First quarter	$0.35	$10,762	$10,762
Second quarter	0.35	10,781	21,543
Third quarter	0.35	10,782	32,325
Fourth quarter	0.35	10,786	43,111
	$1.40	$43,111	
2019			
First quarter	$0.35	$11,180	$11,180
Second quarter	0.35	10,895	22,075
Third quarter	0.35	10,897	32,972
Fourth quarter	0.35	10,746	43,718
	$1.40	$43,718	

In September 2017, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.35 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.35 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 total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Telecommunications index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2015 to 12/31/2020.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among InterDigital, Inc., the NASDAQ Composite Index
and the NASDAQ Telecommunication Index



*$100 invested on 12/31/15 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/15	12/16	12/17	12/18	12/19	12/20
InterDigital, Inc.	**100.00**	**189.17**	**160.13**	**142.17**	**119.27**	**136.32**
NASDAQ Composite	**100.00**	**108.87**	**141.13**	**137.12**	**187.44**	**271.64**
NASDAQ Telecommunications	**100.00**	**112.56**	**135.96**	**125.10**	**158.73**	**192.30**

The above performance graph shall not be deemed “filed” for purposes of Section 18 of 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 2020.

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, 2020 — October 31, 2020	—	$ —	—	$71,464,670
November 1, 2020 — November 30, 2020	—	$ —	—	$71,464,670
December 1, 2020 — December 31, 2020	—	$ —	—	$71,464,670
Total	—	$ —	—	$71,464,670

(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 the Company's $700 million share repurchase program (the "2014 Repurchase Program"), $300 million of which was authorized by the Company's Board of Directors in June 2014, with an additional $100 million authorized by the Company's Board of Directors in each of June 2015, September 2017, December 2018, and May 2019, respectively. 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.

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. We adopted new revenue guidance, ASC 606, effective January 1, 2018 using the modified retrospective method. As such, revenue and other related accounts are presented in accordance with ASC 606 for the years ended December 31, 2020, 2019 and 2018, and in accordance with ASC 605 for all prior periods presented. Additionally, effective January 1, 2019, we adopted ASU 2016-02, "Leases (Topic 842)" or ("ASC 842"), which outlines a comprehensive change to the lease accounting model and supersedes prior lease guidance.

	2020	2019	2018	2017	2016
	(in thousands except per share data)				
Consolidated statements of operations data:					
Revenues (a)	$ 358,991	$ 318,924	$ 307,404	$ 532,938	$ 665,854
Income from operations	55,168	37,835	62,595	301,495	437,306
Income tax benefit (provision) (b)	6,648	(10,991)	27,417	(121,676)	(116,791)
Net income applicable to InterDigital, Inc. common shareholders	44,801	20,928	65,031	176,220	310,741
Net income per common share — basic	$ 1.46	$ 0.66	$ 1.89	$ 5.09	$ 9.00
Net income per common share — diluted	$ 1.44	$ 0.66	$ 1.84	$ 4.93	$ 8.83
Weighted average number of common shares outstanding — basic	30,776	31,546	34,491	34,605	34,526
Weighted average number of common shares outstanding — diluted	31,058	31,785	35,307	35,779	35,189
Cash dividends declared per common share (c)	$ 1.40	$ 1.40	$ 1.40	$ 1.30	$ 1.00
Consolidated balance sheets data:					
Cash, cash equivalents and restricted cash (d)	$ 477,663	$ 757,098	$ 488,733	$ 433,014	$ 404,074
Short-term investments	453,173	179,204	470,724	724,981	548,687
Working capital	731,117	710,774	844,855	1,019,353	795,639
Total assets	1,616,275	1,612,082	1,626,558	1,854,420	1,727,853
Total debt	367,992	444,758	317,377	285,126	272,021
Total InterDigital, Inc. shareholders' equity	773,369	761,557	936,729	863,808	746,323
Noncontrolling interest	23,197	24,724	1,284	9,340	8,045
Total shareholders' equity	$ 796,566	$ 786,281	$ 938,013	$ 873,148	$ 754,368

(a) In 2020, 2019, 2018, 2017, and 2016, our revenues included $21.6 million, $19.8 million, $26.3 million, $162.9 million, and $309.7 million of non-current patent royalties, respectively.

(b) In 2020, our tax benefit includes discrete benefits of $20.9 million, which primarily relates to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year, as well as the reversal of a tax reserve. In 2018, our income tax benefit includes an $18.0 million tax benefit due to our income qualifying as foreign derived intangible income ("FDII"), as well as a $14.7 million benefit as a result of anticipated filings of amended tax returns in connection with the Korea Competent Authority Proceeding defined and discussed below. In 2017, our income tax provision was impacted by the U.S. Tax Cuts and Jobs Act (the "TCJA"). In 2016, our income tax provision included the impact of a $23.6 million net tax benefit primarily related to domestic activity production deductions for prior years.

(c) In September 2017, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.35 per share. In September 2016, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.30 per share.

(d) Includes restricted cash which is included within "*Prepaid and other current assets*" or "*Other non-current assets*" in the consolidated balance sheets.

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 "non-current patent royalties." For all periods presented, recurring revenues are comprised of "current patent royalties" and "current technology solutions revenue," while "non-current patent royalties" are comprised of past sales royalties and static fixed-fee agreement royalties.

Business

InterDigital, Inc. ("InterDigital") is a research and development company that licenses its innovations to the global wireless and consumer electronics industries. We design and develop advanced technologies that enable connected, immersive experiences in a broad range of communications and entertainment products and services. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in wireless products and networks, from the earliest digital cellular systems to 5G and, today, solutions that we believe will shape the world beyond 5G. With the acquisition of the patent licensing business of visual technology industry leader Technicolor SA ("Technicolor") in 2018 (the "Technicolor Patent Acquisition"), followed by the acquisition of their Research & Innovation unit in 2019 (the "R&I Acquisition" and, together with the Technicolor Patent Acquisition, the "Technicolor Acquisitions"), we are now a leader in video processing, encoding/decoding, and display technology, with a significant Artificial Intelligence ("AI") research effort that intersects with both wireless and visual technologies.

InterDigital is one of the largest pure research & development and licensing companies in the world, with one of the most significant patent portfolios in the wireless and video industries. As of December 31, 2020, InterDigital's wholly owned subsidiaries held a portfolio of approximately 28,000 patents and patent applications related to wireless communications, video coding, display technology, and other areas relevant to the wireless and consumer electronics industries. Our portfolio includes numerous patents and patent applications that we believe are or may be essential or may become essential to standards established by many Standards Development Organizations ("SDOs"), including cellular and other wireless communications and video technology standards. Those wireless standards include 3G, 4G and the IEEE 802 suite of standards, as well as patents and patent applications that we believe are or may become essential to 5G standards that currently exist and as they continue to develop. Our video technology portfolio includes patents and applications relating to standards established by ISO/IEC Moving Picture Expert Group (MPEG), the ITU-T Video Coding Expert Group (VCEG), the Joint Collaborative Team on Video Coding (JCT-VC) and the Joint Video Expert Team (JVET), among others.

Our wireless portfolio has largely been built through internal development, supplemented by joint development projects with other companies, and select acquisitions of patents and companies. Products incorporating our patented inventions in wireless include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; wireless infrastructure equipment, such as base stations; components, dongles and modules for wireless devices; and Internet of Things ("IoT") devices and software platforms. Our video technology portfolio largely represents patents and applications that InterDigital obtained through the Technicolor Patent Acquisition, supplemented by internal development. Our patented inventions in video are incorporated in a range of products and services, including cellular phones, notebook computers, televisions, gaming consoles, set-top boxes, streaming devices and other consumer electronics.

Revenue

In 2020, 2019, and 2018, our total revenues were $359.0 million, $318.9 million, and $307.4 million, respectively. Our recurring revenues in 2020, 2019 and 2018 were $336.8 million, $298.2 million, and

$280.3 million, respectively. In 2020, 2019, and 2018, we recognized $21.6 million, $19.8 million and $26.3 million, respectively, of non-current patent royalties as more fully discussed below. In 2020, fixed-fee royalties accounted for approximately 89% 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 was variable in nature due to the per-unit structure of the related license agreements.

New Agreements

Direct Licenses

During first quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty bearing patent license agreement with Fairphone B.V. ("Fairphone"). The agreement covers Fairphone's sale of its 3G and 4G handsets.

Also during first quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty bearing patent license agreement with Humax Co., Ltd. ("Humax"). The agreement covers the sale of Humax's HEVC digital set-top boxes.

During second quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license with Huawei Investment & Holding Co., Ltd. ("Huawei"). In addition to agreement on terms for dismissal of the litigations and other proceedings between the parties, the agreement covers the sale of certain of Huawei's 3G, 4G, and 5G terminal unit products, including the use of Wi-Fi and HEVC in those products.

During fourth quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license with a mobile handset company covering 3G and 4G handsets, as well as 802.11 and HEVC technologies incorporated into such products.

Also during fourth quarter 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing, patent license agreement with Blu Products, Inc. ("Blu"). The agreement covers Blu's sale of its 3G, 4G and 5G handsets, including the use of Wi-Fi and HEVC in those products.

Licenses Through Platforms

During third quarter 2020, as part of the Madison Arrangement, we entered into a non-exclusive, royalty-bearing patent license agreement with a manufacturer covering certain of the licensee's sales of digital televisions in U.S., Mexico, and Canada.

Refer to the "*Critical Accounting Policies and Estimates — Revenue Recognition"* section below for details of our revenue recognition accounting policies and additional information on agreements with multiple performance obligations, as well as the estimates and methods used to determine the fair value of patents acquired, when applicable.

Expiration of License Agreements

Our patent license agreements with seven licensees expired during 2020, including LG. Collectively, all seven agreements accounted for $38.0 million, or approximately 11% of our recurring revenue in 2020, including LG who contributed $31.8 million, or approximately 9%, of our recurring revenue in 2020. In January 2021, it was reported that LG confirmed that it is considering exiting the smartphone market.

Our patent license agreements with six licensees are scheduled to expire during 2021. Collectively, all six agreements expiring in 2021 accounted for $30.3 million, or approximately 9%, of our recurring revenue in 2020.

We are actively working to renew these agreements consistent with the licensees' current product utilization and market position.

Intellectual Property Rights Enforcement

If we believe a 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 typically offer such party to have royalty rates, or other terms, set by third party adjudicators (such as arbitrators). If the party refuses that offer and we believe they are unwilling to agree to a patent license on a fair, reasonable and non-discriminatory basis, we may have no other viable recourse but to institute legal action against them to enforce our patent rights. This legal action has typically taken 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 as to the rights and obligations of the parties under the applicable license agreement through arbitration or litigation. Such legal actions ultimately may be decided by the presiding court, third party adjudicator, or a negotiated resolution between the parties.

In 2019 we were engaged in litigation with ZTE, Huawei, and Lenovo. During 2020, we filed patent infringement actions against Xiaomi. The matters are more fully discussed in Note 12, "*Litigation and Legal Proceedings*," to the Notes to Consolidated Financial Statements included below in Part II, Item 8 of this Form 10-K and/or our 2019 Form 10-K. We filed these actions after lengthy periods of negotiation and after the refusal of our counterparties to accept our various proposals to them, including our proposal to have a third party adjudicator set a royalty rate and resolve certain other terms upon which we could not mutually agree. We negotiated resolutions to the matters involving ZTE and Huawei in December 2019 and April 2020, respectively, while our matters with Lenovo and Xiaomi continue to proceed.

In 2020, our intellectual property enforcement costs increased to $28.6 million, from $25.4 million and $17.6 million in 2019 and 2018, respectively. These costs represented 17% of our total patent administration and licensing costs of $170.2 million in 2020. 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.

Cash and Short-Term Investments

As of December 31, 2020, we had $0.9 billion of cash, restricted cash and short-term investments and up to an additional $227.8 million of payments due under signed agreements, including $16.0 million recorded in accounts receivable which includes estimates related to our fourth quarter 2020 variable patent royalty revenue. A portion of our cash and short-term investments include fixed royalty payments we have received related to revenue we will record in the future. As a result, our future cash receipts from existing licenses subject to fixed patent royalties will be lower than if the royalty payments were structured to coincide with the underlying sales. During 2020, we recorded $377.8 million of cash receipts related to patent licensing and technology solutions agreements as follows (in thousands):

	Cash In
Patent royalties	$366,237
Technology solutions	11,521
Total cash receipts	$377,758

As of December 31, 2020, approximately $326.2 million of our $328.0 million deferred revenue balance as of December 31, 2020 related to dynamic fixed-fee royalty payments that were scheduled to amortize as follows (in thousands):

2021	$192,146
2022	91,411
2023	42,654
2024	—
2025	—
Thereafter	—
Total fixed-fee royalty deferred revenue	$326,211

Impact of COVID-19 Pandemic

In March 2020, the World Health Organization categorized the novel coronavirus ("COVID-19") as a pandemic, and it continues to significantly impact the United States and the rest of the world. Though the COVID-19 pandemic and the measures taken to reduce its transmission, such as the imposition of social distancing and orders to work-from-home and shelter-in-place, have altered our business environment and overall working conditions, we continue to believe that our strategic strengths, including talent, our strong balance sheet, stable revenue base, and the strength of our patent portfolio, will allow us to weather a rapidly changing marketplace.

While the environment in which we conduct our business and our overall working conditions have changed as a result of the COVID-19 pandemic, we experienced a limited impact on our operations and financial position during fiscal year 2020. Fixed-fee royalties accounted for 89% of our revenues in 2020. These fixed-fee revenues are not directly affected by our related licensees' success in the market or the general economic climate. To that end, in fiscal year 2020, we did not experience a significant impact on our revenue due to COVID-19. Meanwhile, we have taken steps to protect the health and safety of our employees and their families, with our entire worldwide workforce continuing to work remotely with limited exceptions. Despite these remote working conditions, our business activities have continued to operate with minimal interruption, and we expect them to continue to operate efficiently. Nearly all work-related travel continues to remain suspended, and we have conducted our licensing negotiations, investor presentations and participation in standards organizations and industry events virtually. Between March 12, 2020, when we began to work almost entirely remotely, and December 31, 2020, we successfully concluded five new patent license agreements that we estimate will result in revenues exceeding $170.0 million over the two to four year terms of those agreements. Our financial position remains strong, we have sufficient access to capital if needed, and we remain committed to our efforts around cost discipline.

Comparability of Financial Results

When comparing our 2020 financial results against the financial results of other periods, the following items should be taken into consideration:

- the Technicolor Patent Acquisition and the R&I Acquisition, which closed on July 30, 2018 and May 31, 2019, respectively, contributed $20.5 million to our 2020 revenue and $69.4 million to our 2020 operating expenses. The $69.4 million of operating expenses is comprised of $64.6 million of recurring costs, of which $17.4 million relates to patent amortization, $2.3 million relates to one-time transaction-related and integration costs, and $2.5 million relates to revenue sharing from the Madison Arrangement;
- a net $5.6 million gain, primarily resulting from observable price changes in orderly transactions of our long-term strategic investments, which was included within "*Other Income, Net*" in the consolidated statement of income;

- a $8.1 million of charges related to disposal of assets, primarily patents as part of on-going patent portfolio management and shutting down our San Diego office, which is included in "*Operating Expenses*" in the consolidated statement of income;
- our 2020 revenue includes $21.6 million of non-recurring revenue, which primarily relates to the Huawei PLA discussed above; and
- the 2020 tax provision includes discrete benefits of $20.9 million, which primarily relates to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year, as well as the reversal of a tax reserve.

Critical Accounting Policies and Estimates

Our consolidated financial statements are based on the selection and application of 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, "*Summary of Significant Accounting Policies and New Accounting Guidance*" within the Notes to the Consolidated Financial Statements included in Part II, Item 8 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, business combinations and goodwill, 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 performance obligations. These agreements can include, without limitation, performance obligations related to the settlement of past patent infringement liabilities, patent and/or know-how licensing royalties on covered products sold by licensees, access to a portfolio of technology as it exists at a point in time, and access to a portfolio of technology at a point in time along with promises to provide any technology updates to the portfolio during the term.

In accordance with US GAAP, we use a five-step model to achieve the core underlying principle that an entity should 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. These steps include (1) identifying the contract with the customer, (2) identifying the performance obligations, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue as the entity satisfies the performance obligation(s). Additionally, we have elected to utilize certain practical expedients in the application of ASC 606. In evaluating the presence of a significant financing component in our agreements, we utilize the practical expedient to exclude any contracts wherein the gap between payment by our customers and the delivery of our performance obligation is less than one year. We have also elected to utilize the practical expedient related to costs of obtaining a contract where an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Timing of revenue recognition may differ significantly from the timing of invoicing to customers. Contract assets are included in accounts receivable and represent unbilled amounts expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed, and right to payment is subject to the underlying contractual terms. Contract assets are classified as long-term assets if the payments are expected to be received more than one year from the reporting

date. Contract assets due within less than twelve months of the balance sheet date are included within accounts receivable in our consolidated balance sheets. Contract assets due more than twelve months after the balance sheet date are included within other non-current assets.

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 indicated above. Certain patent license agreements contain revenue from non-financial sources in the form of patents received from the customer. 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 as prescribed by the five-step model.

Fixed-Fee Agreements

Fixed-fee license agreements include fixed, 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).

Dynamic fixed-fee license agreements contain a single performance obligation that represents ongoing access to a portfolio of technology over the license term, since our promise to transfer to the licensee access to the portfolio as it exists at inception of the license, along with promises to provide any technology updates to the portfolio during the term, are not separately identifiable. Upon entering a new agreement, we allocate the transaction price to the performance obligations delivered at signing (e.g. our existing patent portfolio) and future performance obligations (e.g. the technology updates). We use a time-based input method of progress to determine the timing of revenue recognition, and as such we recognize the future deliverables on a straight-line basis over the term of the agreement. We utilize the straight-line method as we believe that it best depicts efforts expended to develop and transfer updates to the customer evenly throughout the term of the agreement.

Static fixed-fee license agreements are fixed-price contracts that generally do not include updates to technology we create after the inception of the license agreement or in which the customer does not stand to substantively benefit from those updates during the term. Although we have few static fixed-fee license agreements, we generally satisfy our performance obligations under such agreements at contract signing, and as such revenue is recognized at that time.

Variable Agreements

Upon entering a new variable patent license agreement, the licensee typically agrees to pay royalties or license fees on licensed products sold during the term of the agreement. We utilize the sales- or usage- based royalty exception for these agreements and recognize revenues during the contract term when the underlying sale or usage occurs. Our licensees under variable agreements 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, we are required to estimate revenues, subject to the constraint on our ability to estimate such amounts.

Technology Solutions

Technology solutions revenue consists of revenue from royalty payments, software licenses, engineering services and product sales. The nature of these contracts and timing of payments vary. We recognize revenue from royalty payments and license agreements using the same methods described above under our policy for recognizing revenue from patent license agreements. We recognize revenue from engineering services using percentage of completion method.

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 in accordance with the five-step model, generally upon closing of the patent sale transaction.

Agreements with Multiple Performance Obligations

During 2020, we signed five new agreement that had multiple performance obligations. Consistent with the revenue recognition policies disclosed above, we (1) identified the contract with the customer, (2) identified the performance obligations, (3) determined the transaction price, (4) allocated the transaction price to the performance obligations, and (5) recognized revenue as we satisfy the performance obligations. We allocated the transaction price to each performance obligation for accounting purposes using our best estimate of the term and value. The process for determining the value of the standalone selling prices of identified performance obligations in dynamic fixed-fee license agreements requires the exercise of significant judgment when evaluating the valuation methods and assumptions, including the assumed royalty rates, projected sales volumes, discount rate, identification of comparable market transactions which are not directly observable 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 performance obligation 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 aggregate amount allocated to past patent royalties under these agreements would have had on 2020 revenue is summarized in the following table (in thousands):

	Change in amount allocated	
Allocation to past patent royalties	**+5%**	**-%5**
Change in Revenue	$7,008	$(7,008)

Revenue from Non-financial Sources

During 2020, 2019 and 2018, our patent licensing royalties were derived from patent license agreements ("PLAs") with 76, 69 and 66 independent licensees, respectively. We recognized revenue from five, four and three PLAs in 2020, 2019 and 2018, respectively, for which patents generally comprised less than forty-percent of the total consideration paid or due to us under those agreements. In addition, during 2020, 2019 and 2018, 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 to our licensee under this PPA is approximately 56% of the total cash due to us under this licensee's PLA. During 2020, 2019 and 2018, approximately 7%, 6% and 3%, respectively, of our total revenue was based on the estimated fair value of the patents in the above transactions.

The process for determining the value of revenue from non-financial sources requires estimating the fair value of patents received. We estimated the fair value of the patents in the above transactions using one of, or a combination of, an analysis of comparable market transactions (the market approach), a discounted cash flow analysis (the income approach) and/or by quantifying the amount of money required to replace the future service

capability of the assets (the cost 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. For the cost approach, we utilized the historical cost of assets of similar technologies to determine the estimated replacement cost, including research, development, testing and patent application fees. 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 identification of comparable market transactions, assumed royalty rates, projected 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 aggregate value of the patents acquired would have had on 2020 revenue, patent amortization and pre-tax income is summarized in the following table (in thousands).

	Change in estimate	
Estimated value of patents acquired in connection with PLAs	**+5%**	**-%5**
Revenue	$1,327	$(1,327)
Less: Patent amortization	810	(810)
Pre-tax income	$ 517	$ (517)

Compensation Programs

We use a variety of compensation programs to attract, retain and motivate our employees, and to align employee compensation more closely with company performance. These programs include, but are not limited to, short-term incentives tied to performance goals, cash awards to inventors for filed patent applications and patent issuances, and long-term incentives in the form of stock option awards, time-based restricted stock unit ("RSU") awards, performance-based awards and cash awards, noting equity awards are granted pursuant to the terms and conditions of our Equity Plans (as defined within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K). Our long-term incentives, including equity awards, typically include annual equity and cash award grants with three to five year vesting periods; as a result, in any one year, we are typically accounting for at least three active cycles.

The aggregate amount of performance compensation expense we record in a period, under both short-term and long-term incentive compensation programs, requires the input of subjective assumptions and is a function of our estimated progress toward performance compensation goals at both the beginning and 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 costs throughout 2020 on the assumption that all plans and active cycles thereunder would be paid out at 100%, we would have recorded approximately $4.5 million more in compensation expense in 2020 than we actually recorded.

We account for compensation costs associated with share-based compensation based on the fair value of the instruments issued. The estimated value of stock options includes assumptions around expected life, stock volatility and dividends. The expected life of our stock option awards is 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 the event of canceled awards, we adjust compensation expense recognized to date as they occur. Tax windfalls and shortfalls related to the tax effects of employee share-based compensation are included in our tax provision. On the consolidated statements of cash flows, tax windfalls and shortfalls related to employee share-based compensation awards are included within operating activities and cash paid to tax authorities for shares withheld are included within financing activities. The inclusion of windfalls and shortfalls in the tax provision could increase our earnings volatility between periods. Tax windfalls related to share-based compensation for the years ended 2020, 2019 and 2018 were $0.2 million, $0.2 million and $1.8 million, respectively.

The below table summarizes our supplemental compensation expense for 2020, 2019 and 2018, in thousands:

	2020	2019	2018
Short-term incentive compensation	$16,166	$14,129	$13,045
Time-based awards (a)	6,668	6,327	5,985
Performance-based awards (a)	2,347	299	1,415
Other share-based compensation	2,580	1,307	1,768
Total supplemental compensation expense	$27,761	$22,062	$22,213

(a) For 2020, 2019 and 2018, approximately 12%, 5%, and 28%, respectively, of the aggregate expense associated with time-based and performance-based awards related to cash awards.

Business Combinations and Goodwill

Acquisitions that qualify as a business combination are accounted for using the acquisition method of accounting. The fair value of consideration transferred for an acquisition is allocated to the assets acquired and liabilities assumed based on their fair value as of the acquisition date. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination.

Under the acquisition method of accounting, the Company completes valuation procedures for an acquisition to determine the fair value of the assets acquired and liabilities assumed. These valuation procedures require management to make assumptions and apply significant judgment to estimate the fair value of the assets acquired and liabilities assumed. If the estimates or assumptions used should significantly change, the resulting differences could materially affect the fair value of net assets. We estimate the fair value of the intangible assets acquired generally through 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, we base the inputs and assumptions used to develop these estimates on a market participant perspective which includes estimates of projected revenues, discount rates, economic lives and income tax rates, among others, all of which require significant management judgment. For the market approach, we apply judgment to identify the most comparable market transactions to the transaction. Definite-lived intangible assets, which are primarily comprised of patents, are amortized over their estimated useful lives using the straight-line method and are assessed for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

Goodwill is not amortized but is reviewed for impairment annually on the first day of the fourth quarter, or when events or changes in the business environment indicate that the carrying value of a reporting unit may exceed its fair value. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether a quantitative goodwill impairment test is necessary. If we conclude it is more likely than not that the fair value of a reporting

unit exceeds its carrying amount, we need not perform the quantitative assessment. If based on the qualitative assessment we believe it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment test is required to be performed. This assessment requires us to compare the fair value of each reporting unit to its carrying value including allocated goodwill. We determine the fair value of our reporting units generally using a combination of the income and market approaches. If the carrying value of a reporting unit exceeds the reporting unit's fair value, a goodwill impairment charge will be recorded for the difference up to the carrying value of goodwill.

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 in which the change was enacted. 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 U.S. 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 an uncertain 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 2014 and 2020, we paid approximately $134.3 million in foreign taxes to foreign governments that have tax treaties with the U.S., for which we have claimed foreign tax credits against our U.S. tax obligations, and for which the tax treaty procedures are still open. 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 foreign currency fluctuations, any such agreement could result in foreign currency gain or loss.

On November 8, 2019, the Company received notification that its request for competent authority pertaining to Article 25 (Mutual Agreement Procedure) of the United States-Republic of Finland Income Tax Convention had been reviewed by the IRS and an agreement has been reached (the "Finland Competent Authority Proceeding"). As a result of this agreement, the Company does not anticipate any tax consequences.

On July 24, 2018, the Company received notification that its request for competent authority pertaining to Article 27 (Mutual Agreement 14 Table of Contents Procedure) of the United States-Republic of Korea Income Tax Convention had been reviewed by the IRS and an agreement had been reached (the "Korea Competent Authority Proceeding"). As a result of this agreement, the Company received refunds of $97.4 million, inclusive of interest. In addition, we have recorded a net tax benefit of $14.7 million in our full year 2018. In September 2019, the amended tax returns for tax years covered by this agreement were filed and an additional benefit of $2.2 million was recorded related to the final refund the Company expects to receive.

New Accounting Guidance

Refer to Note 2, "*Summary of Significant Accounting Policies and New Accounting Guidance*" within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for a discussion of recently issued accounting guidance.

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 Note 12, "*Litigation and Legal Proceedings*," to the Notes to Consolidated Financial Statements included below in Part II, Item 8 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, debt obligations, existing stock repurchase program and dividend program for the next twelve months.

Cash, cash equivalents, restricted cash and short-term investments

As of December 31, 2020 and December 31, 2019, we had the following amounts of cash, cash equivalents, restricted cash and short-term investments (in thousands):

	December 31, 2020	December 31, 2019	Increase / (Decrease)
Cash and cash equivalents	$473,474	$745,491	$(272,017)
Restricted cash included within prepaid and other current assets	3,108	10,526	(7,418)
Restricted cash included within other non-current assets	1,081	1,081	—
Short-term investments	453,173	179,204	273,969
Total cash, cash equivalents, restricted cash and short-term investments	$930,836	$936,302	$ (5,466)

The net decrease in cash, cash equivalents, restricted cash and short-term investments was attributable to cash used in financing activities of $132.9 million and cash used in investing activities, excluding sales and purchases of short-term investments, of $37.2 million. These uses were partially offset by cash provided by operating activities of $163.5 million. Cash used in financing activities primarily related to repayment of our 2020 Notes, and dividend payments. Cash used in investing activities, excluding sales and purchases of short-term investments, primarily related to capital investments for patents and fixed assets. Refer to the sections below for further discussion of these items.

Cash flows from operations

We generated the following cash flows from our operating activities in 2020 and 2019 (in thousands):

	For the Year Ended December 31,		
	2020	2019	Increase / (Decrease)
Cash flows provided by operating activities	$163,467	$89,433	$74,034

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 $74.0 million change in net cash provided by operating activities was primarily driven by higher cash receipts primarily related to new patent license agreements signed over the last twelve months, as well as the timing of cash receipts related to patent license agreements. The table below sets forth the significant items comprising our cash flows provided by operating activities during the years ended December 31, 2020 and 2019 (in thousands).

	For the Year Ended December 31,		
	2020	2019	Increase / (Decrease)
Cash Receipts:			
Patent royalties	$ 366,237	$ 288,123	$ 78,114
Technology solutions	11,521	7,053	4,468
Total cash receipts	$ 377,758	$ 295,176	$ 82,582
Cash Outflows:			
Cash operating expenses (a)	(204,801)	(195,682)	(9,119)
Income taxes paid, net of refunds (b)	(26,233)	(24,229)	(2,004)
Total cash outflows	(231,034)	(219,911)	(11,123)
Other working capital adjustments (c)	16,743	14,168	2,575
Cash flows provided by operating activities	$ 163,467	$ 89,433	$ 74,034

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

(b) Income taxes paid include foreign withholding taxes.

(c) Working capital includes $69.6 million of tax receivables at December 31, 2020, compared to $38.0 million at December 31, 2019.

Cash provided by or used in investing and financing activities

Net cash used in investing activities in 2020 was $310.0 million, a $578.3 million change from $268.3 million net cash provided by investing activities in 2019. During 2020, we purchased $272.8 million of short-term marketable securities, net of sales and received net proceeds of $4.3 million from our long-term strategic investments. During 2019, we sold $296.6 million of short-term marketable securities, net of purchases and also received initial proceeds of $10.0 million related to the sale of our Hillcrest product business.

Net cash used in financing activities for 2020 was $132.9 million, a $43.5 million change from net cash used in financing activities of $89.3 million in 2019. This change was primarily attributable to net proceeds of $140.2 million from the debt refinancing (net of related expenses) and $15.7 million proceeds from non-controlling interests received in 2019. These activities were partially offset by a reduction of $195.9 million in share repurchases, a $94.9 million payment on long-term debt related to the repayment of our 2020 Notes, and $5.3 million of proceeds from non-controlling interests received in 2020.

Other

Our combined short-term and long-term deferred revenue balance at December 31, 2020 was approximately $328.0 million, an increase of $57.7 million from December 31, 2019. Based on current license agreements, we expect the amortization of dynamic fixed-fee royalty payments to reduce the December 31, 2020 deferred revenue balance of $328.0 million by $192.1 million over the next twelve months.

Convertible Notes

Our Convertible Notes are included in the dilutive earnings per share calculation using the treasury stock method. Under the treasury stock method, we must calculate the number of shares of common stock issuable under the terms of the 2024 Notes (as defined herein) based on the average market price of our common stock during the applicable reporting period and include that number in the total diluted shares figure for the period. At the time we issued the 2024 Notes, we entered into the 2024 Call Spread Transactions (defined in the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K). The 2024 Call Spread Transactions were designed to have the economic effect of reducing the net number of shares that will be issued in excess of the principal amount of converted Notes in the event of conversion of the 2024 Notes if the market price per share of our common stock is greater than the strike price of the 2024 Note Hedge Transactions by, in effect, increasing the conversion price of the 2024 Notes from our economic standpoint. However, under GAAP, since the impact of the 2024 Note Hedge Transactions (the “Note Hedge Transactions”) is anti-dilutive, we exclude from the calculation of fully diluted shares the number of shares of our common stock that we would receive from the counterparties to these agreements upon settlement.

During periods in which the average market price of our common stock is above the applicable conversion price of the 2024 Notes ($81.29 per share as of December 31, 2020) or above the strike price of the warrants ($109.43 per share for the 2024 Warrant Transactions as of December 31, 2020), the impact of conversion or exercise, as applicable, would be dilutive and such dilutive effect is reflected in diluted earnings per share. As a result, in periods where the average market price of our common stock is above the conversion price or strike price, as applicable, under the treasury stock method, we calculate the number of shares issuable under the terms of the 2024 Notes and the warrants based on the average market price of the stock during the period, and include that number in the total diluted shares outstanding for the period.

Under the treasury stock method, changes in the price per share of our common stock can have a significant impact on the number of shares that we must include in the fully diluted earnings per share calculation. As described in Note 10, "*Obligations*" within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K, as of December 30, 2020, we made the irrevocable election to settle all conversions of the 2024 Notes through a combination settlement of cash and shares of common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of the 2024 Notes and any remaining amounts in shares ("net share settlement"). Assuming net share settlement upon conversion, the following table illustrates how, based on the $400.0 million aggregate principal amount of the 2024 Notes as of December 31, 2020, and the approximately 4.9 million warrants related to the 2024 Notes, outstanding as of the same date, changes in our stock price would affect (i) the number of shares issuable upon conversion of the 2024 Notes, (ii) the number of shares issuable upon exercise of the warrants subject to the 2024 Warrant Transactions (the "Warrant Transaction"), (iii) the number of additional shares deemed outstanding with respect to the 2024 Notes, after applying the treasury stock method, for purposes of calculating diluted earnings per share ("Total Treasury Stock Method Incremental Shares"), (iv) the number of shares of common stock deliverable to us upon settlement of the Note Hedge Transactions, and (v) the number of shares issuable upon concurrent conversion of the Convertible Note, exercise of the warrants subject to the Warrant Transactions, and settlement of the Note Hedge Transactions (shares in thousands):

2024 Notes					
Market Price Per Share	**Shares Issuable Upon Conversion of the 2024 Notes**	**Shares Issuable Upon Exercise of the 2024 Warrant Transactions**	**Total Treasury Stock Method Incremental Shares**	**Shares Deliverable to InterDigital upon Settlement of the 2024 Note Hedge Transactions**	**Incremental Shares Issuable (a)**
$ 85	215	—	215	(215)	—
$ 90	476	—	476	(476)	—
$ 95	710	—	710	(710)	—
$100	921	—	921	(921)	—
$105	1,111	—	1,111	(1,111)	—
$110	1,284	25	1,309	(1,284)	25
$115	1,442	238	1,680	(1,442)	238
$120	1,587	433	2,020	(1,587)	433
$125	1,721	613	2,334	(1,721)	613
$130	1,844	779	2,623	(1,844)	779

(a) Represents incremental shares issuable upon concurrent conversion of convertible notes, exercise of warrants and settlement of the hedge agreements.

Contractual Obligations

We issued $400.0 million in aggregate principal amount of 2.00% Senior Convertible Notes due 2024 ("the 2024 Notes"). The 2024 Notes bear interest at a rate of 2.00% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2019, and mature on June 1, 2024, unless earlier converted or repurchased.

For more information on the 2024 Notes, see Note 10, "*Obligations*," within the Notes to the 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, 2020 (in thousands):

	Payments Due by Period				
	Total	Less Than 1 year	1-3 Years	3-5 Years	Thereafter
2024 Notes	$400,000	$ —	$ —	$400,000	$ —
Contractual interest payments on the 2024 Notes	27,356	8,000	16,000	3,356	—
Operating lease obligations	31,102	4,024	10,190	8,093	8,795
Defined benefit plan obligations (a)	4,693	229	928	837	2,699
Purchase obligations (b)	15,830	15,830	—	—	—
Total contractual obligations	$478,981	$28,083	$27,118	$412,286	$11,494

(a) Refer to Note 5, "*Business Combinations and Other Transactions*," within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for details of our defined benefit plan obligations. Estimated future benefit payments included above are through 2030.

(b) 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 as of December 31, 2020 includes a $3.8 million non-current 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.

As of December 31, 2020, we have recorded long-term debt of $24.2 million related to the Technicolor Patent Acquisition. Additionally, we are subject to a revenue-sharing arrangement with Technicolor resulting from the Technicolor Acquisitions. There is no liability associated with the revenue-share agreement at December 31, 2020 as there are no minimum or maximum payments under the revenue-sharing arrangement, and, except in certain circumstances, the arrangement continues through December 31, 2038. Refer to Note 5, "*Business Combinations and Other Transactions*," within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information. Due to the uncertainty regarding the timing and amount of future payments related to these items, the amounts are excluded from the contractual obligations table above.

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

2020 Compared with 2019

Revenues

The following table compares 2020 revenues to 2019 revenues (in thousands):

	For the Year Ended December 31,		Total Increase/(Decrease)	
	2020	2019		
Variable patent royalty revenue	$ 26,587	$ 30,428	$ (3,841)	(13)%
Fixed-fee royalty revenue	298,461	257,221	41,240	16%
Current patent royalties [a]	325,048	287,649	37,399	13%
Non-current patent royalties [b]	21,582	19,782	1,800	9%
Total patent royalties	346,630	307,431	39,199	13%
Current technology solutions revenue [a]	11,761	10,518	1,243	12%
Patent sales [b]	600	975	(375)	(38)%
Total revenue	$358,991	$318,924	$40,067	13%

(a) Recurring revenues are comprised of current patent royalties, inclusive of Dynamic Fixed-Fee Agreement royalties, and current technology solutions revenue.

(b) Non-recurring revenues are comprised of non-current patent royalties, which primarily include past patent royalties and royalties from static agreements, as well as patent sales.

The $40.1 million increase in total revenue was primarily driven by a $38.6 million increase in recurring revenue and a $1.8 million a increase in non-current patent royalties both primarily driven by ten new patent license agreements signed over the last fifteen months, including Huawei and ZTE. The increase in non-current patent royalties was also due to the inclusion of a $5.5 million net charge recorded as contra non-recurring revenue during 2019 related to a restructured licensing arrangement with a long-term customer.

In 2020 and 2019, 68% and 70% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2020 and 2019, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2020	2019
Apple	31%	35%
Samsung	22%	25%
Huawei	15%	—%
LG	<10%	10%

Operating Expenses

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

	For the Year Ended December 31,		Increase/(Decrease)	
	2020	2019		
Patent administration and licensing	$170,178	$154,940	$15,238	10%
Development	84,646	74,860	9,786	13%
Selling, general and administrative	48,999	51,289	(2,290)	(4)%
Total operating expenses	$303,823	$281,089	$22,734	8%

Operating expenses increased 8% to $303.8 million in 2020 from $281.1 million in 2019. The $22.7 million increase in total operating expenses was primarily due to increases/(decreases) in the following items (in thousands):

	Increase/ (Decrease)
Recurring operations of the Technicolor Acquisitions	$15,656
One-time costs related to the Technicolor Acquisitions	(6,066)
Revenue sharing for Madison Arrangement	(3,775)
Non-cash charge of patents disposed	7,539
Performance-based incentive compensation	4,246
Corporate initiatives	4,017
Intellectual property enforcement and non-patent litigation	3,182
Amortization	1,648
Personnel-related costs	(4,524)
Other	811
Total increase in operating expenses	$22,734

The $22.7 million increase in operating expenses was primarily driven by the Technicolor Acquisitions, which contributed $69.4 million to 2020 operating expenses following our May 2019 R&I Acquisition and July 2018 Technicolor Patent Acquisition. This compares to $63.0 million of operating expenses in 2019. The $69.4 million of operating expenses in 2020 resulting from the Technicolor Acquisitions is comprised of $64.6 million of recurring costs, of which $17.4 million relates to patent amortization. The remaining $4.8 million of operating expenses relates to $2.3 million of transaction and integration costs during 2020 and $2.5 million of revenue sharing for the Madison Arrangement. The $63.0 million of operating expenses in 2019 resulting from the Technicolor Patent Acquisition was comprised of $48.3 million of recurring costs, of which $16.6 million related to patent amortization. The remaining $14.7 million of operating expenses relates to $8.4 million of transaction and integration costs and $6.3 million of revenue sharing for the Madison Arrangement.

In 2020, we had a one-time $7.5 million non-cash charge to write-off the remaining book value of patents we disposed of as part of our on-going patent portfolio management. Performance-based incentive compensation increased by $4.2 million, primarily due to increased performance accruals driven by the Huawei PLA signed in 2020. We incurred $4.0 million of additional costs attributable to corporate initiatives as part of its on-going efforts to optimize its cost structure, including the closure of our San Diego office. The $3.2 million increase in intellectual property enforcement costs was primarily driven by the on-going Lenovo and Xiaomi litigations. Amortization expense increased by $1.6 million and was largely driven by patents acquired over the last twelve-months. Lastly, corporate initiatives to optimize our cost structure drove a $4.5 million decrease in personnel-related costs.

Patent administration and licensing expense: The $15.2 million increase in patent administration and licensing expense primarily resulted from the above-noted increases related to the non-cash charge to write-off the remaining book value of patents we disposed of as part of our on-going patent portfolio management, intellectual property enforcement costs, patent amortization, and performance-based incentive compensation, as well as increased patent maintenance costs.

Development expense: The $9.8 million increase in development expense primarily resulted from the above-noted increases related to the Technicolor Acquisitions, performance-based compensation and corporate initiatives. These increases were partially offset by lower personnel-related costs, primarily related to our second quarter 2019 sale of the Hillcrest product business and reductions in other non-cellular research areas.

Selling, general and administrative expense: The $2.3 million decrease in selling, general and administrative expense primarily resulted from the above-noted reduction in personnel-related costs, as well as

lower one-time costs associated with the Technicolor Acquisitions. These decreases were partially offset by the above-noted increases in performance-based incentive compensation and corporate initiatives.

Non-Operating Expense

The following table compares 2020 non-operating income (expense) to 2019 non-operating income (expense) (in thousands):

	For the Year Ended December 31,		Change	
	2020	2019		
Interest expense	$(40,799)	$(40,955)	$ 156	—%
Interest and investment income	5,661	13,458	(7,797)	(58)%
Gain on asset acquisition and sale of business	—	22,690	(22,690)	(100)%
Loss on extinguishment of long-term debt	—	(5,488)	5,488	(100)%
Other income (expense), net	11,263	(1,598)	12,861	(805)%
Total non-operating expense	$(23,875)	$(11,893)	$(11,982)	(101)%

The increase in non-operating expense between periods was primarily driven by the recognition of an aggregate $22.7 million gain on asset acquisition and sale of business during the year ended December 31, 2019, of which $14.2 million relates to the R&I Acquisition in second quarter 2019 and $8.5 million relates to the gain on sale of our Hillcrest product business in third quarter 2019. These gains were partially offset by the recognition of a $5.5 million loss on extinguishment of debt recognized in connection with the settlement of a portion of our 2020 Notes in second quarter 2019.

Additionally, during the year ended December 31, 2020, we recognized $5.6 million of gains resulting from observable price changes in orderly transactions of one of our long-term strategic investments. Comparatively, during the year ended December 31, 2019 we recognized a net loss of $2.6 million resulting from the partial impairment of one of our strategic investments partially offset by a gain on sale of a separate strategic investment. These items are included in the "*Other income (expense), net*" caption in the table above. Interest expense remained flat and relates to interest on the 2024 Notes and interest incurred on long-term debt resulting from the Technicolor Patent Acquisition.

Income Taxes

In 2020, based on the statutory federal tax rate net of discrete federal and state taxes, our effective tax rate is a benefit of 21.2%. The negative effective tax rate was driven by a net benefit of $19.7 million that primarily relates to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year, as well as the reversal of a tax reserve. As a result of the difference in timing between deduction of certain expenses between US GAAP and the tax law, the Company's estimate of current taxable income is zero. The Company was unable to benefit from the favorable rates associated with Foreign Derived Intangible Income ("FDII") as a result of having zero taxable income. The current year tax benefit is compared to an effective tax rate provision of 42.4% in 2019. The effective tax rate for 2019 was unfavorably impacted by an $8.0 million provision associated with valuation allowances on the Company's losses in jurisdictions for which the Company receives no benefit. As a result of the difference in timing between US GAAP revenue and tax revenue, the Company's estimate of current taxable income is zero. The Company was unable to benefit from favorable rates associated with Foreign Derived Intangible Income ("FDII") as a result of having zero taxable income.

2019 Compared with 2018

Revenues

The following table compares 2019 revenues to 2018 revenues (in thousands):

	For the Year Ended December 31,		Total Increase/(Decrease)	
	2019	2018		
Variable patent royalty revenue	$ 30,428	$ 36,384	$ (5,956)	(16)%
Fixed-fee royalty revenue	257,221	239,347	17,874	7%
Current patent royalties [a]	287,649	275,731	11,918	4%
Non-current patent royalties [b]	19,782	26,329	(6,547)	(25)%
Total patent royalties	307,431	302,060	5,371	2%
Current technology solutions revenue [a]	10,518	4,594	5,924	129%
Patent sales [b]	975	750	225	30%
Total revenue	$318,924	$307,404	$11,520	4%

(a) Recurring revenues are comprised of current patent royalties, inclusive of Dynamic Fixed-Fee Agreement royalties, and current technology solutions revenue.

(b) Non-recurring revenues are comprised of non-current patent royalties, which primarily include past patent royalties and royalties from static agreements, as well as patent sales.

The $11.5 million increase in total revenue was driven by an increase in recurring revenue of $17.8 million, primarily attributable to fixed-fee royalties and current technology solutions revenue. Fixed-fee royalty revenue increased by $17.9 million, primarily resulting from a dynamic fixed-fee agreement signed in each of the fourth quarters of 2018 and 2019. The increase in current technology solutions revenue related to the inclusion of engineering services revenue attributable to our on-going relationship with Technicolor. These increases were partially offset by a decrease variable patent royalties, which was primarily due to a restructured licensing arrangement with a long-term customer in first quarter 2019 whose revenues are now classified as fixed-fee royalty revenue and have declined as compared to prior year. This decrease in variable patent royalties was partially negated by the inclusion of variable patent royalties assumed as part of the Technicolor Patent Acquisition. Additionally, non-current patent royalties decreased by $6.5 million primarily due to a $5.5 million net charge recorded as contra non-recurring revenue during first quarter 2019 related to a restructured licensing arrangement with a long-term customer.

In 2019 and 2018, 70% and 71% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2019 and 2018, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2019	2018
Apple	35%	36%
Samsung	25%	25%
LG	10%	10%

Operating Expenses

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

	For the Year Ended December 31,			
	2019	2018	Increase/(Decrease)	
Patent administration and licensing	$154,940	$124,081	$30,859	25%
Development	74,860	69,698	5,162	7%
Selling, general and administrative	51,289	51,030	259	1%
Total operating expenses	$281,089	$244,809	$36,280	15%

Operating expenses increased 15% to $281.1 million in 2019 from $244.8 million in 2018. The $36.3 million increase in total operating expenses was primarily due to increases/(decreases) in the following items (in thousands):

	Increase/ (Decrease)
Recurring operations of the Technicolor Acquisitions	$32,137
One-time costs related to the Technicolor Acquisitions	(9,325)
Revenue sharing for Madison Arrangement	6,260
Intellectual property enforcement and non-patent litigation	7,089
Personnel-related costs	1,203
Other	(1,084)
Total increase in operating expenses	$36,280

The $36.3 million increase in operating expenses was primarily driven by the Technicolor Acquisitions, which contributed $63.0 million to 2019 operating expenses following the R&I Acquisition. This compares to $34.0 million of operating expenses in 2018 following our July 2018 Technicolor Patent Acquisition. The $63.0 million of operating expenses in 2019 resulting from the Technicolor Acquisitions is comprised of $48.3 million of recurring costs, of which $16.6 million relates to patent amortization, $8.4 million relates to transaction and integration costs during 2019, and the remaining $6.3 million relates to revenue sharing for the Madison Arrangement. The $34.0 million of operating expenses in 2018 resulting from the Technicolor Patent Acquisition was comprised of $16.2 million for five months of recurring costs, of which $6.8 million related to patent amortization, and the remaining $17.8 million related to transaction and integration costs. The $7.1 million increase in intellectual property enforcement and non-patent litigation was primarily due to the enforcement proceedings we initiated against Lenovo and Huawei in second half 2019. The increase in personnel-related costs was primarily related to severance and related expenses associated with ongoing efforts to optimize our cost structure, as well as one-time costs associated with the sale of our Hillcrest product business.

Patent administration and licensing expense: The $30.9 million increase in patent administration and licensing expense primarily resulted from the above-noted increases related to the Technicolor Acquisitions and intellectual property enforcement costs.

Development expense: The $5.2 million increase in development expense primarily resulted from the above-noted increases related to the Technicolor Acquisitions, as discussed above, partially offset by reduced spending on development of commercial solutions driven by the sale our Hillcrest product business.

Selling, general and administrative expense: The $0.3 million increase in selling, general and administrative expense primarily resulted from the above-noted increases related to the Technicolor Acquisitions and increased personnel-related costs, discussed above.

Non-Operating Income (Expense)

The following table compares 2019 non-operating income (expense) to 2018 non-operating income (expense) (in thousands):

	For the Year Ended December 31,		Change	
	2019	2018		
Interest expense	$(40,955)	$(35,956)	$ (4,999)	(14)%
Interest and investment income	13,458	14,590	(1,132)	(8)%
Gain on asset acquisition and sale of business	22,690	—	22,690	100%
Loss on extinguishment of long-term debt	(5,488)	—	(5,488)	100%
Other income (expense), net	(1,598)	(9,171)	7,573	83%
Total non-operating income (expense)	$(11,893)	$(30,537)	$18,644	61%

The change in non-operating income (expense) between periods was primarily driven by the recognition of an aggregate $22.7 million gain on asset acquisition and sale of business during the year ended December 31, 2019, of which $14.2 million relates to the R&I Acquisition in second quarter 2019 and $8.5 million relates to the gain on sale of our Hillcrest product business in third quarter 2019. These gains were partially offset by the recognition of a $5.5 million loss on extinguishment of debt recognized in connection with the settlement of a portion of our 2020 Notes in second quarter 2019.

Additionally, during the year ended December 31, 2019, we recognized a net loss of $2.6 million resulting from the partial impairment of one of our strategic investments partially offset by a gain on sale of a separate strategic investment. During the year ended December 31, 2018, we recognized an aggregate $8.4 million loss resulting from the sale of our entire ownership interest in one of our strategic investments and the impairment of a separate strategic investment. These items are included in the "Other income (expense), net" caption in the table above. Higher interest expense relates to interest on the 2024 Notes and interest incurred on long-term debt resulting from the Technicolor Patent Acquisition.

Income Taxes

In 2019, based on the statutory federal tax rate net of discrete federal and state taxes, our effective tax rate was a provision of 42.4%. The effective tax rate for 2019 was unfavorably impacted by an $8.0 million provision associated with valuation allowances on the Company's losses in jurisdictions for which the Company receives no benefit. As a result of the difference in timing between US GAAP revenue and tax revenue, the Company's estimate of current taxable income is zero. The Company was unable to benefit from favorable rates associated with FDII as a result of having zero taxable income.

This is compared to an effective tax rate benefit of 85.5% in 2018, based on the statutory federal tax rate net of discrete federal and state taxes. The effective tax rate for 2018 was impacted by an $18.0 million benefit associated with the FDII deduction provisions contained within the Tax Cuts and Jobs Act, or TCJA, and a $14.7 million benefit from expected amended returns related to the Korea Competent Authority Proceeding settlement discussed above.

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 innovation for the mobile, video and consumer electronics industries and to monetize those solutions and innovations 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 and video, 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, other wireless and video standards, including 3G, 4G, 5G, HEVC and the IEEE 802 suite of standards, as well as patents and patent applications that we believe may become essential to 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 licenses 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 commercial initiatives are potential revenue opportunities;

(viii) 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 expectations and estimations regarding the income tax effects, and the impact on the Company, of the Tax Cuts and Jobs Act, or TCJA, and our belief that we currently expect a significant portion of our income to qualify as FDII and thus be subject to the 13.1% tax rate;

(xiii) our expectation that we will continue to pay a quarterly cash dividend on our common stock comparable to our quarterly $0.35 per share cash dividend in the future;

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

(xv) our belief that we have the ability to obtain additional liquidity through debt and equity financings;

(xvi) 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;

(xvii) our expectations regarding the potential effects of new accounting standards on our financial statements or results of operations;

(xviii) our expectation that the amortization of fixed-fee royalty payments will reduce our deferred revenue balance over the next twelve months;

(xix) our belief in our ability to continue to expand into the consumer electronics market, and the opportunities that market presents;

(xx) our projections of amounts to be owed to Technicolor under our revenue sharing arrangement;

(xxi) the expected timing, outcome and impact of our various litigation, arbitration and administrative matters; and

(xxii) our belief that there will be a level of concentration in worldwide shipments of 5G handsets similar to the current level of concentration in worldwide shipments of 3G and 4G handsets.

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) uncertainty and decline in U.S.-China relations and/or increased economic uncertainty in China;

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

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

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

(v) 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;

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

(vii) 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;

(viii) 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;

(ix) 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;

(x) 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;

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

(xii) 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;

(xiii) changes in our interpretations of, and assumptions and calculations with respect to the impact on the Company of, the Tax Cuts and Jobs Act, or TCJA, as well as further guidance that may be issued regarding the TCJA;

(xiv) 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;

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

(xvi) decreased liquidity in the capital markets; and

(xvii) 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, cash equivalents, restricted cash and short-term 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, cash equivalents, restricted cash 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 $0.9 billion as of December 31, 2020. 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, 2020. 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)

	2021	2022	2023	2024	2025	Thereafter	Total
Money market and demand accounts	$397,522	—	—	—	—	—	$397,522
Short-term investments	$517,437	$15,877	—	—	—	—	$533,314
Average Interest rate	0.9%	2.0%	—%	—%	—%	—%	0.9%

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

Bank Liquidity Risk — As of December 31, 2020, we had approximately $397.5 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 2014 and 2020, we paid approximately $134.3 million in foreign taxes to foreign governments that have tax treaties with the U.S., for which we have claimed foreign tax credits against our U.S. tax obligations, and for which the tax treaty procedures are still open. 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 foreign currency fluctuations, any such agreement could result in 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 primarily classified as available-for-sale with a fair value of $533.3 million as of December 31, 2020.

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 2024 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 2024 Notes. The warrants along with any shares issuable upon conversion of the 2024 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 2024 Notes.

Item 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.*

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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.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of InterDigital, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition — Determination of the Value of Revenue from Non-Financial Sources and of Standalone Selling Prices of Identified Performance Obligations in Dynamic Fixed-Fee License Agreements

As described in Notes 2 and 3 to the consolidated financial statements, dynamic fixed-fee license agreements include fixed, non-refundable royalty payments that fulfill the licensee's obligations to the Company under a patent license agreement for a specified time period or for the term of the agreement. Additionally, certain patent license agreements contain revenue from non-financial sources in the form of patents received from the customer. Total fixed-fee royalty revenue and non-current patent royalties were $298.5 million and $21.6 million, respectively, for the year ended December 31, 2020, of which a significant portion relates to dynamic fixed-fee agreements. As disclosed by management, the process for determining the value of the standalone selling prices of identified performance obligations in dynamic fixed-fee license agreements requires the exercise of significant judgment when evaluating the valuation methods and assumptions, including the assumed royalty rates, projected sales volumes, discount rate, identification of comparable market transactions which are not directly observable and other relevant factors. Management's process for determining the value of revenue from non-financial sources requires estimating the fair value of patents received using one of, or a combination of, an analysis of comparable market transactions (the market approach), a discounted cash flow analysis (the income approach), and/or by quantifying the amount of money required to replace the future service capability of the assets (the cost approach). 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 identification of comparable market transactions, assumed royalty rates, projected sales volumes, economic lives of the patents and other relevant factors.

The principal considerations for our determination that performing procedures relating to the determination of the value of revenue from non-financial sources and of standalone selling prices of identified performance

obligations in dynamic fixed-fee license agreements is a critical audit matter are (i) the significant judgment by management when determining the value of revenue from non-financial sources and of standalone selling prices; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence obtained relating to management's significant assumptions related to (a) assumed royalty rates, projected sales volumes and identification of comparable market transactions used to estimate the value of revenue from standalone selling prices and (b) identification of comparable market transactions used to estimate the value of revenue from non-financial sources; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the determination of the value of revenue from non-financial sources and of standalone selling prices of identified performance obligations in dynamic fixed-fee license agreements. These procedures also included, among others (i) reading certain new dynamic fixed-fee license agreements entered into during the year; (ii) testing management's process for determining the value of revenue from non-financial sources and of standalone selling prices of identified performance obligations in dynamic fixed-fee license agreements; (iii) evaluating the appropriateness of the valuation methods used; (iv) evaluating the reasonableness of management's significant assumptions used in determining the value of revenue from non-financial sources and developing the standalone selling prices related to assumed royalty rates, projected sales volumes and identification of comparable market transactions; and (v) testing the completeness and accuracy of data used by management in the valuation methods. Evaluating the reasonableness of management's significant assumptions related to assumed royalty rates and identification of comparable market transactions involved considering prospective third-party market data and previous license agreements entered into by the Company. Evaluating the reasonableness of management's significant assumptions related to projected sales volumes involved considering consistency with historical sales data. Professionals with specialized skill and knowledge were used to assist in the evaluation of the valuation methods and the significant assumption related to the identification of comparable market transactions used to estimate the value of revenue from non-financial sources.

Recognition of Benefit For Uncertain Tax Positions

As described in Notes 2 and 14 to the consolidated financial statements, the Company has recorded $3.8 million of unrecognized tax benefits as of December 31, 2020. In addition, during the year ended December 31, 2020, a net discrete benefit of $20.9 million was recorded that primarily relates to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year, as well as the reversal of a tax reserve. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. The financial statement recognition of the benefit for an uncertain 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 the Company's consolidated financial condition or results of operations.

The principal considerations for our determination that performing procedures relating to the recognition of benefit for uncertain tax positions is a critical audit matter are (i) the significant judgment by management in estimating the impact of uncertainties in the application of complex tax laws, including determining whether it is more likely than not that the tax position will be sustained upon audit by the applicable tax authority, based on the technical merits of the position; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence obtained related to the recognition of benefit for uncertain tax positions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the

effectiveness of controls relating to the recognition of benefit for uncertain tax positions, including controls addressing measurement of the unrecognized tax benefits. These procedures also included, among others, evaluating the significant judgment used by management in applying the more likely than not recognition criteria and in measuring the unrecognized tax benefits. Professionals with specialized skill and knowledge were used to assist in evaluating the technical merits of positions taken based upon application of the tax law and new information, and recognition of benefit for uncertain tax positions.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 18, 2021

We have served as the Company's auditor since 2002.

INTERDIGITAL, INC. AND SUBSIDIARIES

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

	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 473,474	$ 745,491
Short-term investments	453,173	179,204
Accounts receivable, less allowances of $0 and $537	16,008	28,272
Prepaid and other current assets	84,224	63,365
Total current assets	1,026,879	1,016,332
PROPERTY AND EQUIPMENT, NET	16,630	10,217
PATENTS, NET	418,343	436,339
DEFERRED TAX ASSETS	80,380	73,168
OTHER NON-CURRENT ASSETS	74,043	76,026
	589,396	595,750
TOTAL ASSETS	$1,616,275	$1,612,082
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ —	$ 94,170
Accounts payable	10,979	13,393
Accrued compensation and related expenses	32,413	29,162
Deferred revenue	219,935	146,654
Taxes payable	360	51
Dividend payable	10,786	10,746
Other accrued expenses	21,289	11,382
Total current liabilities	295,762	305,558
LONG-TERM DEBT	367,992	350,588
LONG-TERM DEFERRED REVENUE	108,069	123,653
OTHER LONG-TERM LIABILITIES	47,886	46,002
TOTAL LIABILITIES	819,709	825,801
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, 71,389 and 71,268 shares issued and 30,816 and 30,701 shares outstanding	714	712
Additional paid-in capital	738,481	727,402
Retained earnings	1,413,969	1,412,779
Accumulated other comprehensive loss	(184)	(74)
	2,152,980	2,140,819
Treasury stock, 40,573 and 40,567 shares of common held at cost	1,379,611	1,379,262
Total InterDigital, Inc. shareholders' equity	773,369	761,557
Noncontrolling interest	23,197	24,724
Total equity	796,566	786,281
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,616,275	$1,612,082

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,		
	2020	2019	2018
REVENUES:			
Patent licensing royalties	$346,630	$307,431	$302,060
Technology solutions	11,761	10,518	4,594
Patent sales	600	975	750
Total Revenue	358,991	318,924	307,404
OPERATING EXPENSES:			
Patent administration and licensing	170,178	154,940	124,081
Development	84,646	74,860	69,698
Selling, general and administrative	48,999	51,289	51,030
Total Operating expenses	303,823	281,089	244,809
Income from operations	55,168	37,835	62,595
INTEREST EXPENSE	(40,799)	(40,955)	(35,956)
OTHER INCOME, NET	16,924	29,062	5,419
Income before income taxes	31,293	25,942	32,058
INCOME TAX BENEFIT (PROVISION)	6,648	(10,991)	27,417
NET INCOME	$ 37,941	$ 14,951	$ 59,475
Net loss attributable to noncontrolling interest	(6,860)	(5,977)	(5,556)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$ 44,801	$ 20,928	$ 65,031
NET INCOME PER COMMON SHARE — BASIC	$ 1.46	$ 0.66	$ 1.89
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — BASIC	30,776	31,546	34,491
NET INCOME PER COMMON SHARE — DILUTED	$ 1.44	$ 0.66	$ 1.84
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — DILUTED	31,058	31,785	35,307
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 1.40	$ 1.40	$ 1.40

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,		
	2020	2019	2018
Net income	$37,941	$14,951	$59,475
Unrealized gain (loss) on investments, net of tax	(110)	2,397	61
Comprehensive income	$37,831	$17,348	$59,536
Comprehensive loss attributable to noncontrolling interest	(6,860)	(5,977)	(5,556)
Total comprehensive income attributable to InterDigital, Inc.	$44,691	$23,325	$65,092

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, 2017	**70,749**	**$707**	**$680,040**	**$1,257,632**	**$(2,083)**	**36,127**	**$(1,072,488)**	**$ 9,340**	**$ 873,148**
Cumulative effect of change in accounting principle	—	—	—	161,701	(449)	—	—	—	161,252
Net income attributable to InterDigital, Inc.	—	—	—	65,031	—	—	—	—	65,031
Distribution preference	—	—	—	—	—	—	—	(2,500)	(2,500)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(5,556)	(5,556)
Net change in unrealized gain on short-term investments	—	—	—	—	61	—	—	—	61
Dividends declared ($1.40 per share)	—	—	472	(48,394)	—	—	—	—	(47,922)
Exercise of Common Stock options and warrants	153	2	6,721	—	—	—	—	—	6,723
Issuance of Common Stock, net	232	2	(8,810)	—	—	—	—	—	(8,808)
Amortization of unearned compensation	—	—	7,089	—	—	—	—	—	7,089
Repurchase of Common Stock	—	—	—	—	—	1,478	(110,505)	—	(110,505)
BALANCE, DECEMBER 31, 2018	**71,134**	**$711**	**$685,512**	**$1,435,970**	**$(2,471)**	**37,605**	**$(1,182,993)**	**$ 1,284**	**$ 938,013**
Net income attributable to InterDigital, Inc.	—	—	—	20,928	—	—	—	—	20,928
Proceeds from and increases in noncontrolling interests	—	—	—	—	—	—	—	29,417	29,417
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(5,977)	(5,977)
Net change in unrealized gain on short-term investments	—	—	—	—	2,397	—	—	—	2,397
Dividends declared ($1.40 per share)	—	—	401	(44,119)	—	—	—	—	(43,718)
Exercise of common stock options	—	—	2	—	—	—	—	—	2
Issuance of Common Stock, net	134	1	(4,368)	—	—	—	—	—	(4,367)
Amortization of unearned compensation	—	—	7,603	—	—	—	—	—	7,603
Repurchase of Common Stock	—	—	—	—	—	2,962	(196,269)	—	(196,269)
Equity component of debt, net of tax	—	—	56,917	—	—	—	—	—	56,917
Net convertible note hedge transactions, net of tax	—	—	(49,740)	—	—	—	—	—	(49,740)
Net warrant transactions	—	—	43,416	—	—	—	—	—	43,416
Deferred financing costs allocated to equity, net of tax	—	—	(1,692)	—	—	—	—	—	(1,692)
Reacquisition of equity component of debt due to prepayment, net of tax	—	—	(10,649)	—	—	—	—	—	(10,649)
BALANCE, DECEMBER 31, 2019	**71,268**	**$712**	**$727,402**	**$1,412,779**	**$ (74)**	**40,567**	**$(1,379,262)**	**$24,724**	**$ 786,281**
Net income attributable to InterDigital, Inc.	—	—	—	44,801	—	—	—	—	44,801
Proceeds from and increases in noncontrolling interests	—	—	—	—	—	—	—	5,333	5,333
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(6,860)	(6,860)
Net change in unrealized loss on short-term investments	—	—	—	—	(110)	—	—	—	(110)
Dividends declared ($1.40 per share)	—	—	498	(43,611)	—	—	—	—	(43,113)
Exercise of common stock options	49	1	1,891	—	—	—	—	—	1,892
Issuance of common stock, net	72	1	(1,752)	—	—	—	—	—	(1,751)
Amortization of unearned compensation	—	—	10,442	—	—	—	—	—	10,442
Repurchase of common stock	—	—	—	—	—	6	(349)	—	(349)
BALANCE, DECEMBER 31, 2020	**71,389**	**714**	**$738,481**	**$1,413,969**	**$ (184)**	**40,573**	**$(1,379,611)**	**$23,197**	**$ 796,566**

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,		
	2020	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 37,941	$ 14,951	$ 59,475
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	81,041	77,094	66,108
Non-cash interest expense, net	18,093	18,709	13,509
Non-cash change in fair value	(5,588)	710	3,884
Gain on asset acquisition and sale of a business	—	(22,690)	—
Change in deferred revenue	24,397	(7,749)	6,966
Deferred income taxes	(7,182)	4,123	(45,426)
Share-based compensation	10,442	7,603	7,089
Impairment of long-term investment	—	3,312	200
Loss on extinguishment of debt	—	5,488	—
Loss on disposal of assets	7,539	119	8,323
Other	412	623	(625)
(Increase) decrease in assets:			
Receivables	11,354	6,742	31,615
Deferred charges and other assets	(26,256)	(27,206)	(6,065)
Increase (decrease) in liabilities:			
Accounts payable	(2,850)	(638)	6,203
Accrued compensation and other expenses	13,815	9,699	254
Accrued taxes payable and other tax contingencies	309	(1,457)	(4,718)
Net cash provided by operating activities	163,467	89,433	146,792
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments	(529,559)	(92,436)	(142,555)
Sales of short-term investments	256,726	389,032	399,105
Purchases of property and equipment	(11,793)	(4,509)	(2,576)
Capitalized patent costs	(30,615)	(33,481)	(32,069)
Acquisition of patents	—	—	(2,250)
Acquisition of business, net of cash acquired	—	—	(142,985)
Proceeds from sale of business	910	10,000	—
Long-term investments	4,285	(350)	(6,686)
Net cash (used in) provided by investing activities	(310,046)	268,256	69,984
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from exercise of stock options	1,892	2	6,723
Proceeds from issuance of senior convertible notes	—	400,000	—
Payments on long-term debt	(94,909)	(221,091)	—
Purchase of convertible bond hedge	—	(72,000)	—
Payment for warrant unwind	—	(4,184)	—
Prepayment penalty on long-term debt	—	(10,763)	—
Proceeds from hedge unwind	—	9,038	—
Proceeds from issuance of warrants	—	47,600	—
Payments of debt issuance costs	—	(8,375)	—
Proceeds from noncontrolling interests	5,333	15,666	—
Dividends paid	(43,072)	(44,580)	(48,468)
Taxes withheld upon restricted stock unit vestings	(1,751)	(4,368)	(8,807)
Repurchase of common stock	(349)	(196,269)	(110,505)
Net cash used in financing activities	(132,856)	(89,324)	(161,057)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(279,435)	268,365	55,719
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	757,098	488,733	433,014
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 477,663	$ 757,098	$ 488,733

Refer to Note 1, "Background and Basis of Presentation," for additional supplemental cash flow information. Additionally, refer to Note 6, "Cash, Cash Equivalents, Restricted Cash and Marketable Securities" for a reconciliation to the consolidated balance sheets..

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

1. BACKGROUND AND BASIS OF PRESENTATION

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, 5G and IEEE 802-related products and networks, as well as video processing, coding and display technology. We are a leading contributor of innovation to the wireless communications industry, as well as a leading holder of patents in the video industry.

Principles of Consolidation

The accompanying consolidated financial statements include all of our accounts and all entities in which we have a controlling interest and/or 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.

InterDigital has analyzed the impact of the ongoing Coronavirus pandemic ("COVID-19") on its financial statements as of December 31, 2020. InterDigital has determined that the changes to its significant judgments and estimates as a result of COVID-19 did not have a material impact on its financial statements. The potential impact of COVID-19 will continue to be analyzed going forward.

Reclassifications

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

Supplemental Cash Flow Information

The following table presents additional supplemental cash flow information for the year ended December 31, 2020, 2019 and 2018 (in thousands):

SUPPLEMENTAL CASH FLOW INFORMATION:	FOR THE YEAR ENDED DECEMBER 31,		
	2020	2019	2018
Interest paid	$ 8,712	$ 7,886	$ 4,740
Income taxes paid, including foreign withholding taxes	26,233	24,229	33,904
Non-cash investing and financing activities:			
Dividend payable	10,786	10,746	11,627
Increases in noncontrolling interests	—	13,750	—
Non-cash acquisition of patents	33,300	22,500	—
Accrued capitalized patent costs and property and equipment	(436)	1,619	(2,789)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING GUIDANCE

Foreign Currency Translation

The functional currency of substantially all of the Company's wholly-owned subsidiaries is the U.S. dollar. Certain subsidiaries have monetary assets and liabilities that are denominated in a currency that is different than the functional currency. The gains and losses resulting from this remeasurement and translation of monetary assets denominated in a currency that is different than the functional currency are reflected in the determination of net income (loss).

Cash, Cash Equivalents, Restricted Cash and Marketable Securities

We classify all highly liquid investment securities with original maturities of three months or less at date of purchase as cash equivalents. Cash that is held for a specific purpose and therefore not available to the Company for immediate or general business use is classified as restricted cash. 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.

As of December 31, 2020 and 2019, the majority of our 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 2 years, and we have both the ability and intent to hold the investments until maturity.

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 Income, Net*" line of our consolidated statements of income.

Intangible Assets

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 10 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 a 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 is 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.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination. We review impairment of goodwill annually on the first day of the fourth quarter. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether a quantitative goodwill impairment test is necessary. If we conclude it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, we need not perform the quantitative assessment.

If based on the qualitative assessment we believe it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment test is required to be performed. This assessment requires us to compare the fair value of each reporting unit to its carrying value including allocated goodwill. We determine the fair value of our reporting units generally using a combination of the income and market approaches. The income approach is estimated through the discounted cash flow method based on assumptions about future conditions such as future revenue growth rates, new product and technology introductions, gross margins, operating expenses, discount rates, future economic and market conditions, and other assumptions. The market approach estimates the fair value of our equity by utilizing the market comparable method which is based on revenue multiples from comparable companies in similar lines of business. If the carrying value of a reporting unit exceeds the reporting unit's fair value, a goodwill impairment charge will be recorded for the difference up to the carrying value of goodwill.

The Company acquired goodwill from our acquisition of the patent licensing business of Technicolor (the "Technicolor Patent Acquisition") in 2018 and from our acquisition of Hillcrest Laboratories, Inc. (the "Hillcrest product business") in 2016. Refer to Note 5, "*Business Combinations and Other Transactions*," for more information regarding these transactions.

The carrying value of goodwill as of December 31, 2020 and 2019 was $22.4 million, respectively, which was included within "*Other Non-Current Assets*" in the consolidated balance sheets. No impairments were recorded during 2020, 2019 or 2018 as a result of our annual goodwill impairment assessment.

Other 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.

Intangible assets consist of acquired patents, existing technology, and trade names. Refer to the above *Patents* section for more information on acquired patents and existing technology. We make judgments about the recoverability of purchased finite-lived intangible assets whenever facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, we would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life.

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. 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.

Leases

In February 2016, the FASB issued ASC 842, which outlines a comprehensive change to the lease accounting model (“ASC840”). The Company adopted ASC 842 on January 1, 2019 using the modified retrospective transition effective date method.

We determine if an arrangement is a lease at inception. Operating lease right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date, except short-term leases with an original term of 12 months or less, based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we generally use an incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease right-of-use assets also includes any lease payments made and excludes lease incentives. Lease expense is recognized over the expected term on a straight-line basis. Leases with a lease term of 12 months or less are accounted for using the practical expedient which allows for straight-line rent expense over the remaining term of the lease.

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.

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 did not have any long-lived asset impairments in 2020, 2019 or 2018.

Revenue Recognition

We adopted ASU No. 2014-09, “Revenue from Contracts with Customers” (ASC 606) effective January 1, 2018. The disclosure below is a description of our revenue recognition accounting policies which were in effect beginning January 1, 2018 under ASC 606.

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 performance obligations. These agreements can include, without limitation, performance obligations related to the settlement of past patent infringement liabilities, patent and/or know-how licensing royalties on covered products sold by licensees, access to a portfolio of technology as it exists at a point in time, and access to a portfolio of technology at a point in time along with promises to provide any technology updates to the portfolio during the term.

In accordance with US GAAP, we use a five-step model to achieve the core underlying principle that an entity should 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. These steps include (1) identifying the contract with the customer, (2) identifying the performance obligations, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue as the entity satisfies the performance obligation(s). Additionally, we have elected to utilize certain practical expedients in the application of ASC 606. In evaluating the presence of a significant financing component in our agreements, we utilize the practical expedient to exclude any contracts wherein the gap between payment by our customers and the delivery of our performance obligation is less than one year. We have also elected to utilize the practical expedient related to costs of obtaining a contract where an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Timing of revenue recognition may differ significantly from the timing of invoicing to customers. Contract assets are included in accounts receivable and represent unbilled amounts expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed, and right to payment is subject to the underlying contractual terms. Contract assets are classified as long-term assets if the payments are expected to be received more than one year from the reporting date. Contract assets due within less than twelve months of the balance sheet date are included within accounts receivable in our consolidated balance sheets. Contract assets due more than twelve months after the balance sheet date are included within other non-current assets.

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 indicated above. Certain patent license agreements contain revenue from non-financial sources in the form of patents received from the customer. 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 as prescribed by the five-step model.

Fixed-Fee Agreements

Fixed-fee license agreements include fixed, 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).

Dynamic fixed-fee license agreements contain a single performance obligation that represents ongoing access to a portfolio of technology over the license term, since our promise to transfer to the licensee access to the portfolio as it exists at inception of the license, along with promises to provide any technology updates to the portfolio during the term, are not separately identifiable. Upon entering a new agreement, we allocate the transaction price to the performance obligations delivered at signing (e.g. our existing patent portfolio) and future performance obligations (e.g. the technology updates). We use a time-based input method of progress to determine the timing of revenue recognition, and as such we recognize the future deliverables on a straight-line basis over the term of the agreement. We utilize the straight-line method as we believe that it best depicts efforts expended to develop and transfer updates to the customer evenly throughout the term of the agreement.

Static fixed-fee license agreements are fixed-price contracts that generally do not include updates to technology we create after the inception of the license agreement or in which the customer does not stand to substantively benefit from those updates during the term. Although we have few static fixed-fee license agreements, we generally satisfy our performance obligations under such agreements at contract signing, and as such revenue is recognized at that time.

Variable Agreements

Upon entering a new variable patent license agreement, the licensee typically agrees to pay royalties or license fees on licensed products sold during the term of the agreement. We utilize the sales- or usage- based royalty exception for these agreements and recognize revenues during the contract term when the underlying sale or usage occurs. Our licensees under variable agreements 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, we are required to estimate revenues, subject to the constraint on our ability to estimate such amounts.

Technology Solutions

Technology solutions revenue consists of revenue from royalty payments, software licenses, engineering services and product sales. The nature of these contracts and timing of payments vary. We recognize revenue from royalty payments and license agreements using the same methods described above under our policy for recognizing revenue from patent license agreements. We recognize revenue from engineering services using percentage of completion method.

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 in accordance with the five-step model, generally upon closing of the patent sale transaction.

Accounts Receivable

Accounts receivable is presented net of allowance for doubtful accounts. Our accounts receivable consists mainly of trade receivables derived from fixed-fee license arrangements, with contractual payment terms and the remaining material amounts of revenue are from variable patent license agreements, with quarterly payments. The provision for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of the financial asset, based on historical experience current conditions and reasonable forecasts of future economic conditions. Further, we evaluate the collectability of our accounts receivable and if there is doubt that we will collect the full amount, we will record a reserve specific to that customer's receivable balance. Our provision for doubtful accounts was $0.0 million and $0.5 million as of December 31, 2020 and 2019, respectively.

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 made an accounting policy election for a measurement alternative for our equity investments that do not have readily determinable fair values, specifically related to our strategic investments in other entities. Under the alternative, our strategic investments in other entities without readily determinable fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, if any. On a quarterly basis, we monitor items such as our investment's financial position and liquidity, performance targets, business plans, and cost trends to assess whether there are any triggering events or indicators present that would be indicative of an impairment, or any other observable price changes as indicated above. We do not adjust our investment balance when the investee reports profit or loss.

Additionally, other investments may be accounted for under the equity method of accounting. Under this method, 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 value of our investments in other entities are included within "*Other Non-Current Assets*" on our consolidated balance sheets. During 2020, 2019 and 2018, we made investments in other entities of

$0.2 million, $0.4 million and $6.7 million, respectively. The carrying value of our investments in other entities as of December 31, 2020 and 2019 was $15.5 million and $14.2 million, respectively, the majority of which are accounted for under the measurement alternative for equity investments described above.

Collaborative Arrangements

We record the elements of our collaboration agreements that represent joint operating activities in accordance with ASC 808, *Collaborative Arrangements* (“ASC 808”). Accordingly, the elements of our collaboration agreements that represent activities in which both parties are active participants, and to which both parties are exposed to the significant risks and rewards that are dependent on the commercial success of the activities, are recorded as collaborative arrangements. Generally, the classification of a transaction under a collaborative arrangement is determined based on the nature and contractual terms of the arrangement along with the nature of the operations of the participants. For transactions that are deemed to be a collaborative arrangement under ASC 808, costs incurred and revenues generated on sales to third parties will be reported in our consolidated statement of operations on a gross basis if the Company is deemed to be the principal in the transaction, or on a net basis if the Company is instead deemed to be the agent in the transaction, consistent with the guidance in ASC 606-10-55-36, *Revenue From Contracts with Customers—Principal Agent Considerations*.

Deferred Charges

Direct costs of obtaining a contract or fulfilling a contract in a transaction that results in the deferral of revenue may be either expensed as incurred or capitalized, depending on certain criteria. In conjunction with our adoption of ASC 606 effective January 1, 2018, we made a policy election to utilize the practical expedient related to costs of obtaining a contract where an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. If the amortization period is greater than one year, we capitalize direct costs incurred for the acquisition or fulfillment of a contract through the date of signing if they are directly related to a particular revenue arrangement and are expected to be recovered. The costs are amortized on a straight-line basis over the life of the patent license agreement.

For example, 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 and amortize these expenses in proportion to our recognition of the related revenue. Commission expense is included within the “*Patent administration and licensing”* line of our consolidated statements of income and was immaterial for the years presented. There were no new direct contract costs incurred during 2020, 2019 or 2018.

Incremental direct costs incurred related to a debt financing transaction may be capitalized. In connection with our offering of the 2024 Notes and 2020 Notes, defined and discussed in detail within Note 10, “*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 over the term of the debt using the effective interest method and are included within the “*Interest expense”* line of our consolidated statements of income. The costs allocated to the equity component of the debt were recorded as a reduction of the equity component of the debt. The balance of unamortized deferred financing costs as of December 31, 2020 and 2019 was $4.6 million and $5.9 million, respectively. The Company incurred $6.4 million of new debt issuance costs during 2019 in conjunction with the issuance of the 2024 Notes, noting no new debt issuance costs were incurred in 2020 or 2018. Deferred financing expense was $1.2 million, $1.5 million and $1.4 million in 2020, 2019 and 2018, respectively.

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 $84.6 million, $74.9 million and $69.7 million in 2020, 2019 and 2018, respectively.

Compensation Programs

We use a variety of compensation programs to attract, retain and motivate our employees, and to align employee compensation more closely with company performance. These programs include, but are not limited to, short-term incentives tied to performance goals, cash awards to inventors for filed patent applications and patent issuances, and long-term incentives in the form of stock option awards, time-based restricted stock unit ("RSU") awards, performance-based awards and cash awards, noting equity awards are granted pursuant to the terms and conditions of our Equity Plans (as defined in Note 13, "*Compensation Plans and Programs*"). Our long-term incentives, including equity awards, typically include annual equity and cash award grants with three to five year vesting periods; as a result, in any one year, we are typically accounting for at least three active cycles.

We account for compensation costs associated with share-based compensation based on the fair value of the instruments issued. The estimated value of stock options includes assumptions around expected life, stock volatility and dividends. The expected life of our stock option awards is 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 the event of canceled awards, we adjust compensation expense recognized to date as they occur. Tax windfalls and shortfalls related to the tax effects of employee share-based compensation are included in our tax provision. On the consolidated statements of cash flows, tax windfalls and shortfalls related to employee share-based compensation awards are included within operating activities and cash paid to tax authorities for shares withheld are included within financing activities. The inclusion of windfalls and shortfalls in the tax provision could increase our earnings volatility between periods. Tax windfalls related to share-based compensation for the years ended 2020, 2019 and 2018 were $0.2 million, $0.2 million and $1.8 million, respectively.

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 in which the change was enacted. 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 U.S. 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 an uncertain 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.

New Accounting Guidance

Accounting Standards Update: Financial Instruments—Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses". This ASU introduces a new accounting model for recognizing credit losses on certain financial instruments and financial assets, including trade receivables, based upon an estimate of current expected credit losses, otherwise known as CECL. The new guidance requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset, based not only on historical experience and current conditions, but also on reasonable forecasts. Additionally, ASU No. 2016-13 made several changes to the available-for-sale impairment model. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. We adopted this guidance as of January 1, 2020 and the adoption did not have a material impact on our consolidated financial statements.

Accounting Standards Update: Cloud Computing Arrangements

In August 2018, the FASB issued ASU No. 2018-15 "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract". The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. We adopted this guidance on a prospective basis as of January 1, 2020 and the adoption did not have a material impact on our consolidated financial statements.

Accounting Standards Update: Collaborative Arrangements

In November 2018, the FASB issued ASU No. 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606". The amendments in this ASU provide guidance on how to assess whether certain transactions between collaborative arrangement participants should be accounted for within the revenue recognition standard. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted for entities who have previously adopted the new revenue recognition guidance. We adopted this guidance as of January 1, 2020 and the adoption did not have a material impact on our consolidated financial statements.

Accounting Standards Update: Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"). The amendments in this ASU are intended to simplify various

aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 with early adoption allowed. We have determined that the adoption will not have a material impact on our consolidated financial statements.

.Accounting Standards Update: Simplifying the Accounting for Convertible Debt Instruments

In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"). The amendments in this ASU are intended to simplify accounting for convertible debt instruments and convertible preferred stock by removing certain accounting models which separate the embedded conversion features from the host contract. ASU 2020-06 also amends certain guidance in ASC 260 on the computation of earnings per share for convertible instruments and contracts on an entity's own equity. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, and early adoption permitted for fiscal years beginning after December 15, 2020. This update permits the use of either the modified retrospective or fully retrospective methods of transition. We will elect to early adopt this standard on a modified retrospective approach as of January 1, 2021. We expect this adoption to increase Long-term debt $50.2 million at January 1, 2021, which is comprised of $51.6 million of unamortized interest discount and the $1.9 million equity component of the deferred financing costs, net catch up amortization of $0.5 million, due to the new standard no longer requires bifurcation of the embedded conversion feature from the host contract. We also expect this adoption to reduce non-cash interest expense starting in 2021 due to the removal of the accretion of the debt discount.

3. REVENUE RECOGNITION

Disaggregated Revenue

The following table presents the disaggregation of our revenue for the year ended December 31, 2020, 2019 and 2018 (in thousands):

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Variable patent royalty revenue	$ 26,587	$ 30,428	$ 36,384
Fixed-fee royalty revenue	298,461	257,221	239,347
Current patent royalties [a]	325,048	287,649	275,731
Non-current patent royalties [b]	21,582	19,782	26,329
Total patent royalties	346,630	307,431	302,060
Current technology solutions revenue [a]	11,761	10,518	4,594
Patent sales [b]	600	975	750
Total revenue	$358,991	$318,924	$307,404

a. Recurring revenues are comprised of current patent royalties, inclusive of Dynamic Fixed-Fee Agreement royalties, and current technology solutions revenue.

b. Non-recurring revenues are comprised of non-current patent royalties, which primarily include past patent royalties and royalties from static agreements, as well as patent sales.

During the year ended December 31, 2020, we recognized $145.8 million of revenue that had been included in deferred revenue as of the beginning of the period. As of December 31, 2020, we had contract assets of $9.7 million and $8.9 million included within "*Accounts receivable*" and "*Other non-current assets*" in the consolidated balance sheet, respectively. As of December 31, 2019, we had contract assets of $16.2 million and $10.2 million included within "*Accounts receivable*" and "*Other non-current assets*" in the consolidated balance sheet, respectively.

Contracted Revenue

Based on contracts signed and committed Dynamic Fixed-Fee Agreement payments as of December 31, 2020, we expect to recognize the following amounts of revenue over the term of such contracts (in thousands):

	Revenue
2021	$273,815
2022	236,045
2023	44,469
2024	89
2025	—
Thereafter	—
	$554,418

4. GEOGRAPHIC / CUSTOMER CONCENTRATION

The Company's chief operating decision maker assesses company-wide performance and allocates resources based on consolidated financial information. As such, we have one reportable segment. During 2020, 2019 and 2018, 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,		
	2020	2019	2018
United States	$128,238	$139,162	$119,159
South Korea	111,634	113,189	112,291
China	63,172	11,103	309
Japan	23,694	35,614	29,525
Taiwan	10,059	938	23,326
France	7,773	5,895	277
Sweden	7,573	6,934	6,933
Other Europe	6,848	5,810	5,116
Other Asia	—	279	468
Finland	—	—	10,000
Total	$358,991	$318,924	$307,404

During 2020, 2019 and 2018, the following licensees or customers accounted for 10% or more of total revenues:

	2020	2019	2018
Apple	31%	35%	36%
Samsung	22%	25%	25%
Huawei	15%	—%	—%
LG	<10%	10%	10%

As of December 31, 2020, 2019 and 2018, we held $435.0 million, $446.6 million and $464.6 million of our property, equipment and patents, net of accumulated depreciation and amortization, respectively, of which greater than 95% of the total was within the United States in each of the years presented. As of December 31, 2020, we held $23.1 million of property, equipment and patents, net of accumulated depreciation and amortization, collectively, in Canada, and Europe.

5. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

Acquisition of Technicolor's Patent Licensing Business

On July 30, 2018, we completed our acquisition of the patent licensing business of Technicolor SA ("Technicolor"), a worldwide technology leader in the media and entertainment sector, which we refer to as the Technicolor Patent Acquisition. The Technicolor Patent Acquisition included the acquisition by InterDigital of approximately 18,000 patents and applications, across a broad range of technologies, including approximately 3,000 worldwide video coding patents and applications. The acquisition of Technicolor's portfolio greatly expanded InterDigital's technology footprint in the mobile industry, and opens new markets in consumer home electronics, display technology and video. Under the terms of the original agreement, the portfolio was to be supplemented by a jointly funded R&D collaboration. This jointly funded R&D collaboration was terminated in conjunction with the acquisition of Technicolor's Research & Innovation unit (the "R&I Acquisition"), which is discussed below. Members of Technicolor's licensing, legal and other support teams in offices in Rennes and Paris, France; Princeton, New Jersey, USA; and other locations joined InterDigital's team of more than 300 R&D and other staff in locations around the world. In addition, we have assumed Technicolor's rights and obligations under a joint licensing program with Sony Corporation ("Sony") relating to digital televisions and standalone computer display monitors (the "Madison Arrangement"), including Technicolor's role as sole licensing agent for the Madison Arrangement. We account for our assumption of Technicolor's rights and obligations under the Madison Arrangement as a collaborative arrangement. As part of this transaction, we also granted back to Technicolor a perpetual license for patents acquired in the transaction.

The Technicolor Patent Acquisition met the definition of a business combination and, as such, was accounted for using the acquisition method of accounting. Under the terms of the agreement, in third quarter 2018, we paid Technicolor $158.9 million in cash, inclusive of $15.9 million of cash acquired, yielding net cash consideration of $143.0 million. We funded this payment with cash on hand. Under the terms of the original agreement, Technicolor was to receive 42.5% of all of InterDigital's future cash receipts (net of estimated operating expenses) from InterDigital's new licensing efforts in the consumer electronics field; there was no revenue sharing associated with InterDigital's mobile industry licensing efforts. As such, we accounted for the portion of the future cash receipts owed to Technicolor relating to patents existing as of the date of the acquisition as a contingent consideration liability, which was valued at $18.6 million as of the acquisition date. This revenue-sharing arrangement and associated contingent consideration liability were modified in conjunction with the R&I Acquisition, which closed during second quarter 2019. Refer to the discussion below. Additionally, as of the acquisition date, we estimated we would receive payments totaling $20.2 million relating to the transaction from Technicolor.

We allocated the fair value of consideration transferred to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. We recorded the excess of the fair value of consideration transferred over the net values of these assets and liabilities as goodwill. We estimated the fair value of the intangible assets in this transaction through 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, we based the inputs and assumptions used to develop these estimates on a market participant perspective and included estimates of projected revenues, discount rates, economic lives and income tax rates, among others, and all of these estimates require significant management judgment. For the market approach, we applied judgment to identify the most comparable market transactions to this transaction. Refer to Note 7, "*Concentration of Credit Risk and Fair Value of Financial Assets and Financial Liabilities*", for discussion regarding the valuation methodologies used for the contingent consideration liability.

The following table summarizes the fair value of consideration transferred and our allocation of that consideration based on the fair values of the assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	As of July 30, 2018
Cash	$158,898
Contingent consideration liability	18,616
	$177,514
Less: Transaction-related receivable	(20,200)
Net fair value of consideration transferred	**$157,314**

Allocation:		Estimated useful life (Years)
Net tangible assets and liabilities:		
Restricted cash	$ 15,913	
Other current assets	5,600	
Other non-current assets	3,116	
Current liabilities	(6,219)	
Long-term debt	(17,717)	
Other long-term liabilities	(3,767)	
Total net tangible assets and liabilities	$ (3,074)	
Identified intangible assets:		
Patents	$154,000	9 - 10
Goodwill[(1)]	6,388	
Total identified intangible assets	$160,388	
Total fair value of consideration transferred	**$157,314**	

(1) Goodwill consists of expected synergies resulting from the combination of our and Technicolor's patent licensing businesses in the increasingly complementary areas of mobile and video technology. We expect almost all of the goodwill resulting from the Technicolor Patent Acquisition will be deductible for income tax purposes.

The amount of revenue and earnings that would have been included in the Company's consolidated statements of income for the years ended December 31, 2018 had the acquisition date been January 1, 2018 are reflected in the table below. These amounts have been calculated after applying the Company's accounting policies and adjusting the results to reflect additional interest expense as well as amortization that would have been charged assuming the fair value adjustments to amortizable intangible assets had been recorded as of January 1, 2018. In addition, pro forma adjustments have been made to reflect the impact of the transaction-related costs discussed below. These unaudited pro forma combined results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated, or that may result in the future. The amounts in the table are unaudited (in thousands, except per share data):

	For the Year Ended December 31,
	2018
	(Unaudited)
Actual revenue	$307,404
Supplemental pro forma revenue	$314,096
Actual earnings	$ 65,031
Supplemental pro forma earnings	$ 52,754
Actual diluted earnings per share	$ 1.84
Supplemental pro forma diluted earnings per share	$ 1.49

Acquisition of Technicolor's Research & Innovation Unit

On May 31, 2019, we completed the acquisition of the Research & Innovation unit of Technicolor, which we refer to as the R&I Acquisition. The R&I Acquisition expanded the Company's research capabilities in video coding, Internet of Things (IoT) and smart home, imaging sciences, augmented reality and virtual reality, and artificial intelligence and machine learning technologies. The Technicolor R&I unit was the driving creative force behind the patent portfolio that was acquired in the Technicolor Patent Acquisition discussed above.

The R&I Acquisition unit met the definition of an asset acquisition and was accounted for using the cost accumulation and allocation model. There was no cash consideration for the R&I Acquisition. As consideration for the R&I Acquisition, the jointly funded R&D collaboration that was entered into as part of the Technicolor Patent Acquisition was terminated. Technicolor will continue to fund research to be performed by the R&I unit for certain limited projects for a specified time period, subject to renewal. The Company also assumed certain employee-related liabilities, including obligations for certain defined benefit post-retirement plans for the acquired R&I unit employees, which are further discussed below. Additionally, Technicolor agreed to reduce its rights under the revenue-sharing arrangement entered into as part of the Technicolor Patent Acquisition, as further discussed below.

The R&I Acquisition resulted in a net gain of approximately $14.2 million, inclusive of the $20.5 million gain from the derecognition of the contingent consideration liability described below, all of which is included within "*Other Income, Net*" in the consolidated statement of income for the year ended December 31, 2019.

Contingent Consideration

As discussed above, in conjunction with the initial Technicolor Patent Acquisition, Technicolor was to receive 42.5% of all of InterDigital's future cash receipts (net of estimated operating expenses) from InterDigital's new licensing efforts in the consumer electronics field; there was no revenue sharing associated with InterDigital's mobile industry licensing efforts. The portion of the future cash receipts relating to patents existing as of the date of the acquisition was originally accounted for as a contingent consideration liability in accordance with ASC 805-30-25, *Business Combinations—Contingent Consideration.* There are no minimum or

maximum payments under the revenue sharing arrangement, and, except in certain circumstances, the arrangement continues through December 31, 2038.

The estimated acquisition date fair value of the contingent consideration liability of $18.6 million was determined utilizing a Monte Carlo simulation model. This initial fair value measurement was based on the perspective of a market participant and included significant unobservable inputs that are classified as Level 3 inputs within the fair value hierarchy and are discussed further within Note 7, "*Concentration of Credit Risk and Fair Value of Financial Assets and Financial Liabilities*".

As a result of the R&I Acquisition in second quarter 2019, under the amended revenue-sharing arrangement described above, Technicolor will now receive 42.5% of future cash receipts from new licensing efforts from the Madison Arrangement only, subject to certain conditions and hurdles, but will no longer receive revenue-sharing from other licensing efforts in the consumer electronics field outside of the Madison Arrangement. We determined that the initial contingent consideration liability from the Technicolor Patent Acquisition was significantly modified in conjunction with the R&I Acquisition, and, as such, the contingent consideration liability will now be accounted for under *ASC 450—Contingencies* under the asset acquisition framework when the liability is deemed probable and estimable. Since the contingent consideration liability arising from the amended revenue-sharing arrangement was not probable and estimable as of the R&I Acquisition date, the carrying value of the previous contingent consideration liability was derecognized, which resulted in a $20.5 million gain during the year ended December 31, 2019 and is included within "*Other Income, Net*" in the consolidated statement of income for the period. As of December 31, 2020 and 2019, the contingent consideration liability from the amended revenue-sharing arrangement was deemed not probable and estimable and is therefore not reflected within the consolidated financial statements.

Defined Benefit Plans

In connection with the Technicolor Patent Acquisition and the R&I Acquisition, we assumed certain defined benefit plans which are accounted for in accordance with *ASC 715—Compensation—Retirement Benefits*. These plans include a retirement lump sum indemnity plan and jubilee plan, both of which provide benefit payments to employees based upon years of service and compensation levels.

As of December 31, 2020 and 2019, the combined accumulated projected benefit obligation related to these plans totaled $7.6 million and $6.2 million, respectively. Service cost and interest cost for the combined plans totaled $0.6 million, $0.1 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. The weighted average discount rate and assumed salary increase rate for these plans were 0.44% and 3.0%, respectively. These plans are not required to be funded and were not funded as of December 31, 2020. Expected future benefit payments under these plans as of December 31, 2020 were as follows (in thousands):

2021	$ 229
2022	381
2023	547
2024	297
2025	540
Thereafter	2,699

Madison Arrangement

As discussed above, in conjunction with the Technicolor Patent Acquisition, effective July 30, 2018, we assumed Technicolor's rights and obligations under the Madison Arrangement, which commenced in 2015. The Madison Arrangement falls under the scope of ASC 808, *Collaborative Arrangements.*

Under the Madison Arrangement, Technicolor and Sony combined portions of their respective digital TV ("DTV") and computer display monitor ("CDM") patent portfolios and created a combined licensing opportunity

to DTV and CDM manufacturers. Per an Agency and Management Services Agreement ("AMSA") entered into upon the creation of the Madison Arrangement, Technicolor was initially appointed as sole licensing agent of the arrangement, and InterDigital has now assumed that role. As licensing agent, we are responsible for making decisions regarding the prosecution and maintenance of the combined patent portfolio and the licensing and enforcement of the combined patent portfolio in the field of use of DTVs and CDMs on an exclusive basis during the term of the AMSA in exchange for an agent fee.

We were deemed to be the principal in this collaborative arrangement under ASC 808, and, as such, in accordance with ASC 606-10-55-36, *Revenue From Contracts with Customers—Principal Agent Considerations*, we record revenues generated on sales to third parties and costs incurred on a gross basis in the consolidated statements of income. Therefore, we recognize all royalties from customers as revenue and payments to Sony for its royalty share as operating expenses within the consolidated statements of income. Cost reimbursements for expenses incurred resulting from fulfilling the duties of the licensing agent are recorded as contra expenses. During the year ended December 31, 2020 and 2019, gross revenues recorded related to the Madison Arrangement were $5.5 million and $13.5 million, respectively, and are reflected within "*Patent licensing royalties*" in the consolidated statement of income. Net operating expenses related to the Madison Arrangement during the year ended December 31, 2020, 2019, and 2018 were approximately $8.4 million, $12.0 million and $2.8 million, including $2.5 million, $6.3 million, and $0.0 million related to revenue sharing, respectively, and are reflected primarily within "*Patent administration and licensing*" expenses in the consolidated statement of income.

Long-term debt

An affiliate of CPPIB Credit Investments Inc. ("CPPIB Credit"), a wholly owned subsidiary of Canada Pension Plan Investment Board, is a third-party investor in the Madison Arrangement. CPPIB Credit has made certain payments to Technicolor and Sony and has agreed to contribute cash to fund certain capital reserve obligations under the arrangement in exchange for a percentage of future revenues, specifically through September 11, 2030 in regard to the Technicolor patents.

Upon our assumption of Technicolor's rights and obligations under the Madison Arrangement, our relationship with CPPIB Credit met the criteria in ASC 470-10-25, *Sales of Future Revenues or Various Other Measures of Income* ("ASC 470"), which relates to cash received from an investor in exchange for a specified percentage or amount of revenue or other measure of income of a particular product line, business segment, trademark, patent, or contractual right for a defined period. Under this guidance, we recognized the fair value of our contingent obligation to CPPIB Credit, as of the acquisition date, as long-term debt in our consolidated balance sheet. This initial fair value measurement was based on the perspective of a market participant and includes significant unobservable inputs which are classified as Level 3 inputs within the fair value hierarchy. The fair value of the long-term debt as of December 31, 2020 is disclosed within Note 7, "*Concentration of Credit Risk and Fair Value of Financial Assets and Financial Liabilities*". Our repayment obligations are contingent upon future royalty revenues generated from the Madison Arrangement and there are no minimum or maximum payments under the arrangement.

Under ASC 470, amounts recorded as debt shall be amortized under the interest method. At each reporting period, we will review the discounted expected future cash flows over the life of the obligation. The Company made an accounting policy election to utilize the catch-up method when there is a change in the estimated future cash flows, whereby we will adjust the carrying amount of the debt to the present value of the revised estimated future cash flows, discounted at the original effective interest rate, with a corresponding adjustment recognized as interest expense within "*Interest expense*" in the consolidated statements of income. The effective interest rate as of the acquisition date was approximately 14.5%. This rate represents the discount rate that equates the estimated future cash flows with the fair value of the debt as of the acquisition date, and is used to compute the amount of interest to be recognized each period based on the estimated life of the future revenue streams. During the year ended December 31, 2020 and 2019, we recognized $3.1 million and $2.7 million of interest expense

related to this debt which is included within "*Interest expense*" in the consolidated statements of income. Any future payments made to CPPIB Credit, or additional proceeds received from CPPIB Credit, will decrease or increase the long-term debt balance accordingly.

Restricted cash

Under the Madison Arrangement, the parties reserve cash in bank accounts to fund our activities to manage the portfolios. These accounts are custodial accounts for which the funds are restricted for this purpose. As of December 31, 2020 and 2019, the Company had $3.1 million and $9.5 million of restricted cash included within the consolidated balance sheet attributable to the Madison Arrangement. Refer to Note 6, "*Cash, Cash Equivalents, Restricted Cash and Marketable Securities",* for a reconciliation of cash, cash equivalents and restricted cash within the consolidated balance sheets.

Commitments

To receive consent from both Sony and CPPIB Credit to assume the rights and responsibilities of Technicolor under the Madison Arrangement, we committed to contributing cash to fund shortfalls in the Madison Arrangement, up to a maximum of $25.0 million. This commitment expired as of December 31, 2020 and we did not contribute any shortfall funding.

Transaction Costs

Transaction and integration related costs related to the above transactions for the years ended December 31, 2020, 2019 and 2018 were $2.3 million, $8.4 million and $17.8 million, respectively. The majority of these costs were recorded within "*Patent administration and licensing*" and "*Selling, general and administrative*" expenses in the consolidated statements of income.

Hillcrest Product Business

On December 20, 2016, we acquired Hillcrest Laboratories, Inc. ("Hillcrest"), a pioneer in sensor processing technology, for approximately $48.0 million in cash, net of $0.4 million cash acquired. The business combination transaction was accounted for using the acquisition method of accounting.

On July 19, 2019, we completed the sale of Hillcrest's product business to a subsidiary of CEVA, Inc. In connection with the sale, we received initial proceeds of $10.0 million, with a customary portion of the purchase price placed in escrow to secure potential indemnification claims. As part of the transaction, we retained substantially all of the Hillcrest patent assets that we acquired in 2016. As a result of this transaction, we recorded an $8.5 million gain on sale which is included within "*Other Income, Net*" in the consolidated statements of income for the year ended December 31, 2019.

6. CASH, CASH EQUIVALENTS, RESTRICTED CASH AND MARKETABLE SECURITIES

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31,	
	2020	2019
Money market and demand accounts	$397,522	$757,098
Commercial paper	80,141	—
Total cash, cash equivalents and restricted cash	$477,663	$757,098

The following table provides a reconciliation of total cash, cash equivalents and restricted cash as of December 31, 2020 and 2019 within the consolidated balance sheets (in thousands):

	December 31,	
	2020	2019
Cash and cash equivalents	$473,474	$745,491
Restricted cash included within prepaid and other current assets	3,108	10,526
Restricted cash included within other non-current assets	1,081	1,081
Total cash, cash equivalents and restricted cash	477,663	757,098

Marketable Securities

As of December 31, 2020 and 2019, the majority of our 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 2 years, and we have both the ability and intent to hold the investments until maturity. We recorded no other-than-temporary impairments during 2020, 2019 or 2018. The gross realized gains and losses on sales of marketable securities were not significant during the years ended December 31, 2020, 2019 and 2018.

Marketable securities as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31, 2020			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
Commercial paper	$285,244	$ 5	$ (7)	$285,242
U.S. government securities	166,195	44	(16)	166,223
Corporate bonds, asset backed and other securities	81,540	314	(5)	81,849
Total available-for-sale securities	$532,979	$363	$(28)	$533,314
Reported in:				
Cash and cash equivalents				$ 80,141
Short-term investments				453,173
Total marketable securities				$533,314

	December 31, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. government securities	$105,453	$249	$—	$105,702
Corporate bonds, asset backed and other securities	73,276	226	—	73,502
Total available-for-sale securities	$178,729	$475	$—	$179,204
Reported in:				
Cash and cash equivalents				$ —
Short-term investments				179,204
Total marketable securities				$179,204

As of December 31, 2020 and 2019, $517.4 million and $163.1 million, respectively, of our short-term investments had contractual maturities within one year. The remaining portions of our short-term investments had contractual maturities within one to two years.

7. CONCENTRATION OF CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 primarily place our cash equivalents and short-term investments in highly rated financial instruments and in United States government instruments.

Our accounts receivable are derived principally from patent license and technology solutions agreements. As of December 31, 2020 and 2019, five and seven licensees comprised 53% and 73%, respectively, of our 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 the 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.

Recurring Fair Value Measurements

Our financial assets are included within short-term investments on our consolidated balance sheets, unless otherwise indicated. Our financial assets and liabilities that are accounted for at fair value on a recurring basis are presented in the tables below as of December 31, 2020 and December 31, 2019 (in thousands):

	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts (a)	$397,522	$ —	$ —	$397,522
Commercial paper (b)	—	285,242	—	285,242
U.S. government securities	—	166,223	—	166,223
Corporate bonds, asset backed and other securities	—	81,849	—	81,849
	$397,522	$533,314	$ —	$930,836

	Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts (a)	$757,098	$ —	$ —	$757,098
U.S. government securities	—	105,702	—	105,702
Corporate bonds and asset backed securities	—	73,502	—	73,502
	$757,098	$179,204	$ —	$936,302

(a) Included within cash and cash equivalents.

(b) As of December 31, 2020, $80.1 million of commercial paper was included within cash and cash equivalents.

Level 3 Fair Value Measurements

Contingent Consideration

As discussed further in Note 5, "*Business Combinations and Other Transactions*," we completed the Technicolor Patent Acquisition during third quarter 2018. In conjunction with the Technicolor Patent Acquisition, we initially recognized a contingent consideration liability which was measured at fair value on a recurring basis using significant unobservable inputs classified as Level 3 measurements within the fair value hierarchy. We utilized a Monte Carlo simulation model to determine the estimated fair value of the contingent consideration liability through first quarter 2019. A Monte Carlo simulation uses random numbers together with volatility assumptions to generate individual paths, or trials, for variables of interest governed by a Geometric Brownian Motion in a risk-neutral framework.

During second quarter 2019, we completed the R&I Acquisition. The transaction met the definition of an asset acquisition and was accounted for using the cost accumulation and allocation model. As discussed in Note 5, "*Business Combinations and Other Transactions*," as part of this acquisition, Technicolor reduced its rights to the revenue-sharing arrangement that created the initial contingent consideration liability from the Technicolor Patent Acquisition. We determined that the initial contingent consideration liability from the Technicolor Patent Acquisition was significantly modified in conjunction with the R&I Acquisition, and, as such, the contingent consideration liability will now be accounted for under *ASC 450—Contingencies* under the asset acquisition framework when the liability is deemed probable and estimable. Since the contingent consideration liability arising from the amended revenue-sharing arrangement was not probable and estimable as of the acquisition date, the carrying value of the previous contingent consideration liability was derecognized, which resulted in a $20.5 million gain which is included within "*Other Income, Net*" in the consolidated statement of income for the

year ended December 31, 2019. Therefore, effective as of the acquisition date of May 31, 2019, the contingent consideration liability was no longer a Level 3 fair value recurring measurement. As of December 31, 2020 and 2019, the contingent consideration liability from the amended revenue-sharing arrangement was deemed not probable and estimable and is therefore not reflected within the consolidated financial statements.

Fair Value of Long-Term Debt

2024 Senior Convertible Notes

The principal amount, carrying value and related estimated fair value of the Company's senior convertible debt reported in the consolidated balance sheets as of December 31, 2020 and December 31, 2019 was as follows (in thousands). The aggregate fair value of the principal amount of the senior convertible long-term debt is a Level 2 fair value measurement.

	December 31, 2020			December 31, 2019		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Senior Convertible Long-Term Debt	$400,000	$343,821	$418,760	$494,909	$423,657	$492,969

Technicolor Patent Acquisition Long-term Debt

As more fully disclosed in Note 5, "*Business Combinations and Other Transactions*," we recognized long-term debt in conjunction with the Technicolor Patent Acquisition. The carrying value and related estimated fair value of the Technicolor Patent Acquisition long-term debt reported in the consolidated balance sheet as of December 31, 2020 and December 31, 2019 was as follows (in thousands). The aggregate fair value of the Technicolor Patent Acquisition long-term debt is a Level 3 fair value measurement.

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Technicolor Patent Acquisition Long-Term Debt	$24,171	$27,016	$21,101	$23,305

Non-Recurring Fair Value Measurements

Investments in Other Entities

As disclosed in Note 2, "*Summary of Significant Accounting Policies and New Accounting Guidance*", we made an accounting policy election to utilize a measurement alternative for equity investments that do not have readily determinable fair values, which applies to our long-term strategic investments in other entities. Under the alternative, our long-term strategic investments in other entities that do not have readily determinable fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Any adjustments to the carrying value of those investments are considered non-recurring fair value measurements.

During year ended 2020, we recognized $5.6 million of unrealized gains resulting from observable price changes in orderly transactions of our long-term strategic investments, which was included within "*Other Income, Net*" in the consolidated statement of income. During the year ended December 31, 2019, we recognized a net loss of $2.6 million resulting from the partial impairment of one of our strategic investments partially offset by a gain on sale of a separate strategic investment, which is included within "*Other Income, Net*" in the consolidated statement of income. During the year ended December 31, 2018, we recognized an aggregate $8.4 million loss resulting from the sale of our entire ownership interest in one of our strategic investments and the impairment of a separate strategic investment. Certain of our investments in other entities may be seeking additional financing in the next twelve months or potential exit strategies. We will continue to review and monitor our investments in other entities for any indications of an increase in fair value or impairment.

Lease Assets

During 2020, we recognized a $1.1 million impairment, comprised of $0.8 million of Property, Plant, and Equipment, and $0.3 million of Operating lease right-of-use asset related to the abandonment of one of our leased properties, which was included within "*Operating Expense*" in the consolidated statement of income.

Patents

During 2020, we entered into a multi-year, worldwide, non-exclusive, royalty-bearing patent license with Huawei Investment & Holding Co., Ltd. ("Huawei"). A portion of the future consideration for the agreement was in the form of patents. We have determined the estimated fair value of the patents for determining the transaction price for revenue recognition purposes, which was estimated to be $19.3 million utilizing the market approach. The value is amortized as a non-cash expense over the patents' estimated useful lives. Additionally, as previously disclosed, during 2019 and 2018, we entered into patent license agreements with ZTE and Sony, respectively, for which a portion of the consideration was patents. The estimated fair value of the ZTE patents was $14.0 million, and the estimated fair value of the Sony patents was $22.5 million, which are being amortized as a non-cash expense over their estimated useful lives. We estimated the fair value of the patents in the ZTE and Sony transactions utilizing the market approach, and the cost approach, respectively.

As noted above, we estimated the fair value of the patents in these transactions using one of, or a combination of, an analysis of comparable market transactions (the market approach), a discounted cash flow analysis (the income approach) and/or by quantifying the amount of money required to replace the future service capability of the assets (the cost 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. For the cost approach, we utilized the historical cost of assets of similar technologies to determine the estimated replacement cost, including research, development, testing and patent application fees.

8. PROPERTY AND EQUIPMENT

Property and equipment, net is comprised of the following (in thousands):

	December 31,	
	2020	2019
Computer equipment and software	$ 16,003	$ 11,320
Leasehold improvements	11,076	11,315
Building and improvements	3,548	3,702
Engineering and test equipment	1,183	1,333
Furniture and fixtures	1,051	1,121
Property and equipment, gross	32,861	28,791
Less: accumulated depreciation	(16,231)	(18,574)
Property and equipment, net	$ 16,630	$ 10,217

Depreciation expense was $5.3 million, $3.9 million and $3.7 million in 2020, 2019 and 2018, respectively.

9. PATENTS, GOODWILL AND OTHER INTANGIBLE ASSETS

Patents

As of December 31, 2020 and 2019, patents consisted of the following (in thousands, except for useful life data):

	December 31,	
	2020	2019
Weighted average estimated useful life (years)	9.9	9.9
Gross patents	$ 945,609	$ 905,814
Accumulated amortization	(527,266)	(469,475)
Patents, net	$ 418,343	$ 436,339

Amortization expense related to capitalized patent costs was $74.9 million, $72.3 million and $61.8 million in 2020, 2019 and 2018, 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, 2020 is as follows (in thousands):

2021	74,208
2022	69,897
2023	63,890
2024	55,110
2025	51,068

Goodwill

The following table shows the change in the carrying amount of our goodwill balance from December 31, 2018 to December 31, 2020, all of which is allocated to our one reportable segment (in thousands):

Goodwill balance as of December 31, 2018	$22,421
Activity	—
Goodwill balance as of December 31, 2019	$22,421
Activity	—
Goodwill balance as of December 31, 2020	$22,421

10. OBLIGATIONS

Refer to Note 5, "*Business Combinations and Other Transactions,*" and Note 7, "*Concentration of Credit Risk and Fair Value of Financial Assets and Financial Liabilities*," for information regarding the long-term debt initially recognized during 2018 resulting from the Technicolor Patent Acquisition.

Long-term debt obligations, excluding the long-term debt resulting from the Technicolor Patent Acquisition, are comprised of the following (in thousands):

	December 31,	
	2020	**2019**
2.00% Senior Convertible Notes due 2024	$400,000	$400,000
1.50% Senior Convertible Notes due 2020	—	94,909
Less:		
Unamortized interest discount	(51,567)	(65,393)
Deferred financing costs	(4,612)	(5,859)
Total net carrying amount of Senior Convertible Notes	343,821	423,657
Less: Current portion of long-term debt	—	94,170
Long-term net carrying amount of Senior Convertible Notes	$343,821	$329,487

There were no finance leases as of December 31, 2020 or December 31, 2019.

Maturities of principal of the long-term debt obligations of the Company as of December 31, 2020, excluding the long-term debt resulting from the Technicolor Patent Acquisition, are as follows (in thousands):

2021	$ —
2022	—
2023	—
2024	400,000
2025	—
Thereafter	—
	$400,000

2024 Senior Convertible Notes, and Related Note Hedge and Warrant Transactions

On June 3, 2019 we issued $400.0 million in aggregate principal amount of 2.00% Senior Convertible Notes due 2024 (the "2024 Notes"). The net proceeds from the issuance of the 2024 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were approximately $391.6 million. The 2024 Notes bear interest at a rate of 2.00% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2019, and mature on June 1, 2024, unless earlier converted or repurchased.

The 2024 Notes will be convertible into cash, shares of our common stock or a combination thereof, at our election, at an initial conversion rate of 12.3018 shares of common stock per $1,000 principal amount of 2024 Notes (which is equivalent to an initial conversion price of approximately $81.29 per share), as adjusted pursuant to the terms of the indenture governing the 2024 Notes (the "Indenture"). The conversion rate of the 2024 Notes, and thus the conversion price, may be adjusted in certain circumstances, including in connection with a conversion of the 2024 Notes made following certain fundamental changes and under other circumstances set forth in the Indenture. As of December 31, 2020, we made the irrevocable election to settle all conversions of the 2024 Notes through combination settlements of cash and shares of common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of 2024 Notes and any remaining amounts in shares of common stock.

Prior to 5:00 p.m., New York City time, on the business day immediately preceding March 1, 2024, the 2024 Notes will be convertible only under certain circumstances as set forth in the Indenture, including on any date during any calendar quarter (and only during such calendar quarter) beginning after September 30, 2019 if the closing sale price of the common stock was more than 130% of the applicable conversion price (approximately $105.68 based on the current conversion price of the 2024 Notes) on each applicable trading day for at least 20 trading days (whether or not consecutive) in the period of the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter.

Commencing on March 1, 2024, the 2024 Notes will be convertible 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 2024 Notes.

The Company may not redeem the 2024 Notes prior to their maturity date.

If a fundamental change (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their 2024 Notes for cash at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. The 2024 Notes are our senior unsecured obligations and rank equally in right of payment with any of our current and any future senior unsecured indebtedness. The 2024 Notes are effectively subordinated to all of our future secured indebtedness to the extent of the value of the related collateral, and the 2024 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of our subsidiaries.

On May 29 and May 31, 2019, in connection with the offering of the 2024 Notes, we entered into convertible note hedge transactions (collectively, the “2024 Note Hedge Transactions”) that cover, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock, in the aggregate, at a strike price that initially corresponds to the initial conversion price of the 2024 Notes, subject to adjustment, and are exercisable upon any conversion of the 2024 Notes. The aggregate cost of the 2024 Note Hedge Transactions was $72.0 million.

On May 29 and May 31, 2019, we also entered into privately negotiated warrant transactions (collectively, the “2024 Warrant Transactions” and, together with the 2024 Note Hedge Transactions, the “2024 Call Spread Transactions”), whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock at an initial strike price of approximately $109.43 per share, subject to adjustment. As consideration for the 2024 Warrant Transactions, we received aggregate proceeds of $47.6 million. The net cost of the 2024 Call Spread Transactions was $24.4 million.

The net proceeds from the issuance of the 2024 Notes, after deducting fees and offering expenses, were used for the following: (i) $232.7 million was used to repurchase $221.1 million in aggregate principal amount of the 2020 Notes (as defined below) in privately negotiated transactions concurrently with the offering of the 2024 Notes (ii) $19.6 million was used to repurchase shares of common stock at $62.53 per share, the closing price of the stock on May 29, 2019; and (iii) $24.4 million, in addition to the proceeds from the 2024 Warrant Transactions discussed above, was used to fund the cost of the 2024 Call Spread Transactions.

Accounting Treatment of the 2024 Notes and Related Convertible Note Hedge and Warrant Transactions

The 2024 Call Spread Transactions were classified as equity. The Company bifurcated the proceeds from the offering of the 2024 Notes between liability and equity components. On the date of issuance, the liability and equity components were calculated to be approximately $328.0 million and $72.0 million, respectively. The initial $328.0 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature. The initial $72.0 million ($56.9 million net of tax) equity component represents the difference between the fair value of the initial $328.0 million in debt and the $400.0 million gross proceeds. The related initial debt discount of $72.0 million is being amortized over the life of the 2024 Notes using the effective interest method. An effective interest rate of 6.25% was used to calculate the debt discount on the 2024 Notes.

In connection with the above-noted transactions, the Company incurred approximately $8.4 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 $6.4 million of debt issuance costs to the liability component, which were capitalized as deferred financing costs. These costs are being amortized as interest expense over the term of the debt using the effective interest method. The remaining $1.9 million of costs ($1.7 million net of tax) allocated to the equity component were recorded as a reduction of the equity component.

2020 Senior Convertible Notes, and Related Note Hedge and Warrant Transactions

During second quarter 2019, the Company used $232.7 million from the offering of the 2024 Notes to repurchase $221.1 million in aggregate principal amount of the 1.50% Senior Convertible Notes due 2020 (the "2020 Notes") in privately negotiated transactions concurrently with the offering of the 2024 Notes. As a result of the partial repurchase of the 2020 Notes, $94.9 million in aggregate principal amount of the 2020 Notes remain outstanding as of December 31, 2019. On March 1, 2020, the maturity date of the 2020 Notes, the Company repaid in full the remaining $94.9 million of outstanding principal.

We recognized a $5.5 million loss on extinguishment of debt during the year ended December 31, 2019 in connection with this repurchase, which was included within "*Other Income, Net*" in the consolidated statement of income for the period. The loss on extinguishment represents the difference between the calculated fair value of the debt immediately prior to its derecognition and the carrying amount of the debt component, including any unamortized debt discount and issuance costs. The remaining consideration paid for the partial repurchase of the 2020 Notes was allocated to the reacquisition of the equity component, which equaled $13.0 million ($10.6 million net of tax) and was recorded as a reduction of equity during the year ended December 31, 2019. The remaining unamortized debt discount and issuance costs of $3.3 million was amortized throughout the remaining life of the 2020 Notes, up to maturity on March 1, 2020.

The following table presents the amount of interest cost recognized for the years ended December 31, 2020, 2019 and 2018 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,						
	2020			2019			2018
	2024 Notes	2020 Notes	Total	2024 Notes	2020 Notes	Total	2020 Notes
Contractual coupon interest	$ 8,000	$237	$ 8,237	$ 4,600	$ 2,824	$ 7,424	$ 4,740
Accretion of debt discount	13,157	669	13,826	7,322	7,743	$15,065	12,434
Amortization of financing costs	1,176	70	1,246	654	821	1,475	1,390
Total	$22,333	$976	$23,309	$12,576	$11,388	$23,964	$18,564

11. COMMITMENTS

Minimum future payments for accounts payable and other purchase commitments, excluding long-term operating leases for office space, as of December 31, 2020 were as follows (in thousands):

2021	$16,113
2022	—
2023	—
2024	—
2025	—
Thereafter	—

We are subject to a revenue-sharing arrangement with Technicolor resulting from the Technicolor Patent Acquisition and the R&I Acquisition. We also assumed certain defined benefit plan liabilities in conjunction with these transactions. Refer to Note 5, "*Business Combinations and Other Transactions*," for further information.

Refer to Note 10, "*Obligations*," for details of the Company's long-term debt obligations. Refer to Note 17, "*Leases*," for maturities of the Company's operating lease liabilities as of December 31, 2020.

12. LITIGATION AND LEGAL PROCEEDINGS

COURT PROCEEDINGS

Huawei

China Proceeding

On January 3, 2019, InterDigital was notified that a civil complaint was filed on January 2, 2019 by Huawei Technologies Co., Ltd. ("Huawei") and certain of its subsidiaries against InterDigital, Inc. and certain of its subsidiaries in the Shenzhen Intermediate People's Court (the "Shenzhen Court") seeking a determination that the Company had violated an obligation to license their patents that are essential to 3G, 4G and 5G wireless telecommunication standards on fair, reasonable and non-discriminatory terms and conditions. On June 8, 2020, Huawei filed an application with the Shenzhen Court to dismiss the legal proceeding, and on June 9, 2020, the Company filed an application with the IP Tribunal of the China Supreme People's Court (the "SPC") to dismiss the Company's jurisdictional appeal. On July 1, 2020, the SPC dismissed the Company's jurisdictional appeal, and on July 31, 2020, the Shenzhen Court granted Huawei's petition to dismiss the legal proceeding. Accordingly, there are no further proceedings in this matter.

Lenovo

U.K. Proceeding

On August 27, 2019, InterDigital, Inc. and certain of its subsidiaries filed a claim in the High Court against Lenovo Group Limited and certain of its subsidiaries. The claim, as amended, alleges infringement of five of the Company's patents relating to 3G and/or 4G/LTE standards: European Patent (U.K.) Nos. 2,363,008 (the "'008 Patent"); 2,421,318; 2,485,558; 2,557,714; and 3,355,537.

On August 26, 2020, the UK Supreme Court handed down its judgment in the combined appeals in the *Unwired Planet* and *Conversant* proceedings, finding, among other things, that UK Courts have jurisdiction to determine fair, reasonable and non-discriminatory ("FRAND") royalty terms and conditions (including, where appropriate, that the terms of a FRAND license would be worldwide) and to award a FRAND injunction under a UK patent that has been found valid, essential and infringed against a defendant that does not enter into a license on the terms the UK Court determines to be FRAND. Subsequently, on September 25, 2020 the Court made an Order recording that Lenovo was no longer pursuing its application challenging the jurisdiction of the High Court and that Lenovo would pay the Company's costs in relation to the same.

The Court has held case management conferences on October 6, 2020, December 16, 2020, a further disclosure hearing on January 19, 2021 and Pre-Trial Review hearings for the first trial on January 28, 2021 and February, 8 2021. At those hearings, the High Court entered a schedule for the technical and non-technical FRAND proceedings. The first two trials that have been scheduled are technical trials in March 2021 and June 2021 and the non-technical FRAND trial is scheduled in January 2022. The Company was also granted permission at the October 6 hearing to amend its claim to seek declarations that Lenovo is an "unwilling licensee" based on its refusal to submit to the outcome of the FRAND determination by the High Court, and that it is therefore not entitled to enforce the Company's commitments under the ETSI IPR Policy against it. Lenovo has subsequently amended its case to seek a declaration that the Company is an "unwilling licensor" and has denied that it is not entitled to enforce the Company's commitments under the ETSI IPR Policy. On October 27, 2020, the Company filed an application to schedule a trial to determine the issue of whether Lenovo is an "unwilling licensee," and whether Lenovo is able to rely on the Company's commitments under the ETSI IPR Policy against it, prior to the non-technical FRAND trial. The Court held that while the Company was entitled to plead these issues and have them determined, the trial timetable and likely timing of any appeals meant that the determination of the "willingness" issues should be reserved to the non-technical FRAND trial.

District of Delaware Patent Proceeding

On August 28, 2019, InterDigital, Inc. and certain of its subsidiaries filed a complaint in the United States District Court for the District of Delaware (the "Delaware District Court") against Lenovo Holding Company, Inc. and certain of its subsidiaries alleging that Lenovo infringes eight of InterDigital's U.S. patents—U.S. Patent Nos. 8,085,665 (the "'665 Patent"); 8,199,726 (the "'726 Patent"); 8,427,954 (the "'954 Patent"); 8,619,747; 8,675,612 (the "'612 Patent"); 8,797,873 (the "'873 Patent"); 9,203,580; and 9,456,449 (the "'449 Patent")—by making, using, offering for sale, and/or selling Lenovo wireless devices with 3G and/or 4G LTE capabilities. As relief, InterDigital is seeking: (a) a declaration that InterDigital is not in breach of its relevant FRAND commitments with respect to Lenovo; (b) to the extent Lenovo does not agree to negotiate a worldwide patent license, does not agree to enter into binding international arbitration to set the terms of a FRAND license, and does not agree to be bound by the FRAND terms to be set by the High Court in the separately filed U.K. Proceedings described above, an injunction prohibiting Lenovo from continued infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) attorneys' fees and costs.

On July 14, 2020, the Delaware District Court heard the parties' oral arguments regarding Lenovo's motion to dismiss six of the eight patents-at-issue in the case. The Delaware District Court denied Lenovo's motion to dismiss in its entirety, finding in the Company's favor that all of the challenged claims of all six of the challenged patents cover patent-eligible subject matter under Section 101 of the Patent Act. On September 16, 2020, the Delaware District Court entered a schedule for the case, setting a patent jury trial for December 5, 2022.

District of Delaware Antitrust Proceeding

On April 9, 2020, Lenovo (United States) Inc. and Motorola Mobility LLC filed a complaint in the Delaware District Court against the Company and certain of its subsidiaries. The complaint alleges that the Company defendants have violated Sections 1 and 2 of the Sherman Act in connection with, among other things, their licensing of 3G and 4G standards essential patents ("SEPs"). The complaint further alleges that the Company defendants have violated their commitment to the European Telecommunications Standards Institute ("ETSI") with respect to the licensing of 3G and 4G SEPs on FRAND terms and conditions. The complaint seeks, among other things (i) rulings that the Company defendants have violated Sections 1 and 2 of the Sherman Act and are liable for breach of their ETSI FRAND commitments, (ii) a judgment that the plaintiffs are entitled to a license with respect to the Company's 3G and 4G SEPs on FRAND terms and conditions, and (iii) injunctions against any demand for allegedly excessive royalties or enforcement of the Company defendants' 3G and 4G U.S. SEPs against the plaintiffs or their customers via patent infringement proceedings.

On June 22, 2020, the Company filed a motion to dismiss Lenovo's Sherman Act claims with prejudice, and to dismiss Lenovo's breach of contract claim with leave to re-file as a counterclaim in the Company's legal proceeding against Lenovo in the Delaware District Court discussed above. On July 17, 2020, the United States Department of Justice ("DOJ") filed a statement of interest supporting the Company's motion to dismiss Lenovo's antitrust claims. On July 20, 2020, Lenovo filed its response to the Company's motion to dismiss, and ACT | The App Association ("App Association") filed a motion for leave to file an amicus brief in support of Lenovo's antitrust claims. On August 5, 2020, the Company filed its reply in support of its motion to dismiss. Oral argument on the Company's motion to dismiss was held on October 27, 2020. The Delaware District Court has not yet ruled on the motion.

China Proceeding

On April 10, 2020, Lenovo (Beijing) Ltd. and certain of its affiliates filed a complaint against the Company and certain of its subsidiaries in the Beijing Intellectual Property Court seeking a determination of the FRAND royalty rates payable for the Company's Chinese 3G, 4G and 5G SEPs. The Beijing action remains pending.

Xiaomi

China Proceeding

On August 5, 2020, the Company was informed in writing by Xiaomi Corporation ("Xiaomi") that, on June 3, 2020, Xiaomi Communication Technology Co., Ltd. and certain of its affiliates filed a complaint against the Company and one of its subsidiaries in the Wuhan Intermediate People's Court (the "Wuhan Court") seeking for the Wuhan Court to determine a global FRAND rate for a license to the Company's 3G and/or 4G/LTE SEPs. The Company was informed on September 25, 2020 that the Wuhan Court held an *ex parte* hearing on or about September 23, 2020 and issued an order that, among other things, enjoins the Company from seeking a preliminary and permanent injunction against Xiaomi and certain of its subsidiaries for infringement of certain of the Company's patents related to 3G and/or 4G/LTE standards in the Company's case in the Delhi High Court discussed below, or elsewhere. The Wuhan Court ordered a fine of up to one million yuan per day if the Company were to violate the order. The Company contends that it has not yet been properly served with Xiaomi's complaint or the Wuhan Court's anti-suit injunction order. On October 13, 2020, the Company filed an application challenging the jurisdiction of the Wuhan Court to take up Xiaomi's complaint. That jurisdiction challenge remains pending.

On September 30, 2020, the Company filed a preliminary conditional response seeking reconsideration of the Wuhan Court's anti-suit injunction, and requested a hearing, which was held on October 16, 2020. The Company filed a post-hearing submission on October 23, 2020. In a decision dated December 4, 2020, the Wuhan Court dismissed the Company's reconsideration petition.

India Proceeding

On July 29, 2020, the Company and certain of its subsidiaries filed two patent infringement actions in the Delhi High Court in New Delhi, India (the "Delhi High Court") against Xiaomi and certain of its subsidiaries. The first complaint alleges infringement of five of the Company's patents related to 3G and/or 4G/LTE standards: Indian Patent Nos. 262910; 295912; 298719; 313036; and 320182. The second complaint alleges infringement of three of the Company's patents related to H.265/HEVC standards: Indian Patent Nos. 242248; 299448; and 308108. In these proceedings, the Company is seeking compensatory and punitive damages for Xiaomi's infringement of the asserted patents. The Company is further seeking, among other remedies, interim and permanent injunctive relief to prevent further infringement of the litigated patents in India, unless Xiaomi elects to take a license on terms determined to be FRAND by the Delhi High Court. The Company's application for interim injunctive relief remains pending. On January 21, 2021, Xiaomi filed its replies to the cellular and HEVC complaints.

The Company has filed an application to forfeit or strike those replies as untimely filed. The Company's application remains pending.

On September 29, 2020, the Company filed an anti-anti-suit injunction application against Xiaomi in the Delhi High Court, seeking, among other things, to enjoin Xiaomi from enforcing the Wuhan Court's September 23, 2020 anti-suit injunction order described above. On October 9, 2020, the Delhi High Court granted the Company's motion and issued an *ad interim* injunction restraining Xiaomi from enforcing the anti-suit injunction order issued by the Wuhan Court, pending further consideration of the Company's application for an anti-anti-suit injunction at a hearing on November 25, 2020. On November 3, 2020, Xiaomi filed an appeal with the appellate division of the Delhi High Court seeking, inter alia, to (i) set aside the October 9 *ad interim* anti-anti-suit injunction order, (ii) set aside certain subsequent orders of the first instance court and (iii) stay further pursuit of the Company's application for an interim injunction with respect to infringement of the patents in the first suit. That appeal was dismissed on November 6. From November 25, 2020 through December 15, 2020, the Delhi High Court held hearings on the Company's application for an anti-anti-suit injunction. A decision on the Company's application remains pending.

German Proceeding

On October 30, 2020, the Company filed an anti-anti-suit injunction application against Xiaomi in the Munich District Court, seeking to enjoin Xiaomi from continuing to pursue the Wuhan Court's September 23, 2020 anti-suit injunction order described above with respect to Germany. On November 11, 2020, the Munich court granted the Company's motion and issued an ex parte injunction restraining Xiaomi from pursuing the anti-suit injunction. The Company filed penalty requests for non-compliance with said court order. Xiaomi opposed the injunction and requested stay of enforcement, and an oral hearing was held on January 28, 2021. At the hearing, the Munich Court dismissed the request for stay of enforcement. A decision on the opposition and the penalty request will be rendered on February 25, 2021. This decision can then be appealed to the Higher Regional Court Munich.

REGULATORY PROCEEDING

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.

With the consolidation of China's antimonopoly enforcement authorities into the State Administration for Market Regulation ("SAMR") in April 2018, SAMR is now responsible for overseeing InterDigital's commitments.

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 preceding matters have met the requirements for accrual or disclosure of a potential range as of December 31, 2020.

13. COMPENSATION PLANS AND PROGRAMS

Compensation Programs

We use a variety of compensation programs to attract, retain and motivate our 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, cash awards to inventors for filed patent applications and patent issuances, and long-term incentives in the form of stock option awards, time-based RSU awards, performance-based awards and cash awards.

Our long-term incentives typically include annual time-based RSU grants or cash awards with a three-year vesting period, as well as annual performance-based RSU grants or cash awards with a three to five-year performance period; as a result, in any one year, we are typically accounting for at least three active cycles. We issue new shares of our common stock to satisfy our obligations under the share-based components of these programs. However, our Board of Directors has the right to authorize the issuance of treasury shares to satisfy such obligations in the future.

Equity Incentive Plans

On June 14, 2017, our shareholders adopted and approved the 2017 Equity Incentive Plan (the "2017 Plan"), under which officers, employees, non-employee directors and consultants can receive share-based awards such as RSUs, restricted stock and stock options as well as other stock or cash awards. From June 2009 through June 14, 2017, we granted such awards pursuant to our 2009 Stock Incentive Plan (the "2009 Plan," and, together with the 2017 Plan, the "Equity Plans"), which was adopted and approved by our shareholders on June 4, 2009, and the material terms of which were re-approved on June 12, 2014. Upon the adoption of the 2017 Plan in June 2017, the 2009 Plan was terminated and all shares remaining available for grant under the 2009 Plan were canceled. The number of shares available for issuance under the 2017 Plan is equal to 2,400,000 shares plus any shares subject to awards granted under the 2009 Plan that, on or after June 14, 2017, expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by us.

RSUs and Restricted Stock

We may issue RSUs and/or shares of restricted stock to officers, employees, non-employee directors and consultants. Any cancellations of unvested RSUs granted under the Equity Plans will increase the number of shares remaining available for grant under the 2017 Plan. Time-based RSUs vest over periods generally ranging from 1 to 3 years from the date of the grant. Performance-based RSUs generally have a vesting period of between 3 and 5 years.

As of December 31, 2020, we had unrecognized compensation cost related to share-based awards of $8.0 million, at current performance accrual rates. For grants with graded vesting, we expect to amortize the associated unrecognized compensation cost using an accelerated method. For grants made that cliff vest, we expect to amortize the associated unrecognized compensation cost as of December 31, 2020, on a straight-line basis generally over a three to five-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 achievement against these goals, the number of shares that vest can be anywhere from 0 to 2 times the target number of shares.

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, 2019	955	$62.40
Granted*	626	46.18
Forfeited	(213)	66.11
Vested	(103)	65.06
Balance at December 31, 2020	1,265	$53.53

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* These numbers include less than 0.1 million RSUs credited on unvested RSU awards as dividend equivalents. Dividend equivalents accrue with respect to unvested RSUs 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.

During 2020, 2019 and 2018, we granted approximately 0.4 million, 0.3 million and 0.3 million RSUs under the Equity Plans, respectively, with weighted-average grant date fair values of $46.18, $66.19 and $73.75, respectively, assuming target payout for the performance based awards. The total vest date fair value of the RSUs that vested in 2020, 2019 and 2018 was $6.7 million, $12.7 million and $25.2 million, respectively. The weighted average per share grant date fair value of the awards that vested in 2020, 2019 and 2018 was $65.06, $58.84 and $54.75, respectively.

Other Equity Grants

We may also grant equity awards to non-management Board members and certain consultants.

Stock Options

The 2009 Plan allowed, and the 2017 Plan allows, for the granting of incentive and non-qualified stock options, as well as other securities. The administrator of the Equity Plans, the Compensation Committee of the Board of Directors, determines the number of options to be granted, subject to certain limitations set forth in the 2017 Plan. Since 2013, both incentive and non-qualified stock options have been granted annually as part of our long-term incentive programs, which have generally vested over three years. During the year ended December 31, 2018, performance-based options were granted for the first time. The number of options which cliff vest, if at all, is anywhere from 0 to 2 times the target number of options subject to the attainment of performance goals measured at the end of the performance period. These performance-based options have a vesting period between three and five years.

Under the terms of the Equity Plans, 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. Options granted under the Equity Plans 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, over a period of time and/or dependent upon the attainment of specified performance goals. We also have approximately 0.1 million options outstanding under a prior stock plan that have an indefinite contractual life.

The fair value for option awards is computed using the Black-Scholes pricing model, whose inputs and assumptions are determined as of the date of grant and which require considerable judgment. Expected volatility was based upon a combination of implied and historic volatilities. The weighted-average grant date fair value per option award granted during the years ended December 31, 2020, 2019 and 2018 was $11.46, $13.68, and $24.56, respectively, based upon the assumptions included in the table below:

	For the Year Ended December 31,		
	2020	2019	2018
Expected term (in years)	6.5	4.5	7.7
Expected volatility	37.5%	25.8%	30.1%
Risk-free interest rate	0.6%	2.4%	3.0%
Dividend yield	3.1%	2.0%	1.8%

Information with respect to current year stock option activity is summarized as follows (in thousands, except per share amounts):

	Outstanding Options	Weighted Average Exercise Price
Balance at December 31, 2019	825	$58.83
Granted*	307	44.63
Forfeited	(348)	65.74
Exercised	(73)	43.83
Balance at December 31, 2020	711	$50.85

* Granted amounts include performance-based option awards at their maximum potential payout.

The weighted average remaining contractual life of our outstanding options was 8.3 years as of December 31, 2020. Options with an indefinite contractual life, which were granted between 1983 and 1986 under a prior stock plan, were assigned an original life in excess of 50 years for purposes of calculating the weighted average remaining contractual life. The majority of these options have an exercise price between $9.00 and $11.63.

The total intrinsic value of our outstanding options as of December 31, 2020 was $11.2 million. Of the 0.7 million outstanding options as of December 31, 2020, 0.3 million were exercisable with a weighted-average exercise price of $39.84. Options exercisable as of December 31, 2020 had total intrinsic value of $8.4 million and a weighted average remaining contractual life of 8.6 years. The total intrinsic value of stock options exercised during the years ended December 31, 2020, 2019 and 2018 was $1.1 million, $0.1 million and $5.6 million, respectively. In 2020, we recorded cash received from the exercise of options of $1.9 million. Upon option exercise, we issued new shares of stock.

As of December 31, 2020, we had unrecognized compensation cost on our unvested stock options of $0.5 million, at current performance accrual rates. As of December 31, 2020 and 2019, we had approximately 0.5 million and 0.3 million options outstanding, respectively, that had exercise prices less than the fair market value of our stock at the respective balance sheet date. These options would have generated cash proceeds to the Company of $16.9 million and $7.6 million, respectively, if they had been fully exercised on those dates.

Defined Contribution Plans

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 401(k) contribution expense was approximately $1.1 million, $1.1 million and $1.3 million for 2020, 2019 and 2018, respectively. At our discretion, we may also make a profit-sharing contribution to our employees’ 401(k) accounts. Additionally, the company contributed $0.2 million, $0.2 million and $0.2 million in 2020, 2019 and 2018, respectively, to other defined contribution plans.

14. TAXES

Our income tax provision (benefit) consists of the following components for 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Current			
Federal	$(26,092)	$(11,436)	$ (3,148)
State	89	207	239
Foreign source withholding tax	26,229	19,850	25,187
	226	8,621	22,278
Deferred			
Federal	(28,692)	(21,735)	(63,030)
State	119	2,457	(1,554)
Foreign source withholding tax	21,699	21,648	14,889
	(6,874)	2,370	(49,695)
Total	$ (6,648)	$ 10,991	$(27,417)

The deferred tax assets and liabilities were comprised of the following components at December 31, 2020 and 2019 (in thousands):

	2020 Total	2019 Total
Net operating losses	$ 140,940	$ 131,501
Deferred revenue, net	26,213	33,131
Tax credit carryforward	27,813	11,744
Stock compensation	4,082	3,307
Patent amortization	22,530	18,522
Depreciation	(1,233)	443
Goodwill	(2,211)	(1,933)
Other-than-temporary impairment	441	1,138
Other	(673)	785
Other employee benefits	5,857	7,520
Right of use asset	(4,684)	(4,913)
Lease liability	5,382	5,760
	224,457	207,005
Less: valuation allowance	(144,367)	(133,797)
Net deferred tax asset	$ 80,090	$ 73,208

Note: Included within the balance sheet, but not reflected in the tables are deferred tax assets primarily related to foreign withholding taxes that are expected to be paid within the next twelve months of $0.4 million and $0.1 million as of December 31, 2020 and December 31, 2019, respectively.

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, 2020, 2019 and 2018:

	2020	2019	2018
Tax at U.S. statutory rate	21.0%	21.0%	21.0%
State tax provision (b)	0.6%	10.2%	(8.9)%
Effects of rates different than statutory	(2.0)%	(2.8)%	(1.4)%
Change in valuation allowance	28.5%	23.3%	8.5%
Research and development tax credits	(1.6)%	(4.5)%	(4.3)%
Uncertain tax positions	(2.7)%	(0.8)%	3.9%
Permanent differences	(1.2)%	2.3%	4.9%
Stock compensation	1.1%	(0.6)%	(5.0)%
Foreign derived intangible income deduction (c)	—%	—%	(56.3)%
Amended return benefit (a)	(65.0)%	(8.4)%	(49.4)%
Other	0.1%	2.7%	1.5%
Total tax provision (benefit)	(21.2)%	42.4%	(85.5)%

(a) In 2020, a net discrete benefit of $20.9 million was recorded that primarily relates to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year, as well as the reversal of a tax reserve.

(b) In 2019, we determined that we would not be able to utilize our state deferred tax assets for our parent company in Delaware and Pennsylvania, therefore we put a full valuation allowance on these assets.

(c) In 2018, the new Foreign Derived Intangible Income ("FDII") deduction that was enacted as part of the TCJA decreased the tax provision by 56.3%.

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. Given the binary nature of our business, at this time we believe it is more likely than not that the majority of our state net operating losses and net operating losses in certain subsidiaries in France, as well as our non-wholly owned subsidiaries in the United States and United Kingdom will not be utilized; therefore we have maintained a near full valuation allowance against our state, French and United Kingdom net operating losses as of December 31, 2020. All other deferred tax assets are fully benefited.

Uncertain Income Tax Positions

As of December 31, 2020, 2019 and 2018, we had $3.8 million, $4.5 million and $4.4 million, respectively, of unrecognized tax benefits that, if recognized, would impact the Company's effective tax rate. 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 2020, we established reserves of $1.1 million uncertainty arising from our ability to generate the full benefit of the amended returns that utilize the current year tax asset. We also reversed reserves of $1.8 million previously established on 2016 research and development and manufacturing deduction credits as a result of the lapsing of the statute of limitations for that tax year.

During 2019, we established a reserve of $0.3 million related to an additional deduction related to the issuance cost of convertible debt that is recorded through equity.

During 2018, we established a reserve of $1.1 million related to the recognition of the 2006 to 2010 research and development credits and manufacturing deduction credits.

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 2020 through 2018 (in thousands):

	2020	2019	2018
Balance as of January 1	$ 4,456	$4,352	$3,252
Tax positions related to current year:			
Additions	1,062	402	73
Reductions	—	—	—
Tax positions related to prior years:			
Additions	37	34	1,054
Reductions	—	—	(27)
Settlements	—	—	—
Lapses in statues of limitations	(1,752)	(332)	—
Balance as of December 31	$ 3,803	$4,456	$4,352

Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense. For certain positions that related to years prior to 2020, we have recorded approximately $0.1 million of accrued interest during 2020 and 2019.

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 2006 to the present, with the exception of 2011 and 2012, 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 2022. Excluding the Korea Competent Authority Proceeding and the Finland Competent Authority Proceeding described in the section below, specific tax treaty procedures remain open for certain jurisdictions for 2014 to the present. 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 $1.6 billion. In November 2018, the Company received notice that its 2016 U.S. Federal income tax return will be subject to audit. In February 2020, the Company received a no change letter from the IRS indicating the audit is closed. In December 2018, the Company received a notice of proposed assessment related to an ongoing audit of its California tax returns for 2013 through 2015. The Company filed a protest to the California assessment in February 2019 and in October 2020 received notice the audit was withdrawing their claim. In February 2020, the Company was notified their 2016 and 2017 California tax returns are under audit.

Foreign Taxes

We pay foreign source withholding taxes on patent license royalties 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 2020, 2019 and 2018, we paid $25.9 million, $18.8 million and $25.1 million in foreign source withholding taxes, respectively, and applied these payments as credits against our United States federal tax obligation.

Between 2014 and 2020, we paid approximately $134.3 million in foreign taxes to foreign governments that have tax treaties with the U.S., for which we have claimed foreign tax credits against our U.S. tax obligations, and for which the tax treaty procedures are still open. 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 foreign currency fluctuations, any such agreement could result in foreign currency gain or loss.

On November 8, 2019, the Company received notification that its request for competent authority pertaining to Article 25 (Mutual Agreement Procedure) of the United States-Republic of Finland Income Tax Convention had been reviewed by the IRS and an agreement has been reached (the "Finland Competent Authority Proceeding"). As a result of this agreement, the Company does not anticipate any tax consequences.

On July 24, 2018, the Company received notification that its request for competent authority pertaining to Article 27 (Mutual Agreement 14 Table of Contents Procedure) of the United States-Republic of Korea Income Tax Convention had been reviewed by the IRS and an agreement had been reached (the "Korea Competent Authority Proceeding"). As a result of this agreement, the Company received refunds of $97.4 million, inclusive of interest. In addition, we have recorded a net tax benefit of $14.7 million in our full year 2018. In September 2019, the amended tax returns for tax years covered by this agreement were filed and an additional benefit of $2.2 million was recorded related to the final refund the Company expects to receive.

15. NET INCOME PER 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,					
	2020		2019		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator:						
Net income applicable to common shareholders	$44,801	$44,801	$20,928	$20,928	$65,031	$65,031
Denominator:						
Weighted-average shares outstanding: Basic	30,776	30,776	31,546	31,546	34,491	34,491
Dilutive effect of stock options, RSUs and convertible securities		282		239		816
Weighted-average shares outstanding: Diluted		31,058		31,785		35,307
Earnings Per Share:						
Net income: Basic	$ 1.46	1.46	$ 0.66	0.66	$ 1.89	1.89
Dilutive effect of stock options, RSUs and convertible securities		(0.02)		—		(0.05)
Net income: Diluted		$ 1.44		$ 0.66		$ 1.84

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 greater than the average market price of our common stock for the years ended December 31, 2020, 2019 and 2018, 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,		
	2020	2019	2018
Restricted stock units and stock options	146	128	25
Convertible securities	5,143	5,495	—
Warrants	5,662	5,495	4,404
Total	10,951	11,118	4,429

16. EQUITY TRANSACTIONS

Repurchase of Common Stock

In June 2014, our Board of Directors authorized a $300 million share repurchase program (the "2014 Repurchase Program"). In June 2015, September 2017, December 2018, and May 2019, our Board of Directors authorized four $100 million increases to the program, respectively, bringing the total amount of the 2014 Repurchase Program to $700 million. The Company 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 the total number of shares repurchased and the dollar value of shares repurchased under the 2014 Repurchase Program (in thousands). As of December 31, 2020, there was approximately $71.5 million remaining under the stock repurchase authorization.

	2014 Repurchase Program	
	# of Shares	Value
2020	6	$ 349
2019	2,962	196,269
2018	1,478	110,505
2017	107	7,693
2016	1,304	64,685
2015	1,836	96,410
2014	3,554	152,625
Total	11,247	$628,536

Dividends

Cash dividends on outstanding common stock declared in 2020 and 2019 were as follows (in thousands, except per share data):

	Per Share	Total	Cumulative by Fiscal Year
2020			
First quarter	$0.35	$10,762	$10,762
Second quarter	0.35	10,781	21,543
Third quarter	0.35	10,782	32,325
Fourth quarter	0.35	10,786	43,111
	$1.40	$43,111	
2019			
First quarter	$0.35	$11,180	$11,180
Second quarter	0.35	10,895	22,075
Third quarter	0.35	10,897	32,972
Fourth quarter	0.35	10,746	43,718
	$1.40	$43,718	

In September 2017, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to $0.35 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.35 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.

17. LEASES

The Company enters into operating leases primarily for real estate to support research and development ("R&D") sites and general office space in North America, with additional locations in Europe and Asia. The Company does not currently have any finance leases. Certain of our leases include options to extend the lease at our discretion at the end of the lease term, or terminate the lease early subject to certain conditions and penalties. We do not include any renewal options in our lease terms for calculating our lease liabilities, as the renewal options allow us to maintain operational flexibility and we are not reasonably certain we will exercise these options.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the specific facts and circumstances present. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable, and, as such, the Company utilizes its incremental borrowing rate as the discount rate based on information available on the lease commencement date. Our incremental borrowing rate represents the rate we would incur to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. The table below includes the balances of operating lease right-of-use assets and operating lease liabilities as of December 31, 2020 (in thousands):

	Balance Sheet Classification	December 31, 2020	December 31, 2019
Assets			
Operating lease receivable — current	Prepaid and other current assets	$ 817	$ —
Operating lease right-of-use assets, net	Other Non-current Assets	22,456	24,513
Total Lease Assets		$23,273	$24,513
Liabilities			
Operating lease liabilities — Current	Other accrued expenses	$ 3,170	$ 3,437
Operating lease liabilities — Noncurrent	Other long-term liabilities	23,043	24,142
Total Lease Liabilities		$26,213	$27,579

The components of lease costs which were included within operating expenses in our consolidated statement of income were as follows (in thousands):

	For the Year Ended December 31,	
	2020	2019
Operating lease cost	$5,442	$4,776
Short-term lease cost	726	925
Variable lease cost	1,764	1,502

For the years ended December 31, 2020 and 2019, sublease income was insignificant. Cash paid for amounts included in the measurement of operating lease liabilities for the year ended December 31, 2020 and 2019 was $4.9 million and $5.2 million, respectively, and was included in net cash provided by operating activities in our consolidated statement of cash flows. Operating lease right-of-use assets obtained in exchange for operating lease obligations totaled $2.5 million and $14.4 million during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the weighted average remaining operating lease term was 6.6 years and the weighted average discount rate used to determine the operating lease liabilities was 5.6%. As of December 31, 2020, there have been no leases entered into that have not yet commenced.

The maturities of our operating lease liabilities as of December 31, 2020, excluding short-term leases with terms less than 12 months, were as follows (in thousands):

Maturity of Operating Lease Liabilities 2021	
2021	$ 3,741
2022	5,463
2023	4,727
2024	4,508
2025	3,585
Thereafter	8,795
Total lease payments	$30,819
Less: Imputed interest	(5,423)
Present value of lease liabilities	$25,396

18. OTHER INCOME (EXPENSE), NET

The amounts included in "*Other Income, Net*" in the consolidated statements of income for the year ended December 31, 2020, 2019 and 2018 were as follows (in thousands):

	For the Year Ended December 31,		
	2020	2019	2018
Interest and investment income	$ 5,661	$13,458	$14,590
Gain on asset acquisition and sale of business	—	22,690	—
Loss on extinguishment of long-term debt	—	(5,488)	—
Other income (expense), net	11,263	(1,598)	(9,171)
Other income, net	$16,924	$29,062	$ 5,419

Refer to Note 5, "*Business Combinations and Other Transactions,*" for further information regarding the $14.2 million gain resulting from the R&I Acquisition and the $8.5 million gain on sale of our Hillcrest product business during the year ended December 31, 2019. Refer to Note 10, "*Obligations,*" for further information on the $5.5 million loss on extinguishment of long-term debt recognized during the year ended December 31, 2019.

During the year ended December 31, 2020, we recognized $5.6 million of unrealized gains resulting from observable price changes in orderly transactions of our long-term strategic investments. During the year ended December 31, 2019, we recognized a net loss of $2.6 million resulting from the partial impairment of one of our strategic investments partially offset by a gain on sale of a separate strategic investment. During the year ended December 31, 2018, we recognized an aggregate $8.4 million loss resulting from the sale of our entire ownership interest in one of our strategic investments and the impairment of a separate strategic investment. These items are included in the "*Other income (expense), net*" caption in the table above.

19. SELECTED QUARTERLY RESULTS (UNAUDITED)

The table below presents quarterly data for the years ended December 31, 2020 and 2019.

	First	Second	Third	Fourth
	(In thousands, except per share amounts, unaudited)			
2020				
Revenues (a)	$76,210	$104,498	$87,493	$ 90,790
Income from operations	$ 4,681	$ 31,917	$15,430	$ 3,140
Net income (loss) applicable to InterDigital, Inc.'s common shareholders (b)	$ 116	$ 22,251	$23,784	$ (1,350)
Net income (loss) per common share — basic	$ —	$ 0.72	$ 0.77	$ (0.04)
Net income (loss) per common share — diluted	$ —	$ 0.72	$ 0.76	$ (0.04)
	First	**Second**	**Third**	**Fourth**
2019				
Revenues (c)	$68,631	$ 75,609	$72,523	$102,161
Income (loss) from operations	$ (150)	$ 8,915	$ 3,774	$ 25,296
Net income applicable to InterDigital, Inc.'s common shareholders	$ (2,803)	$ 7,743	$ 2,234	$ 13,754
Net income (loss) per common share — basic	$ (0.09)	$ 0.25	$ 0.07	$ 0.44
Net income (loss) per common share — diluted	$ (0.09)	$ 0.24	$ 0.07	$ 0.44

(a) In 2020, we recognized $21.6 million of non-current patent royalties primarily attributable to the Huawei patent license agreement signed in second quarter 2020.

(b) In third quarter 2020, we recognized a net discrete tax benefit of $18.5 million that primarily related to the expected amendment of a prior year tax return to utilize a tax asset generated in the current year, as well as the reversal of a tax reserve.

(c) In 2019, we recognized $19.8 million of non-current patent royalties primarily attributable to the Funai, ZTE Corporation, and Innovius LLC patent license agreements, all of which were signed in fourth quarter 2019.

20. VARIABLE INTEREST ENTITIES

As further discussed below, we are the primary beneficiary of three variable interest entities. As of December 31, 2020, the combined book values of the assets and liabilities associated with these variable interest entities included in our consolidated balance sheet were $62.0 million and $5.8 million, respectively. Assets included $24.5 million of cash and cash equivalents, $2.3 million of accounts receivable and prepaid assets, $35.2 million of patents, net, and $0.0 million of other non-current assets. As of December 31, 2019, the combined book values of the assets and liabilities associated with these variable interest entities included in our consolidated balance sheet were $60.6 million and $5.4 million, respectively. Assets included $18.5 million of cash and cash equivalents, $1.7 million of accounts receivable, $39.3 million of patents, net, and $1.3 million of other non-current assets.

Chordant

On January 31, 2019, we launched the Company's Chordant™ business as a standalone company. The spinout of the unit, which now includes an affiliate of Sony as an investor along with the Company, gives Chordant added independence and flexibility in driving into its core operator and smart city markets. Chordant is a variable interest entity and we have determined that we are the primary beneficiary for accounting purposes and consolidate Chordant. For the years ended December 31, 2020 and 2019, we have allocated approximately $1.1 million and $1.5 million, respectively, of Chordant's net loss to noncontrolling interests held by other parties.

Convida Wireless

Convida Wireless was launched in 2013 and most recently renewed in 2018 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, 2020, 2019 and 2018, we have allocated approximately $5.7 million, $4.5 million and $5.6 million, respectively, of Convida Wireless' net loss to noncontrolling interests held by other parties.

Signal Trust for Wireless Innovation

During 2013, we announced the establishment of the Signal Trust for Wireless Innovation (the "Trust"), the goal of which was to monetize a patent portfolio primarily related to 3G cellular infrastructure. In response to a request from Signal Trust, in first quarter 2021, we provided our consent, as major beneficiary, to dissolve Signal Trust."

The Trust has been accounted for as a variable interest entity. Based on the terms of the trust agreement, we determined that we are the primary beneficiary for accounting purposes and have included the Trust in our consolidated financial statements. As such, we recorded a $2.4 million charge within the "*Patent administration and licensing*" line of our consolidated statements of income in 2020 associated with the pending wind down of the Trust.

21. PREPAID AND OTHER CURRENT ASSETS

The amounts included in "*Prepaid and other current assets*" in the consolidated balance sheet as of December 31, 2020, and 2019 were as follows (in thousands):

	December 31, 2020	December 31, 2019
Tax receivables	$69,592	$38,021
Prepaid assets	10,899	16,814
Operating lease receivable	817	—
Other current assets	2,916	8,530
Total Prepaid and other current assets	$84,224	$63,365

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, 2020. 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, 2020. 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, 2020, the Company maintained effective internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 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 2020 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 2021 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 61.

(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
2020 valuation allowance for deferred tax assets	$133,797	$10,570(a)	$ —	$144,367
2019 valuation allowance for deferred tax assets	$125,158	$ 8,639(a)	$ —	$133,797
2018 valuation allowance for deferred tax assets	$123,916	$ 1,568(a)	$(326)	$125,158
2020 reserve for uncollectible accounts	$ 537	$ (537)(b)	$ —	$ —
2019 reserve for uncollectible accounts	$ 693	$ (156)(b)	$ —	$ 537
2018 reserve for uncollectible accounts	$ 456	$ 237	$ —	$ 693

(a) The increase was primarily necessary to maintain a full, or near full, valuation allowance against our state deferred tax assets and deferred tax assets for certain subsidiaries in France as well as a non-wholly owned subsidiary in the United States and the United Kingdom.

(b) The decrease relates to the write-off of a previously recorded reserve during 2019.

(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	Specimen Stock Certificate of InterDigital (Exhibit 4.3 to InterDigital’s Quarterly Report on Form 10-Q dated April 28, 2011).
4.2	Description of InterDigital’s Securities.
*4.3	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).
*4.4	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).
*4.5	Indenture, dated June 3, 2019, 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 May 29, 2019).
*4.6	Form of 2.00% Senior Convertible Note due 2024 (included in Exhibit 4.1 to InterDigital’s Current Report on Form 8-K dated May 29, 2019).

Exhibit Number	Exhibit Description
	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). (P)
†*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 Stock Options (Exhibit 10.5 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 Time-Based Restricted Stock Units (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated April 29, 2015).
†*10.10	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).
†*10.11	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).
†*10.12	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).
†*10.13	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).
†*10.14	2017 Equity Incentive Plan (Exhibit 10.1 to InterDigital's Registration Statement on Form S-8 filed with the SEC on June 15, 2017 (File No. 333-218755)).
†*10.15	2017 Equity Incentive Plan, Form of Agreement for Time-Based Restricted Stock Unit Awards (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated June 16, 2017).
†*10.16	2017 Equity Incentive Plan, Form of Agreement for Performance-Based Restricted Stock Unit Awards (Exhibit 10.3 to InterDigital's Current Report on Form 8-K dated June 16, 2017).
†*10.17	2017 Equity Incentive Plan, Form of Agreement for Option Awards (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated June 16, 2017).
†*10.18	2017 Equity Incentive Plan, Form of Agreement for Restricted Stock Unit Awards to Non-Employee Directors (Exhibit 10.18 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 2017 dated February 22, 2018).

Exhibit Number	Exhibit Description
†*10.19	Compensation Program for Non-Management Directors (as amended March 2017) (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated April 3, 2017).
†*10.20	Compensation Program for Non-Management Directors (as amended June 2019) (Exhibit 10.20 to InterDigital's Annual Report on Form 10-K dated February 20, 2020).
†*10.21	Deferred Compensation Plan (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated June 18, 2013).
†*10.22	2017 Equity Incentive Plan, Form of Term Sheet for 2018 Performance-Based Restricted Stock Unit Awards (Exhibit 10.1 to InterDigital, Inc.'s Current Report on Form 8-K dated July 9, 2018).
†*10.23	2017 Equity Incentive Plan, Form of Term Sheet for 2018 Performance-Based Stock Option Awards (Exhibit 10.2 to InterDigital, Inc.'s Current Report on Form 8-K dated July 9, 2018).
†*10.24	2017 Equity Incentive Plan, Form of Agreement for Time-Based Restricted Stock Unit Awards (revised October 2018) (Exhibit 10.3 to InterDigital's Quarterly Report on Form 10-Q dated November 1, 2018).
†*10.25	2017 Equity Incentive Plan, Form of Agreement for Performance-Based Restricted Stock Unit Awards (revised October 2018) (Exhibit 10.4 to InterDigital's Quarterly Report on Form 10-Q dated November 1, 2018).
†*10.26	2017 Equity Incentive Plan, Form of Agreement for Stock Option Awards (revised October 2018) (Exhibit 10.5 to InterDigital's Quarterly Report on Form 10-Q dated November 1, 2018).
†*10.27	InterDigital Inc. Executive Severance and Change in Control Policy (Exhibit 10.6 to InterDigital's Quarterly Report on Form 10-Q dated November 1, 2018).
	Employment-Related Agreements
†*10.28	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, Joan H. Gillman, S. Douglas Hutcheson, John A. Kritzmacher, Jannie K. Lau, John D. Markley, Jr., Scott A. McQuilkin, William J. Merritt, James J. Nolan, Kai O. Oistamo, Jean F. Rankin, Lawrence F. Shay, Philip P. Trahanas and Richard L.Gulino)(Exhibit 10.47 to InterDigital's Quarterly Report on Form 10-Q dated May 15, 2003).
†*10.29	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 and Lawrence F. Shay) (Exhibit 10.90 to InterDigital's Quarterly Report on Form 10-Q dated August 9, 2007).
†*10.30	Offer Letter Between InterDigital and Kai Oistamo dated October 10, 2018 (Exhibit 10.7 to InterDigital's Quarterly Report on Form 10-Q dated November 1, 2018).
†*10.31	Retirement & Transition Agreement and Release, dated December 9, 2019, by and between InterDigital and Jannie K. Lau (Exhibit 10.31 to InterDigital's Annual Report on Form 10-K dated February 20, 2020) .

Exhibit Number	Exhibit Description
	Other Material Contracts
*10.32	Form of Convertible Note Hedge Transaction Confirmation (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
*10.33	Form of Warrant Transaction Confirmation (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated March 11, 2015).
*10.35	Form of Convertible Note Hedge Transaction Confirmation (Exhibit 10.2 to InterDigital's Current Report on Form 8-K dated May 29, 2019).
*10.35	Form of Warrant Transaction Confirmation (Exhibit 10.3 to InterDigital's Current Report on Form 8-K dated May 29, 2019).
*10.36	Form of Unwind Agreement (Exhibit 10.4 to InterDigital's Current Report on Form 8-K dated May 29, 2019).
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.INS	XBRL Instance Document — The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* 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.

Item 16. ***FORM 10-K SUMMARY.***

None.

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, 2021	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, 2021	/s/ S. Douglas Hutcheson S. Douglas Hutcheson, Chairman of the Board of Directors
Date: February 18, 2021	/s/ Joan H. Gillman Joan H. Gillman, Director
Date: February 18, 2021	/s/ John A. Kritzmacher John A. Kritzmacher, Director
Date: February 18, 2021	/s/ John D. Markley, Jr. John D. Markley, Jr., Director
Date: February 18, 2021	/s/ Jean F. Rankin Jean F. Rankin, Director
Date: February 18, 2021	/s/ Philip P. Trahanas Philip P. Trahanas, Director
Date: February 18, 2021	/s/ William J. Merritt William J. Merritt, Director, President and Chief Executive Officer (Principal Executive Officer)
Date: February 18, 2021	/s/ Richard J. Brezski Richard J. Brezski, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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InterDigital, Inc.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held June 2, 2021

TO THE SHAREHOLDERS OF INTERDIGITAL, INC.:

We are pleased to invite you to attend our 2021 annual meeting of shareholders, which will be held on Wednesday, June 2, 2021, at 2:00 PM 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 www.virtualshareholdermeeting.com/IDCC2021. 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 seven director nominees named in the proxy statement, each for a term of one year;
2. Approve the Amendment to the 2017 Equity Incentive Plan to increase the number of shares of stock authorized for issuance under the plan;
3. Advisory resolution to approve executive compensation;
4. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2021; and
5. 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. Shareholders attending the virtual meeting will be afforded the same rights and opportunities to participate as they would at an in-person meeting. On or about April 16, 2021, we began mailing our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our 2021 proxy statement and 2020 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, 2021 proxy statement, 2020 annual report and proxy card.

All holders of record of shares of our common stock (NASDAQ: IDCC) at the close of business on March 31, 2021 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 www.virtualshareholdermeeting.com/IDCC2021. 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 2:00 PM Eastern Time. In order to attend and participate in the annual meeting, you will need to visit www.virtualshareholdermeeting.com/IDCC2021 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. Online check-in will begin at 1:30 PM Eastern Time. Please allow sufficient time to complete the online check-in process.

By Order of the Board of Directors,

RICHARD L. GULINO

Chief Legal Officer, General Counsel and Corporate Secretary

April 16, 2021
Wilmington, Delaware

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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 2, 2021, at 2:00 PM Eastern Time, and at any postponements or adjournments thereof. This year's annual meeting of shareholders will be held as a virtual meeting. Shareholders attending the virtual meeting will be afforded the same rights and opportunities to participate as they would at an in-person meeting. You will be able to attend and participate in the annual meeting online via a live webcast by visiting www.virtualshareholdermeeting.com/IDCC2021. 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 16, 2021, 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 the Notice by mail, you will not receive a printed copy of the proxy materials unless you request one. If you receive the 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 2, 2021:
The Notice of Meeting and Proxy Statement and 2020 Annual Report are available at http://ir.interdigital.com/FinancialDocs.

EXPLANATORY NOTE ABOUT INTERDIGITAL, INC.

On April 3, 2018, for the purpose of reorganizing its holding company structure, InterDigital, Inc., a Pennsylvania corporation and then-existing NASDAQ-listed registrant (the "Predecessor Company"), executed an Agreement and Plan of Merger ("Merger Agreement") with InterDigital Parent, Inc., a Pennsylvania corporation (the "Successor Company") 100% owned by the Predecessor Company, and another newly-formed Pennsylvania corporation owned 100% by the Successor Company ("Merger Sub"). Pursuant to the Merger Agreement, on April 3, 2018, Merger Sub merged (the "Merger" or "Reorganization") with and into the Predecessor Company, with the Predecessor Company surviving. As a result of the Merger, the Predecessor Company is now a wholly-owned subsidiary of the Successor Company. Neither the business conducted by the Successor Company and the Predecessor Company in the aggregate, nor the consolidated assets and liabilities of the Successor Company and the Predecessor Company in the aggregate, changed as a result of the Reorganization. By virtue of the Merger, each share of the Predecessor Company's outstanding common stock was converted, on a share-for-share basis, into a share of common stock of the Successor Company.

As a result, each shareholder of the Predecessor Company became the owner of an identical number of shares of common stock of the Successor Company. Immediately following the Reorganization, the Successor Company was renamed as "InterDigital, Inc.," just like the Predecessor Company's name prior to the Merger. The Successor Company's common stock continues to be traded under the name "InterDigital, Inc." and continues to be listed on the NASDAQ Global Select Market under the ticker symbol "IDCC". In addition, the directors and executive officers of the Successor Company immediately after the Merger were the same individuals who were directors and executive officers, respectively, of the Predecessor Company immediately prior to the Merger.

For the purpose of this proxy statement, references to the company, the Board or any committee thereof, or our management, employees or business at any period prior to the Merger refer to those of the Predecessor Company and thereafter to those of the Successor Company.

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 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 March 31, 2021 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 www.virtualshareholdermeeting.com/IDCC2021. Shareholders attending the virtual meeting will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

In order to attend and participate in the annual meeting, you will need to visit www.virtualshareholdermeeting.com/IDCC2021 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 www.virtualshareholdermeeting.com/IDCC2021. 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. Online check-in will begin at 1:30 PM Eastern Time, and the annual meeting will begin promptly at 2:00 PM 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 information you may need, are posted at www.virtualshareholdermeeting.com/IDCC2021.

Who is entitled to vote at the annual meeting?

Only shareholders of record at the close of business on March 31, 2021, 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 30,812,218 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, which includes participation by electronic means such as a live webcast, or by proxy in order to conduct business legally at such meeting. For the annual meeting, the presence, live at the meeting 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, 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 1, 2021. 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 May 30, 2021. 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 Corporate 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*** approval of the Amendment to the 2017 Equity Incentive Plan (see Proposal 2);
- ***For*** the advisory resolution to approve executive compensation (see Proposal 3); and
- ***For*** ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2021 (see Proposal 4).

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.

Approval of the Amendment to the 2017 Equity Incentive Plan. The affirmative vote of a majority of the votes cast is required for approval. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

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 of the Board 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 non-routine matters if you do not provide voting instructions. "Broker non-votes" are shares held in street name by a broker or nominee that is present or represented by proxy at a shareholders meeting to vote on routine matters, but for which the beneficial owner has not provided the record holder with instructions on how to vote on a non-routine matter. 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, Proposal 2, the approval of the Amendment to the 2017 Equity Incentive Plan, or Proposal 3, 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 4, the ratification of the appointment of the company's independent registered public accounting firm, and broker-non-votes will occur for Proposals 1, 2 and 3. Broker non-votes will be counted for the purposes of calculating whether a quorum is present at the annual meeting but will have no effect on the outcome of the vote.

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 each 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 IR menu heading "Governance – Governance Documents," along with the charters of each 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 Corporate 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 IR menu heading "Governance – Governance 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 Corporate 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 Mses. Joan H. Gillman and Jean F. Rankin, Messrs. S. Douglas Hutcheson, John A. Kritzmacher, John D. Markley, Jr. and Philip P. Trahanas and Dr. Pierre-Yves Lesaicherre are "independent" under applicable SEC rules and 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 mandate that the Chairman of the Board be 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, including those related to data privacy and information security risks. At least quarterly, the Audit Committee receives presentations and reports directly from the company's Chief Legal Officer, 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 Chief Legal Officer also periodically delivers presentations and reports to the full Board as appropriate.

Environmental, Social and Governance Matters

Our board has oversight over environmental, social and other sustainability matters in conjunction with the committees of the Board. In addition, our Chief Executive Officer oversees a committee of senior executives that steers the process of setting purpose, strategies, policies and goals related to economic, environmental and social topics. We are committed to sustainable business principles, to thinking long-term and to making strategic decisions that adhere to our mission and values. Among other things, this means supporting the United Nations Global Compact and its underlying principles around the environment, the workforce, anti-corruption, and human rights.

This past year, we completed our first company-wide environmental, social and governance ("ESG") materiality assessment, which was an effort to strategically review and analyze our most significant opportunities and accomplishments under four pillars: human capital, environmental impact, governance, and social impact. Other accomplishments in this past year include: the formation of the InterDigital Foundation with a mission to build a more sustainable and equitable future, starting an ongoing journey to quantify and explore solutions for tech's growing energy footprint in wireless, the implementation of our IDCares program, which augmented our efforts to provide time off and recovery from stressful remote work environments, and the creation of a 'hotline' to capture real time concerns and feedback from employees. We have also made a commitment to board diversity, as described further in "Board Structure and Committee Membership – Nominating and Corporate Governance Committee" below. Throughout 2021, we will continue to focus on understanding our strengths and opportunities and developing a thoughtful diversity and inclusion strategy, given our commitment to promote and maintain a diverse and inclusive workplace. We have launched our Sustainability webpage and intend to regularly communicate our goals and progress on ESG matters.

Board Structure and Committee Membership

What is the size of the Board, and how often are directors elected?

The Board currently has seven directors. All directors are subject to election for one-year terms at each annual meeting of shareholders. Mr. Trahanas will not stand for reelection at the 2021 annual meeting. Accordingly, Mr. Trahanas's service as a member of the Board will cease at the annual meeting scheduled to be held on June 2, 2021, and Pierre-Yves Lesaicherre has been nominated to fill his seat. Mr. Trahanas's decision not to stand for reelection is not a result of any disagreement with any other Board member or with our management.

How often did the Board meet during 2020?

The Board met eight times during 2020. 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 2020. 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. All seven of our directors at the time attended the 2020 annual meeting of shareholders.

What are the roles of the primary Board committees?

The Board has standing Audit, Compensation, Finance, and Nominating and Corporate Governance 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 applicable SEC rules and 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 following table provides information about the current membership of the committees and the number of meetings each committee held in 2020.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Finance Committee
Joan H. Gillman	X			X
S. Douglas Hutcheson		X		X
John A. Kritzmacher	Chair		X	
John D. Markley, Jr.	X		Chair	
Jean F. Rankin		Chair	X	
Philip P. Trahanas*		X		Chair
Number of Meetings in 2020	8	6	5	4

* Mr. Trahanas, the current chair of the Finance Committee, will not stand for reelection in 2021.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the company's corporate accounting, 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 (including resolution of disagreements between management and the company's independent registered public accounting firm regarding financial reporting) and, if deemed appropriate, replaces the company's independent registered public accounting firm;
- Reviews and discusses the company's practices with respect to risk assessment and risk management, including data privacy and information security risks, and discusses with management and the company's independent registered public accounting firm significant risks and exposures and assesses management's steps to minimize them;
- Receives from the company's independent registered public accounting firm reports required by applicable SEC rules and professional standards, including reviewing and discussing with the

company's independent registered public accounting firm the matters required to be discussed under Auditing Standard No. 1301, 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 the company's 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 the company's compliance with data privacy rules and regulations;
- Oversees and monitors the company's ERM efforts; and
- Reviews and provides guidance to the Board with respect to tax planning, corporate insurance coverage and implementation of new or revised accounting or auditing standards or regulatory changes.

All of the Audit Committee members are financially literate. The Board has determined that four of its members (Messrs. Hutcheson, Kritzmacher, Markley and Trahanas), including two of the current members of the Audit Committee (Messrs. Kritzmacher and Markley), 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. Mr. Markley acquired his expertise primarily through his almost 20 years of investment experience, including more than 15 years at a venture capital firm. In addition, Mr. Markley has 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 the company's 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 the 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;
- Assists the Board in its oversight of the Company's policies and strategies relating to culture and human capital management, including diversity, equity and inclusion; review and discuss with management the Company's disclosure of such activities in its annual report and proxy statement;
- 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. Hutcheson and Trahanas and Ms. Rankin served on the Compensation Committee during all of 2020. No director serving on the Compensation Committee during any part of 2020 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 the company's 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 the company's corporate governance principles and recommends changes to the Board as appropriate;
- Recommends to the Board, after consultation with the Audit Committee, changes to the company's Code of Ethics;
- Assists the Board in ensuring proper attention and effective response to shareholder concerns regarding corporate governance;
- Periodically reviews the company's policies, programs, publications and procedures relating to environmental (including climate change), social and other sustainability matters in coordination with the other committees of the Board and, as appropriate, makes recommendations on such matters to the full Board;
- 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 Corporate 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.

We are committed to having at least two diverse directors, including at least one who self-identifies as female and at least one who self-identifies as either an underrepresented minority or LGBTQ. 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 company is committed to ensuring that other existing and future anticipated commitments of its directors do not materially interfere with his or her service as a director. Accordingly, our corporate governance principles prohibit any director from serving on the boards of more than four other public companies, unless such director is an executive officer of a public company, and in such cases, such director may not serve on the boards of more than two other public companies. In addition, prior to accepting service on the board of any other company, a director must notify the Board's Chairman and the Nominating and Corporate Governance Committee, and service on the board or a committee of any other organization should be consistent with the company's conflict of interest policies.

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 election at this year's annual meeting.

The Nominating and Corporate Governance Committee has previously retained and may in the future retain a search firm 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 our Chief Executive Officer. 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.

Finance Committee

The primary role of the Finance 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 financial policies and strategies and the capital structure of the company, and to approve 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:

- Reviews and provides guidance to the Board with respect to:
  - the company's capital structure, including the issuance of debt, equity or other securities;
  - shareholder distributions, including share repurchases and dividends;
  - cash management investment policies;
  - foreign currency investment policies; and
  - on a periodic basis, the integrity of the company's financial models;
- 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.

Board Self-Evaluation Process

How does the Board evaluate its effectiveness?

The Nominating and Corporate Governance Committee establishes and oversees the annual self-assessment process that the Board uses to evaluate its effectiveness and identify opportunities for improvement. Each director is asked to provide an assessment of the Board's effectiveness in several areas, including information and planning, content and conduct of meetings, and accountability. Once the responses are compiled, the Nominating and Corporate Governance Committee, in conjunction with the Board's Chairman, identifies specific areas of improvement for the following year. The assessment also asks each director their opinion of the Board's progress in these identified areas.

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., 200 Bellevue Parkway, Suite 300, Wilmington, Delaware 19809-3727, or by sending an email to *Directors@InterDigital.com*. Each communication should set forth (i) the name and address of the shareholder as it appears on the company's books, and, if the company's common stock is held by a nominee, the name and address of the beneficial owner of the company's common stock, and (ii) the class and number of shares of the company's common stock that are owned of record by the record holder and beneficially by the beneficial owner. 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 (a) are solicitations for products and services, (b) relate to matters of a personal nature not relevant for the company's shareholders to act on or for the Board to consider, or (c) are 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 relevant correspondence and copies of all correspondence that deal with the functions of the Board or its committees or that otherwise require 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 Corporate 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?

During 2020, our non-employee directors were paid annual cash retainers for their Board and committee participation as follows:

	Chair	Member
Board	$100,000	$50,000
Audit Committee	$ 30,000	$12,000
Compensation Committee	$ 20,000	$10,000
Nominating and Corporate Governance Committee	$ 15,000	$ 7,500
Finance Committee	$ 15,000	$ 7,500

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. Additional compensation is 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: $4,000 for each additional Board meeting and $1,000 for each additional committee meeting.

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 the company's 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 2020-2021 Board term, each non-employee director received a restricted stock unit ("RSU") award in an amount approximately equal in value to $175,000 that vests in full one year from the grant date. Upon his or her initial appointment to the Board, new non-employee 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 that vests in full one year from the grant date. The number of RSUs granted is calculated using the closing stock price of the company's common stock on the date of grant. The vesting of RSU awards may be deferred. Except in certain limited circumstances, an election to defer must be made in the calendar year preceding the year that the award is made. 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 $50,000 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, 2021, 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 2020 Board fees. For more information about the deferred compensation plan, see "Executive Compensation – Nonqualified Deferred Compensation."

2020 Director Compensation Table

The following table sets forth the compensation paid to each person who served as a director of the company in 2020 for their service in 2020. 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 2020 compensation, see "Executive Compensation – Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Total ($)
Joan H. Gillman	86,500	175,001	261,501
S. Douglas Hutcheson	129,500	175,001	304,501
John A. Kritzmacher	104,500	175,001	279,501
John D. Markley, Jr.	94,000	175,001	269,001
Jean F. Rankin	93,500	175,001	268,501
Philip P. Trahanas	87,000	175,001	262,001

(1) Amounts reported represent the aggregate annual Board, Chairman of the Board, committee chair and committee membership retainers earned by each non-employee director in 2020, plus any fees earned for attendance at additional meetings during the Board term, as described above.

(2) 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 2020. The assumptions used in valuing these RSU awards are incorporated by reference to Notes 2 and 13 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2020. The following table sets forth the grant date fair value of each RSU award granted to our non-employee directors in 2020.

Name	Grant Date	Number of Restricted Stock Units	Grant Date Fair Value of Stock Awards ($)
Joan H. Gillman	6/03/2020	3,034	175,001
S. Douglas Hutcheson	6/03/2020	3,034	175,001
John A. Kritzmacher	6/03/2020	3,034	175,001
John D. Markley, Jr.	6/03/2020	3,034	175,001
Jean F. Rankin	6/03/2020	3,034	175,001
Philip P. Trahanas	6/03/2020	3,034	175,001

As of December 31, 2020, each person who served as a non-employee director of the company in 2020 had the following aggregate amounts of unvested RSU awards (including accrued dividend equivalents) outstanding. None of our non-employee directors had any options outstanding as of December 31, 2020. This table does not include RSUs that, as of December 31, 2020, had vested according to their vesting schedule, but had been deferred.

Name	Outstanding Restricted Stock Units (#)
Joan H. Gillman	3,034
S. Douglas Hutcheson	3,034
John A. Kritzmacher	3,034
John D. Markley, Jr.	3,034
Jean F. Rankin	3,034
Philip P. Trahanas	3,034

PROPOSALS TO BE VOTED ON

Election of Directors
(Proposal 1)

Description

Which directors are nominated for election?

Mses. Joan H. Gillman and Jean F. Rankin, Messrs. Liren Chen, S. Douglas Hutcheson, John A. Kritzmacher and John D. Markley, Jr. and Dr. Pierre-Yves Lesaicherre are recommended by the Nominating and Corporate Governance Committee and nominated by the Board for election at the 2021 annual meeting, each to serve a one-year term until our annual meeting in 2022 and until his or her successor is elected and qualified.

Set forth below is biographical information about the seven nominees and other information about their skills and qualifications that contribute to the effectiveness of the Board. If elected, Dr. Lesaicherre would begin his service on the Board following the 2021 annual meeting. The other six nominees' current terms of office expire at the 2021 annual meeting.

What are their backgrounds?

Lawrence (Liren) Chen, 50, has been a director of the company since April 5, 2021, when he was also appointed as our President and Chief Executive Officer. Mr. Chen joined the Company from Qualcomm Inc. ("Qualcomm") where he served since August 2019 as Senior Vice President, Global Head of IP, Legal Counsel. In that role, Mr. Chen was responsible for overseeing Qualcomm's world-wide intellectual property portfolio (patent, copyright, trademark and open source) and led technology, business strategy, product management and global eco-system development for Qualcomm Technology Licensing. In the 23 years preceding that, Mr. Chen served in various IP and technology roles at Qualcomm, including as Senior Vice President of Engineering, Legal Counsel. He holds 28 granted patents in the U.S. and over 120 granted patents worldwide. Mr. Chen earned his bachelor's degree in Automation from Tsinghua University, Beijing; his M.S.E.E. from the University of Maine; his M.B.A. from San Diego State University; and his J.D. degree from the University of San Diego.

Joan H. Gillman, 57, has been a director of the company since April 2017. From 2006 to 2016, Ms. Gillman served as Executive Vice President of Time Warner Cable, Inc. ("Time Warner Cable"), as well as Chief Operating Officer of Time Warner Cable Media and President of Time Warner Cable Media, LLC. Ms. Gillman joined Time Warner Cable as Vice President of Interactive TV and Advanced Advertising in 2005. Prior to Time Warner Cable, among other roles, she served as the President of Static2358, the interactive TV, games and production subsidiary of OpenTV, and as Director, Business Development, of British Interactive Broadcasting, the digital and interactive TV joint venture between BSkyB, BT, HSBC and Matsushita. Ms. Gillman began her career working in public affairs, serving in various roles for a U.S. Senator, including as Legislative Director and State Director. From October 2016 to February 2021, Ms. Gillman has also been a member of the board of directors of Centrica plc, an international energy and services company based in the United Kingdom where she served on the safety, health, environment, security, remunerations and ethics and nominating committees. In addition, since November 2016, she has served on the board of directors of Airgain, Inc., a leading provider of embedded antenna technologies used to enable high performance wireless networking, and she is currently a member of such board's audit committee, and chairs the nominating and corporate governance committee, as well as the board of directors of Cumulus Media, which she joined in June 2018 and where she is a member of the compensation and nominating committees of such board. Since May 2018, she has also chaired the Jesuit Volunteer Corps and is the Foundation Manager and Trustee of the David T. Langrock Foundation. The Board has concluded that Ms. Gillman should serve as a director of the company because her more than 20 years of executive experience in the media and communications industries and her knowledge of content development and distribution as well as key areas like partnership, mergers and acquisitions and marketing make her a valuable resource and strengthen the company's knowledge of the companies and industries shaping its existing and future markets.

S. Douglas Hutcheson, 65, has been a director of the company since July 2014, and he assumed the role of Chairman of the Board in June 2015. Since 2015, Mr. Hutcheson has served as a senior advisor of Technology, Media and Telecom for Searchlight Capital, a global private investment firm. From March 2014 through May 2017, Mr. Hutcheson served as Chief Executive Officer 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. Prior to March 2014, Mr. Hutcheson served as Chief Executive Officer 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 Chief Executive Officer, 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. He also qualifies as an audit committee financial expert.

John A. Kritzmacher, 60, 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 research communications and education services. 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. 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.

Pierre-Yves Lesaicherre, 57, was the President, Chief Executive Officer and Director of Nanometrics Incorporated from November 2017 to October 2019. From January 2012 to February 2017, Dr. Lesaicherre was the CEO of Lumileds, an integrated manufacturer of LED components and Automotive Lighting Lamps. Prior to that, Dr. Lesaicherre held senior executive positions at NXP from 2006 to 2012. Before NXP, Dr. Lesaicherre was with Philips Semiconductors. Dr. Lesaicherre currently serves as Chairman of the board of directors of Silvaco Group, Inc., a leading supplier of TCAD, EDA software and design IP. Dr. Lesaicherre holds an MBA with a focus on international business and strategy from INSEAD and has MS and Ph.D. degrees in Material Science from the National Polytechnic Institute of Grenoble. The Board has concluded that Dr. Lesaicherre should serve as a director of the company because of his more than 20 years of experience working in high technology industries, including in France where we have substantial operations.

John D. Markley, Jr., 55, has been a director of the company since November 2016. Since 2009, Mr. Markley has served as Managing Partner of Bear Creek Capital Management, an investment firm focused on the cloud computing, mobile and communications infrastructure sectors. In addition, since 2014, he has been a Managing Partner of New Amsterdam Growth Capital, an investor in communications, media and technology

companies. From 1996 to 2009, he was a partner with Columbia Capital, a venture capital firm, where he served in a number of capacities including partner, venture partner and portfolio company executive. Prior to Columbia Capital, Mr. Markley served as a policy advisor at the Federal Communications Commission from 1994 to 1996, where he and his team were instrumental in developing and launching the commercial spectrum auction process. Mr. Markley has also been a director of Charter Communications, Inc., since 2009, currently serving as chair of its nominating and corporate governance committee and as a member of its audit committee. He previously served on the boards of directors of Millennial Media, Inc., from 2006 to 2014, and of BroadSoft, Inc., from 2002 until its acquisition by Cisco Systems, Inc. in February 2018. The Board has concluded that Mr. Markley should serve as a director of the company based on his private equity and operating experience and his extensive experience with communications, media and technology companies, which 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.

Jean F. Rankin, 62, 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. 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. Since 2017, Ms. Rankin has served on the board of directors of Resonant, Inc. 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.

Summary of Director Qualifications, Experience and Other Relevant Attributes

The following table summarizes the 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 necessarily 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	Chen	Gillman	Hutcheson	Kritzmacher	Markley	Rankin	Lesaicherre
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		•	•	•	•	•	•
Racial, ethnic, gender or other diversity	•	•				•	

Vote Required and Board Recommendation

A director nominee receiving the affirmative vote of the majority of votes cast for him or her will be elected to serve as a director 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.

Approval of Amendment to 2017 Equity Incentive Plan
(Proposal 2)

Description

The Board is recommending that shareholders approve the company's Amendment (the "Amendment") to the InterDigital, Inc. 2017 Equity Incentive Plan (the "2017 Plan") in order to increase the number of shares available for equity awards under the 2017 Plan by 1,780,000 shares.

The Board adopted the Amendment on April 12, 2021, subject to shareholder approval, in order to reserve an additional 1,780,000 shares of our common stock ("Shares") for issuance under the 2017 Plan for a total number of 4,180,000 Shares. We believe that equity incentive awards are critical to attracting and retaining the most talented employees in our industry. Shareholder approval of the proposed Amendment will allow us to continue to provide these important incentives.

Why You Should Vote For the Approval of the Amendment

The Board recommends that the company's shareholders approve the Amendment because it believes the company's ability to grant equity-based awards continues to be crucial in allowing the company to effectively compete for and appropriately motivate and reward key talent. It is in the long-term interest of both the company and its shareholders to strengthen the company's ability to attract, retain and motivate employees, officers, nonemployee directors and certain other service providers and to provide additional incentive for those persons through stock ownership and other incentives to improve financial performance, increase profits and strengthen the mutuality of interest between those persons and the company's shareholders.

As of March 31, 2021, and excluding the proposed Share increase, 705,695 Shares remain available for issuance under the 2017 Plan. Based on our historical grant practices and our projected recruiting and retention needs, we anticipate that the company may deplete the remaining Share reserve by the end of 2021 unless we reserve more Shares for issuance under the 2017 Plan.

The Amendment Will Allow Us to Effectively Recruit and Retain Key Talent

If the company's shareholders approve the Amendment, we will be able to continue to grant equity awards under the 2017 Plan and therefore attract, retain and motivate the most talented employees in our industry. The 2017 Plan sets reasonable annual limits on the awards that non-employee directors may receive, clarifies the annual limits on the awards that employees and consultants may receive, and reflects the current best practices in corporate governance, as further described below.

A Reasonable Number of Shares Will Be Reserved Under the 2017 Plan

Our shareholders are being asked to approve the Amendment, which provides for the issuance of an additional 1,780,000 Shares, or a total of 4,180,000 Shares, under the 2017 Plan plus any Shares covered by outstanding equity awards granted under the 2009 Plan that are added to the 2017 Plan (as described in the summary of the 2017 Plan below). We expect that this number of Shares will be enough to allow us to continue granting equity-based compensation at appropriate levels for an additional three years, similar to our expectation when our shareholders approved the 2017 Plan. The Compensation Committee and the Board considered the following factors in determining the number of additional Shares to reserve for issuance under the Amendment to the 2017 Plan:

- *Historical Grant Practices.* The Compensation Committee and the Board considered the number of equity awards that we granted in the last three fiscal years. In fiscal years 2018, 2019 and 2020 we granted equity awards covering 762,710, 626,471, and 908,518 Shares, respectively, for a total of approximately 2,297,699 Shares over that three-year period. In each of the preceding Share amounts,

performance-based restricted stock unit awards and performance-based stock options are counted as 200% of the target award, representing the maximum payout possible under such awards. In addition, the company granted approximately 300,000 additional equity awards in first quarter 2021 (including the company's annual grants to executives and other employees participating in the company's stock-based compensation program), which represents a substantial portion of the equity awards that the company expects to grant in 2021. The Compensation Committee and the Board also considered the number of Shares covered by these equity awards.

- *Forecasted Grants.* The Compensation Committee and the Board reviewed a forecast that projected the rate at which Shares will continue to be issued under the 2017 Plan by considering the following factors: (i) the remaining Shares available for issuance under the 2017 Plan, including the estimated number of Shares to be added to the 2017 Plan from 2009 Plan awards, and (ii) forecasted future grants. Since we determine the size of equity awards to be granted based on the competitive dollar value to be delivered to participants, our actual Share usage could be substantially different from our forecasted Share usage if our stock price on the date the award is granted is significantly different from the stock price assumed in the forecast (which was $65). For example, if our stock price on the date the award is granted is lower than the stock price assumed in the forecast (which was $65), we would need a larger number of Shares than the number projected by the forecast in order to deliver the same value to participants.
- *Overhang.* As of March 31, 2021, we had 30,812,218 total Shares outstanding. As of the same date, 1,385,056 Shares were subject to outstanding equity awards under the 2017 Plan, 63,639 Shares were subject to outstanding equity awards under the 2009 Plan and 111,382 Shares were subject to outstanding option awards under a prior equity plan. If our shareholders approve the Amendment to the 2017 Plan, the total Shares that may be issued under the 2017 Plan, outstanding equity awards under the 2009 Plan, and outstanding option awards under the prior equity plan would represent approximately 11% of our total outstanding Shares as of March 31, 2021.
- *Proxy Advisory Firm Guidelines.* In light of our significant institutional shareholder base, the Compensation Committee and the Board considered proxy advisory firm guidelines.

Plan Summary

The following summary of the material terms of the 2017 Plan, as amended, is qualified in its entirety by reference to the complete 2017 Plan, as amended, which is set forth in Appendix A to this Proxy Statement. The Amendment is also included in Appendix A.

Promotion of Good Corporate Governance Practices

The Board believes the use of stock-based incentive awards promotes best practices in corporate governance by maximizing shareholder value. By providing participants in the 2017 Plan with a stake in the company's success, the interests of the participants are aligned with those of the company's shareholders. Specific features of the 2017 Plan that are consistent with good corporate governance practices include, but are not limited to:

- *No Annual Evergreen.* The 2017 Plan does not contain an annual "evergreen" provision that automatically increases the number of Shares available for issuance each year. As a result, any future increases to the number of Shares reserved for issuance under the 2017 Plan will require shareholder approval.
- *Administration.* The 2017 Plan will be administered by the Compensation Committee, which consists entirely of independent non-employee directors.
- *Certain Shares Will Not Be Returned to the Share Reserve.* Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations for awards are not available for future issuance under the 2017 Plan.

- *Repricing or Exchange Programs are Not Allowed.* The 2017 Plan does not permit outstanding awards to be repriced or exchanged for other awards.
- *Annual Limits on Compensation to Non-Employee Directors.* The 2017 Plan sets reasonable annual limits as to the cash compensation and awards that non-employee directors may receive during each fiscal year.
- *Limited transferability.* Awards under the 2017 Plan generally may not be sold, assigned, transferred, pledged, or otherwise encumbered, unless otherwise approved by the administrator.
- *No Dividends Paid Until Awards Vest.* The 2017 Plan permits dividends or dividend equivalents to be accrued on any unvested portion of an award, but such amounts will not be paid until that portion of the award vests.
- *No Tax Gross-ups.* The 2017 Plan does not provide for any tax gross-ups.
- *Forfeiture Events.* Each award under the 2017 Plan will be subject to any clawback policy we have already adopted or any clawback policy that, in the future, we are required by applicable stock exchange rules or applicable laws to adopt (including any such clawback policy that is adopted after the grant of the award), and the administrator may require a participant to forfeit, return, or reimburse us for all or a portion of the award and any amounts paid under the award in order to comply with the clawback policy or applicable laws.

Our executive officers and directors have an interest in the approval of the Amendment to the 2017 Plan because they are eligible to receive equity awards under the 2017 Plan.

Purposes of the 2017 Plan

The purposes of the 2017 Plan are to attract and retain the best available personnel; to provide additional incentive to employees, directors, and consultants; and to promote the success of our business. These incentives are provided through the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, incentive cash bonuses, and other stock or cash awards as the administrator (as defined below) may determine.

Shares Available for Issuance

Subject to the adjustment provisions contained in the 2017 Plan, our shareholders are being asked to approve Shares for issuance under the 2017 Plan equal to the sum of (i) 4,180,000 Shares, which includes the additional 1,780,000 Shares requested by the Amendment, and (ii) any Shares subject to awards granted under the 2009 Plan that expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by us, with the maximum number of Shares remaining to be added to the 2017 Plan from awards granted under the 2009 Plan equal to 63,639 Shares. Shares used to pay the exercise price of an award under the 2009 Plan or to satisfy the tax withholding obligations related to an award under the 2009 Plan will not be added to the 2017 Plan. The Shares may be authorized, but unissued, or reacquired common stock. The 2009 Plan will, however, continue to govern outstanding awards granted thereunder.

If any award granted under the 2017 Plan expires or becomes unexercisable without having been exercised in full or any award of restricted stock, restricted stock units, performance units, or performance shares granted under the 2017 Plan is forfeited to, or repurchased by, us due to failure to vest, then the expired, unexercised, forfeited, or repurchased Shares that were subject to such award will become available for future grant or sale under the 2017 Plan (unless the 2017 Plan has terminated). With respect to the exercise of stock appreciation rights, the gross Shares issued pursuant to a stock appreciation right will cease to be available under the 2017 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will not become available for future grant or sale under the 2017 Plan. If an award is paid out in cash rather than Shares, such payment will not reduce the number of Shares available for issuance under the 2017 Plan.

Limitation

The 2017 Plan contains annual grant limits that apply while we are a public company. Specifically, the maximum number of Shares covered by or the maximum initial value of awards that can be issued to any particular employee or consultant under the 2017 Plan in any fiscal year is set forth below:

Award Type	Annual Limit on Number of Shares or Dollar Value
Stock Options	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Stock Appreciation Rights	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Restricted Stock	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Restricted Stock Units	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Performance Shares	Maximum of 300,000 Shares (plus an additional 300,000 Shares in connection with the participant's initial service as an employee)
Performance Units	Maximum initial value of $3,000,000 (plus an additional $3,000,000 in connection with the participant's initial service as an employee)
Incentive Cash Bonuses	Maximum value of $3,000,000 (plus an additional $3,000,000 in connection with the participant's initial service as an employee)

The 2017 Plan also provides that in any fiscal year, a non-employee Board member may not be paid cash compensation and granted awards with an aggregate value (determined in accordance with United States generally accepted accounting principles ("GAAP")) exceeding $1,000,000 (increased to $2,000,000 in the fiscal year his or her service as a non-employee director begins). Any cash compensation paid or award granted to a participant while he or she was an employee or a consultant (other than as a non-employee director) will not count for purposes of this limitation.

In the event of any extraordinary dividend or other extraordinary distribution (whether in cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of ours, issuance of warrants or other rights to acquire our securities, other change in our corporate structure affecting the Shares, or any similar equity restructuring transaction, as that term is used in FASB ASC Topic 718 (or any of its successors), affecting the Shares (including, without limitation, a change in control, as defined in the 2017 Plan), the administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2017 Plan, will adjust the number and class of shares that may be delivered under the 2017 Plan, and/or the number, class and price of shares of stock subject to outstanding awards, and the numerical Share limits discussed above.

Administration

The Board has delegated administration of the 2017 Plan to the Compensation Committee. The Board and the Compensation Committee may further delegate administration of the 2017 Plan to any committee of the Board, or a committee of individuals satisfying applicable laws appointed by the Board in accordance with the terms of the 2017 Plan. The administrator may delegate to one or more officers the authority to grant awards to employees of ours, or any subsidiary of ours, who are not officers under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to certain limitations in the 2017 Plan. For purposes of this summary of the 2017 Plan, the term "administrator" will refer to the Board or any committee designated by the Board to administer the 2017 Plan. To make grants to certain officers and key employees, the members of the committee must qualify as "non-employee directors" under Rule 16b-3 of the Exchange Act.

Subject to the terms of the 2017 Plan, the administrator has the sole discretion to determine fair market value, to select the service providers who will receive awards, to determine the terms and conditions of awards, to approve forms of award agreements for use with the 2017 Plan, to modify or amend each award (subject to the repricing restrictions of the 2017 Plan), and to interpret the provisions of the 2017 Plan and outstanding awards. The administrator also may create, amend, and rescind rules and regulations relating to the 2017 Plan and sub-plans established for the purpose of satisfying applicable foreign laws, determine whether awards will be adjusted for dividend equivalents, allow a participant to defer the receipt of payment of cash or delivery of Shares that otherwise would be due to such participant, and make all other determinations deemed necessary or advisable for administering the 2017 Plan. The administrator will issue all awards pursuant to the terms and conditions of the 2017 Plan.

The administrator may not implement a program allowing for the cancellation of awards in exchange for different awards and/or cash, the transfer of an outstanding award to a financial institution or other person or entity selected by the administrator, or the increase or reduction of the exercise price of any outstanding award.

Eligibility

All types of awards may be granted to our employees, consultants, and non-employee directors and to employees and consultants of any parent, subsidiary, or affiliate of ours.

Incentive stock options may be granted only to employees of ours or any parent or subsidiary corporation of ours. As of March 1, 2021, we had 566 employees (including 1 employee director) and 6 non-employee directors.

Stock Options

An option gives a participant the right to purchase a specified number of Shares for a fixed exercise price during a specified period of time. Each option granted under the 2017 Plan will be evidenced by an award agreement specifying the number of Shares subject to the option, the exercise price and the other terms and conditions of the option, consistent with the requirements of the 2017 Plan.

The exercise price per Share of each option generally may not be less than the fair market value of a Share on the date of grant. However, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or stock of any parent or subsidiary corporation of ours (a “ten percent shareholder”) must have an exercise price per Share equal to at least 110% of the fair market value of a Share on the date of grant. The aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options that first become exercisable by a participant during any calendar year may not exceed $100,000. The fair market value of the common stock is generally the closing sales price of our stock as reported on the NASDAQ Global Select Market.

Options will be exercisable at such times or under such conditions as determined by the administrator and set forth in the award agreement. Upon the termination of a participant’s service, the unvested portion of the participant’s option generally expires. The vested portion of the option will remain exercisable for the period following the participant’s termination of service that is set forth in the award agreement. This period generally will be: (i) 6 months following a termination of the participant’s service for reasons other than “cause,” as defined in the applicable award agreement, death or disability (and if the participant dies within the 6-month period, the period will be extended to one year from the date of the participant’s death) or (ii) 12 months following a termination of the participant’s service due to death or disability. However, if the exercise of an option is prevented by applicable law, the exercise period may be extended under certain circumstances described in the participant’s award agreement. In the event the participant’s service is terminated for cause, the entire option, whether or not then vested and exercisable, will be immediately forfeited and cancelled as of the date of such termination. In no event will the option be exercisable after the end of the option’s term.

The award agreements for options generally will also provide that if a participant experiences a qualifying termination of employment, a pro-rata portion (based on the participant's length of service) of his or her option will vest, subject to the participant's execution of a release of claims in our favor, unless such termination is due to the participant's death or disability.

The term of an option will be specified in the award agreement but may not be more than ten years (or five years for an incentive stock option granted to a ten percent shareholder). The 2017 Plan provides that the administrator will determine the acceptable form(s) of consideration for exercising an option. An option will be deemed exercised when we receive the notice of exercise and full payment for the Shares to be exercised, together with applicable tax withholdings.

Stock Appreciation Rights

A stock appreciation right gives a participant the right to receive the appreciation in the fair market value of our common stock between the date an award is granted and the date it is exercised. Upon exercise of a stock appreciation right, the holder of the award will be entitled to receive an amount determined by multiplying: (i) the difference between the fair market value of a Share on the date of exercise and the exercise price by (ii) the number of exercised stock appreciation rights. We may pay the appreciation in cash, in Shares, or a combination of both. Each stock appreciation right granted under the 2017 Plan will be evidenced by an award agreement specifying the exercise price and the other terms and conditions of the award.

The exercise price per Share of each stock appreciation right may not be less than the fair market value of a Share on the date of grant. Stock appreciation rights will be exercisable at such times or under such conditions as determined by the administrator and set forth in the award agreement. The term of a stock appreciation right may not be more than ten years. Upon the termination of a participant's service, the unvested portion of the participant's stock appreciation right generally expires. The vested portion of the stock appreciation right will remain exercisable for the period following the participant's termination of service that is set forth in the award agreement.

Restricted Stock Awards

Awards of restricted stock are rights to acquire or purchase Shares that vest in accordance with the terms and conditions established by the administrator in its sole discretion. Unless otherwise provided by the administrator, a participant will forfeit any Shares of restricted stock that have not vested by the termination of the participant's service. Each restricted stock award granted will be evidenced by an award agreement specifying the number of Shares subject to the award and the other terms and conditions of the award. The administrator will determine the vesting conditions that apply to an award of restricted stock.

Unless the administrator provides otherwise, participants holding Shares of restricted stock will have voting rights and rights to dividends and other distributions with respect to such Shares without regard to vesting. However, such dividends or other distributions will be subject to the same restrictions and forfeitability provisions that apply to the Shares of restricted stock with respect to which they were paid, and the company will hold such dividends and distributions until the restrictions on the Shares of restricted stock with respect to which they were paid have lapsed. The administrator has the discretion to reduce or waive any restrictions and to accelerate the time at which any restrictions will lapse or be removed.

Restricted Stock Units

A restricted stock unit represents a right to receive cash or a Share if the performance goals or other vesting criteria set by the administrator are achieved or the restricted stock unit otherwise vests. Each award of restricted stock units granted under the 2017 Plan will be evidenced by an award agreement specifying the number of Shares subject to the award and other terms and conditions of the award.

The administrator may set vesting conditions based upon the achievement of company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion.

After an award of restricted stock units has been granted, the administrator has the discretion to reduce or waive any restrictions or vesting criteria that must be met to receive a payout or to accelerate the time at which any restrictions will lapse or be removed. A participant will generally forfeit any unearned restricted stock units upon termination of his or her service. The administrator in its sole discretion may pay earned restricted stock units in cash, Shares, or a combination of both.

The award agreements for restricted stock units generally will also provide that if a participant experiences a qualifying termination of employment, a pro-rata portion (based on the participant's length of service and, in the case of performance-based restricted stock units, the actual level of achievement of the applicable performance goals) of his or her award will become vested, subject to the participant's execution of a release of claims in our favor, unless such termination is due to the participant's death or disability.

Performance Units and Performance Shares

Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. Performance units will have an initial value established by the administrator on or before the date of grant. Each performance share will have an initial value equal to the fair market value of a Share on the grant date. Performance units and performance shares will result in a payment to a participant only if the performance goals or other vesting criteria set by the administrator are achieved or the awards otherwise vest.

Each award of performance units or performance shares granted under the 2017 Plan will be evidenced by an award agreement specifying the performance period and other terms and conditions of the award. The administrator may set vesting criteria based upon the achievement of company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion.

After an award of performance units or performance shares has been granted, the administrator has the discretion to accelerate, reduce, or waive any performance objectives or other vesting provisions for such performance units or performance shares, but may not increase the amount payable at a given level of performance.

The administrator has the discretion to pay earned performance units or performance shares in the form of cash, Shares (which will have an aggregate fair market value equal to the earned performance units or performance shares at the close of the applicable performance period), or a combination of both.

A participant will generally forfeit any performance units or performance shares that have not been earned or have not vested as of the termination of his or her service with us.

Incentive Cash Bonuses

Incentive cash bonuses give participants an opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period specified by the administrator. The administrator will determine the terms and conditions of each incentive cash bonus.

The administrator may set vesting criteria based upon the achievement of company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion.

After an incentive cash bonus has been granted, the administrator has the discretion to reduce or waive any restrictions for such incentive cash bonus, but may not increase the amount payable at a given level of performance.

A participant will generally forfeit all incentive cash bonuses that have not been earned or have not vested as of the termination of his or her service with us.

Transferability of Awards

Unless the administrator provides otherwise, awards under the 2017 Plan generally are not transferable other than by will or by the laws of descent or distribution.

Dissolution or Liquidation

In the event of a proposed dissolution or liquidation of our company, the administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. An award will terminate immediately prior to consummation of such proposed action to the extent the award has not been previously exercised.

Merger or Change in Control

In the event of a merger of our company or a change in control, as defined in the 2017 Plan, each award will be treated as the administrator determines, including that each award will be assumed or substantially equivalent awards substituted by the acquiring or succeeding corporation or its affiliate. The administrator will not be required to treat all outstanding awards the same in the transaction.

If the successor corporation does not assume or substitute for the award, the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, and all restrictions on restricted stock and restricted stock units will lapse. With respect to awards with performance-based vesting that are not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at target levels, and all other terms and conditions will be deemed met. In addition, if an option or stock appreciation right is not assumed or substituted for, the administrator will notify the participant in writing or electronically that the option or stock appreciation right will be exercisable for a period of time determined by the administrator, in its sole discretion, and the option or stock appreciation right will terminate upon the expiration of such period. The award agreements for options and restricted stock units generally will also provide that if the award is assumed or substituted for and the participant experiences a qualifying termination of employment within 1 year following a change in control, the award will become fully vested, subject to the participant's execution of a release of claims in our favor.

For awards granted to our non-employee directors, in the event of a change in control, then (i) the non-employee director will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, (ii) all restrictions on the non-employee director's restricted stock and restricted stock units will lapse, and (iii) with respect to the non-employee director's awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at target levels (prorated based on the portion of the performance period that elapsed as of immediately prior to the transaction) and all other terms and conditions will be deemed met.

Forfeiture and Clawback

Each award under the 2017 Plan will be subject to recoupment under our current clawback policy or any clawback policy that, in the future, we are required by applicable stock exchange rules or applicable laws to adopt (including any such clawback policy that is adopted after the grant of the award), and the administrator also may impose such other clawback, recovery, or recoupment provisions in an award agreement as the administrator determines necessary or appropriate.

Termination or Amendment

Our ability to grant incentive stock options under the 2017 Plan will expire in 2027. The 2017 Plan will not expire until terminated by the Board or the Compensation Committee, which have the authority to amend, suspend, or terminate the 2017 Plan. However, such action cannot materially impair the existing rights of any participant without his or her written consent, subject to certain exceptions in accordance with the terms of the 2017 Plan. We will obtain shareholder approval of any amendment to the 2017 Plan to the extent such approval is necessary or desirable to comply with applicable laws.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2017 Plan. The summary is based on existing U.S. laws and regulations as of the record date, and there can be no assurance that those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a participant's death, or the provisions of the income tax laws of any municipality, state or foreign country in which the participant may reside. As a result, tax consequences for any particular participant may vary based on individual circumstances.

Incentive Stock Options

A participant recognizes no taxable income for federal income tax purposes as a result of the grant or exercise of an option that qualifies as incentive stock option under Section 422 of the Code. If a participant exercises the option and then later sells or otherwise disposes of the Shares acquired through the exercise the option after both the two-year anniversary of the date the option was granted and the one-year anniversary of the exercise, the participant will recognize a capital gain or loss equal to the difference between the sale price of the Shares and the exercise price, and we will not be entitled to any deduction for federal income tax purposes.

However, if the participant disposes of such Shares either on or before the two-year anniversary of the date of grant or on or before the one-year anniversary of the date of exercise (a "disqualifying disposition"), any gain up to the excess of the fair market value of the Shares on the date of exercise over the exercise price generally will be taxed as ordinary income, unless the Shares are disposed of in a transaction in which the participant would not recognize a loss (such as a gift). Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the Shares generally should be deductible by the company for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

For purposes of the alternative minimum tax, the difference between the option exercise price and the fair market value of the Shares on the exercise date is treated as an adjustment item in computing the participant's alternative minimum taxable income in the year of exercise. In addition, special alternative minimum tax rules may apply to certain subsequent disqualifying dispositions of the Shares or provide certain basis adjustments or tax credits for alternative minimum tax purposes.

Nonstatutory Stock Options

A participant generally recognizes no taxable income as the result of the grant of such an option. However, upon exercising the option, the participant normally recognizes ordinary income equal to the amount that the fair market value of the Shares on such date exceeds the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of the Shares acquired by the exercise of a nonstatutory stock option, any gain or loss (based on the difference between the sale price and the fair market value on the exercise date) will be taxed as capital gain or loss. No tax deduction is available to the company with respect to the grant of a nonstatutory stock option or the sale of the Shares acquired through the exercise of the nonstatutory stock option.

Stock Appreciation Rights

In general, no taxable income is reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant generally will recognize ordinary income in an amount equal to the fair market value of any Shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Any additional gain or loss recognized upon any later disposition of the Shares would be capital gain or loss.

Restricted Stock Awards

A participant acquiring Shares of restricted stock generally will recognize ordinary income equal to the fair market value of the Shares on the vesting date. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The participant may elect pursuant to Section 83(b) of the Code to accelerate the ordinary income tax event to the date of acquisition by filing an election with the Internal Revenue Service no later than thirty days after the date the Shares are acquired. Upon the sale of Shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Restricted Stock Unit Awards

There are no immediate tax consequences of receiving an award of restricted stock units. A participant who is awarded restricted stock units generally will be required to recognize ordinary income in an amount equal to the fair market value of the Shares issued to and/or the cash received by such participant at the end of the applicable vesting period or, if later, the settlement date elected by the administrator or a participant. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Any additional gain or loss recognized upon any later disposition of any Shares received would be capital gain or loss.

Performance Shares and Performance Unit Awards

A participant generally will recognize no income upon the grant of a performance share or a performance unit award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any unrestricted Shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of any Shares received, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Incentive Cash Bonuses

There are no immediate tax consequences of receiving an incentive cash bonus award. A participant who is awarded an incentive cash bonus generally will be required to recognize ordinary income in an amount equal to the cash received by such participant at the end of the applicable vesting period or, if later, the settlement date determined by the administrator. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes.

Section 409A of the Code

Section 409A of the Code (“Section 409A”) provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual’s deferral and distribution elections and permissible distribution events. Awards granted under the 2017 Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A’s provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

THE DESCRIPTION ABOVE IS ONLY A SUMMARY OF THE EFFECT OF U.S. FEDERAL INCOME TAXATION ON PARTICIPANTS AND THE COMPANY WITH RESPECT TO AWARDS UNDER THE 2017 PLAN. IT IS NOT COMPLETE AND DOES NOT DISCUSS THE IMPACT OF EMPLOYMENT OR OTHER TAX REQUIREMENTS, THE TAX CONSEQUENCES OF A PARTICIPANT’S DEATH, OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE, OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

Vote Required and Board Recommendation

The affirmative vote of a majority of the votes cast is required for the approval of the Amendment.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE APPROVAL OF THE AMENDMENT TO THE 2017 EQUITY INCENTIVE PLAN

Advisory Resolution to Approve Executive Compensation
(Proposal 3)

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 in an effort 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 the "Compensation Discussion and Analysis" section of this proxy statement, 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" section of this proxy statement 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" section of this proxy statement 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 2021 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 2021 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 2022 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 4)

Description

The Audit Committee has appointed PricewaterhouseCoopers LLP (“PwC”) as the company’s independent registered public accounting firm for the year ending December 31, 2021. 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 for the fiscal years ended December 31, 2020 and 2019 were as follows:

Type of Fees	2020	2019
Audit Fees(1)	$1,224,975	$1,180,500
Audit-Related Fees(2)	64,800	234,700
Tax Fees(3)	205,000	185,000
All Other Fees(4)	5,000	3,500
Total	$1,519,775	$1,603,700

(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, the company’s joint venture with Sony Corporation of America.

(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 also include fees billed by PwC in connection with attestation services performed over the financial statements of the Signal Trust for Wireless Innovation, a Delaware statutory trust formed in 2013. The decrease in audit-related fees in 2020 compared to 2019 was primarily related to fewer non-recurring accounting consultations during 2020.

(3) *Tax Fees* consist of the aggregate fees billed by PwC for the above fiscal years related to technical advice pertaining to foreign and domestic 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 for reference a schedule of services and fees approved by category for the current year, 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, 2021.

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, 2021.

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, 2020, 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, 2020, and the Audit Committee retained PwC as the company's independent registered public accounting firm for the year ending December 31, 2021.

AUDIT COMMITTEE:

John A. Kritzmacher, Chair
Joan H. Gillman
John D. Markley, Jr.

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 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, 2021:

Name	Age	Position
William J. Merritt	61	President and Chief Executive Officer
Richard J. Brezski	48	Chief Financial Officer and Treasurer
Richard L. Gulino	58	Chief Legal Officer, General Counsel and Corporate Secretary

There are no family relationships among the individuals serving as our directors or executive officers. The company's executive officers are appointed to their respective offices to hold office until their successors are duly appointed. Effective April 5, 2021, Mr. Merritt retired from his position as President and Chief Executive Officer, and Liren Chen was appointed President and Chief Executive Officer. Biographical information on Mr. Chen is discussed under the caption "Election of Directors" above.

William J. Merritt served as a director and President and Chief Executive Officer of the company since May 2005. Prior to that, he 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.

Richard J. Brezski is InterDigital's Chief Financial Officer, responsible for overseeing the company's finance, accounting, audit, tax, treasury, 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.

Richard L. Gulino is InterDigital's Chief Legal Officer, General Counsel and Corporate Secretary, responsible for managing the company's legal functions. Mr. Gulino joined InterDigital in September 2019 as Vice President, Deputy General Counsel with responsibility for the company's corporate, commercial and licensing functions and was promoted to Chief Legal Officer, General Counsel and Corporate Secretary in January 2020. Prior to joining InterDigital, Mr. Gulino served as Senior Vice President, General Counsel and Secretary at Vanda Pharmaceuticals, Inc., a global biopharmaceutical company headquartered in Washington, D.C., from September 2015 until May 2018. Prior to joining Vanda, Mr. Gulino was Vice President and General Counsel of Ameritox, Ltd., a clinical drug testing laboratory, from June 2012 to August 2014. From November 2006 to February 2012, Mr. Gulino was Vice President and Deputy General Counsel at Cephalon, Inc., a global biopharmaceutical company, where he led the corporate commercial legal function. Mr. Gulino joined Cephalon as Corporate Counsel in 1999. From 1992 to 1999, Mr. Gulino served as a commercial attorney at Zeneca, Inc. Mr. Gulino began his career in private practice in Washington, D.C. Mr. Gulino received his Bachelor of Arts degree in history from Colgate University and his Juris Doctor degree with high honors from Duke University School of Law.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") covers all material elements of compensation awarded to, earned by or paid to the company's Named Executive Officers ("NEOs") during 2020 and focuses on the principles underlying the company's executive compensation policies and decisions.

Executive Summary

- **Business performance in 2020 was strong.** Recurring revenue and total revenue increased 13% in 2020 over 2019, while operating income grew 46% and earnings per share grew by 118% year over year. Shareholders were rewarded with a TSR of 14.2% across the year.
- **Our Board and management team effectively and quickly responded to the COVID-19 pandemic.** The pandemic has changed, and continues to change, our working conditions and the environment in which we conduct our business. Our executive team rapidly moved all of our workforce to remote work, provided additional resources to our employees, and successfully continued to grow the business throughout 2020.
- **Our compensation program is performance-oriented and shareholder aligned.** 70% of our CEO's pay, and 62% of the average of our other NEOs' pay, is delivered in shareholder-aligned equity, and 85% of our CEO's pay, and 78% of the average of our other NEOs' pay, is performance-based.
- **Compensation outcomes have reflected shareholder outcomes.** Our CEO realized 70% of his target 2020 pay, based, in part, on the achievement level of performance-based RSUs and options granted in 2018 LTCP cycle.
- **We use unusually long performance periods that match our business cycle.** Our business is subject to long technology development and monetization cycles, and our performance compensation program is generally designed with five-year goals to better match those cycles. We motivate accelerated goal attainment through interim vesting potential after three years have elapsed in the performance cycle.
- **Our short-term incentives for fiscal 2020 performance paid at between 112% and 124% of target.** Our corporate achievement resulted in a 128% payout, and personal performance for our named executive officers was assessed at between 95% and 120% of target. No COVID-19 related adjustments were made to the short-term incentive program, though the Compensation Committee considered the company's COVID-19 response as part of its discretionary determination of strategic goal achievement.
- **Long-term performance goals were adjusted for revised business expectations.** As further described in last year's proxy statement and below under "Status of Prior LTCP Grants", goals related to the performance-based incentives covering the 2017-2021, 2018-2022, and 2019-2023 performance periods were modified in light of revised business projections resulting from our disposition of the Hillcrest product business and acquisition of the Technicolor Research & Innovation unit, each of which occurred in 2019. The modifications to our goals did *not* trigger additional accounting entries in our compensation tables.
- **No long-term performance-based incentives were earned in 2020 at the 2018 LTCP cycle's interim vesting opportunity.** The company did not achieve accelerated goal attainment of its five-year goals, as modified, during the three-year interim period ending December 31, 2020, but the awards remain eligible for vesting on the five-year anniversary.

Overview

Our Company

We are a research and development company that licenses its innovations to the global wireless and consumer electronics industries. We design and develop advanced technologies that enable connected, immersive experiences in a broad range of communications and entertainment products and services. Since our founding in 1972, our engineers have designed and developed a wide range of innovations that are used in wireless products and networks, from the earliest digital cellular systems to 5G and, today, solutions that we believe will shape the world beyond 5G. With the acquisition of the patent licensing business of visual technology industry leader Technicolor SA ("Technicolor") in 2018 (the "Technicolor Patent Acquisition"), followed by the acquisition of their Research & Innovation unit in 2019 (the "R&I Acquisition" and, together with the Technicolor Patent Acquisition, the "Technicolor Acquisitions"), we are now a leader in video processing, encoding/decoding, and display technology, with a significant Artificial Intelligence ("AI") research effort that intersects with both wireless and visual technologies.

We derive revenues primarily from patent licensing and we intend to grow our licensing revenue base by adding licensing and leveraging the size of the overall mobile technology market, expanding our licensing revenue in the consumer electronic market and expanding into adjacent new technology areas that align with our intellectual property position.

We are one of the largest pure research & development and licensing companies in the world, with one of the most significant patent portfolios in the wireless and video industries. As of December 31, 2020, our wholly owned subsidiaries held a portfolio of approximately 28,000 patents and patent applications related to wireless communications, video coding, display technology, and other areas relevant to the wireless and consumer electronics industries.

Our revenue model relies on challenging, high stakes, often multi-year negotiations with our licensees. 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. Our portfolio includes numerous patents and patent applications that we believe are or may be essential or may become essential to standards established by many Standards Development Organizations ("SDOs"), including cellular and other wireless communications and video technology standards. Those wireless standards include 3G, 4G and the IEEE 802 suite of standards, as well as patents and patent applications that we believe are or may become essential to 5G standards that currently exist and as they continue to develop. Our video technology portfolio includes patents and applications relating to standards established by ISO/IEC Moving Picture Expert Group (MPEG), the ITU-T Video Coding Expert Group (VCEG), the Joint Collaborative Team on Video Coding (JCT-VC) and the Joint Video Expert Team (JVET), among others.

With more than 300 engineers around the world, our focus is on research and development with pervasive impact: mobile technologies that underpin smartphones, networks and services via global standards, and video technologies that are the foundation for today's most popular products and services. Many companies bring innovations that improve a single product; our inventions help improve every product in the markets we participate in, from the most basic to the most advanced, transforming industries and improving products and services that are part of our daily lives.

Our Executives

The CD&A explains the compensation for the following individuals:

NEO	Position as of December 31, 2020
William J. Merritt*	President and Chief Executive Officer ("CEO")
Richard J. Brezski	Chief Financial Officer ("CFO") and Treasurer
Richard L. Gulino	Chief Legal Officer ("CLO"), General Counsel ("GC") and Corporate Secretary
Kai O. Öistämö**	Former Chief Operating Officer ("COO")

* Mr. Merritt retired as our CEO effective April 5, 2021.

** Mr. Öistämö resigned effective September 30, 2020.

2020 Company Overview and COVID-19 Impacts

Despite certain macroeconomic and political conditions, changes to overall working conditions and the business environment as a result of the COVID-19 pandemic, we successfully executed on our strategy to innovate, design and develop technology solutions for the wireless and consumer electronics industries and to monetize those solutions and innovations, experiencing limited impact on our operations and financial position during fiscal year 2020. In fact, our 2020 revenue increased to $359.0 million, including recurring revenues of $336.8 million, as we signed numerous license agreements. Additionally, negotiations of other licensing deals progressed, and the transparency of our rate structure demonstrated thought leadership in the licensing industry.

The health and safety of our work force is fundamental to our business success. We have taken steps to protect the health and safety of our employees and their families, with our entire workforce continuing to work remotely. Despite these remote working conditions, our business activities have continued to operate with minimal interruption. Between March 12, 2020, when we began working remotely, and December 31, 2020, we successfully concluded five new patent license agreements. Additionally, we continued to innovate and exceeded our goals related to 5G and visual technologies innovations and standards contributions, even as our research team worked remotely.

During 2020, we learned that some work which we previously thought required face-to-face interactions could continue remotely going forward. However, we understand the value of face-to-face interactions and do not expect to continue to work entirely virtually indefinitely. As our success depends, in part, on our ability to attract, motivate and retain the best and brightest researchers and scientists, we continued to invest in our employees by providing leadership essentials, tools and impactful training. Our goal is to provide all employees with an opportunity to develop and grow to ensure our employees continue to have the opportunity to engage in intellectually challenging and enjoyable work while driving groundbreaking innovation. In 2020, we conducted two employee engagement surveys over the course of the year (June and September) and received 420 responses in June and 312 responses in September, which was 77% and 57% of the total survey forms sent out, respectively. We may continue conducting further such surveys as business needs arise. These surveys revealed that 96% of our employees would recommend InterDigital as a good place to work.

Although we did not change our performance metrics under our incentive programs in light of COVID-19 for either our long term performance-based equity incentive grants or short term cash incentive compensation, the Compensation Committee considered the substantial efforts made by the company in light of the pandemic. In particular, our executive team ensured that the transition to virtual work did not significantly impact the business, put in place infrastructure for the eventual return to work and launched Project IDeal, our engagement, health and safety effort in response to COVID-19. The Compensation Committee considered these efforts as part of its discretionary 20% allocation of the strategic performance goals that were not captured by specifically enumerated goals.

2020 Compensation Decisions and Actions

The following are highlights of the key compensation decisions made by the Compensation Committee for 2020:

- *No Increase to Base Salaries:* The base salaries for the CEO, CFO and COO remained flat for 2020 because the market data showed that their salaries were within the median range for their respective positions. The only base salary increase for an NEO was the result of a promotion. Please see "2020 Executive Compensation in Detail – Base Salaries" below for details.
- *No Increase to Target Short-Term Incentive Plan ("STIP"):* The target STIP levels for 2020 remained the same.
- *Reasonable Payouts Based on Performance*. Our short-term incentives for fiscal 2020 performance paid between 112 and 124% of target to our NEOs. Please see "2020 Executive Compensation in Detail – Short-Term Incentive Plan" below for details.
- *Majority of Long-Term Compensation Program ("LTCP") awards were Performance-Based:* Under the LTCP, the Compensation Committee approved target 2020 LTCP grants to the NEOs using a mix of performance-based RSUs, performance-based stock options and time-based RSUs. Please see "2020 Executive Compensation in Detail – Long-Term Compensation Program" below for details.

Shareholder Engagement and Results from 2020 Shareholder Advisory Vote on Executive Compensation

At the 2020 annual meeting of shareholders, we held an advisory vote on executive compensation. Approximately 90% of the votes cast supported the compensation of the company's NEOs. The Compensation Committee considers the results of the annual advisory vote on executive compensation as a strong data point in its compensation decisions.

The Compensation Committee also actively and directly seeks out feedback from shareholders regarding the executive compensation program. Specifically, in the spring of 2020, the Chairperson of the Compensation Committee, our investor relations team, and as appropriate, members of senior management engaged with approximately 18% of our investors to discuss and receive input about our executive compensation. The Board of Directors is committed to ongoing shareholder engagement to ensure transparency into our compensation decisions.

In addition, during fiscal year 2020, our investor relations team participated in six investor conferences and engaged with our investors on a regular basis to keep an open dialog about our business and performance, including approximately 100 individual investor interactions. Our investor relations team discusses with our shareholders any subject they wish to raise, subject to the limitations of applicable securities law, including financial activities, strategy, environmental, social and corporate governance and executive compensation.

Given this strong shareholder support, as expressed through the say-on-pay vote, feedback received through engagement with shareholders, as well as other factors considered by the Compensation Committee, the Compensation Committee determined not to make any significant changes to the overall structure of the program.

Good Governance Practices and Policies

The Compensation Committee and the company strive to maintain good governance practices and regularly review and update such practices related to the compensation of our executive officers, including our NEOs. The following table highlights the responsible practices we have implemented, as well as the practices we have avoided, in order to best serve our shareholders' long-term interests:

WHAT WE DO	WHAT WE DO NOT DO
✓ We create a ***balanced compensation program*** through a mix of fixed and variable short- and long-term incentives.	☒ We do not have employment agreements with any NEO.
✓ We ***cap*** payouts under our annual short-term incentive plan ("STIP") to individual employees, including our NEOs, at two times target, even if company or individual performance would result in payouts in excess of two times target.	☒ We do not have single-trigger payout provisions in our equity award agreements.
✓ We have ***double-trigger*** change in control payout provisions (i.e., an executive must be terminated in connection with a change in control in order to receive any change in control benefits).	☒ We do not provide golden parachute tax gross-ups. ☒ We do not guarantee minimum STIP payouts.
✓ 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 executive officers results in a material restatement of our financial statements.	☒ We do not provide excessive perquisites to executive officers that other employees at or above the senior director level do not receive.
✓ We have robust target ***stock ownership*** levels for our executive officers and directors. Each NEO has met the applicable stock ownership requirements	☒ We do not permit the hedging of InterDigital stock by any employee, including executive officers.
✓ 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.	☒ We do not pay out dividend equivalents on unvested RSUs; accrued dividend equivalents are paid out only if and to the extent that the underlying RSU award vests.

What Guides Our Program

Compensation Objectives and Philosophy

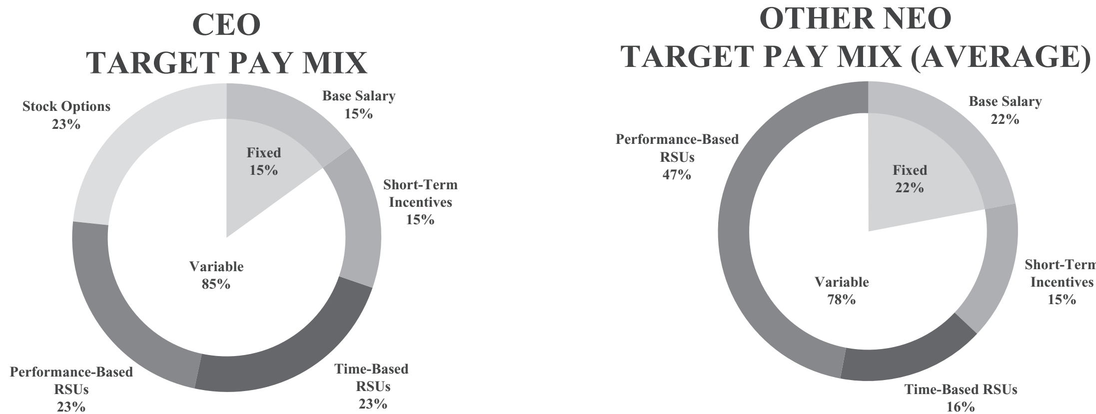
The primary purpose of our executive compensation program is to attract, retain and motivate talented individuals who will drive the successful execution of the company's strategic plan. Specifically, we:

- attract talented leaders to serve as executive officers of the company by setting total compensation levels and incentive program targets at competitive levels for comparable roles in the marketplace;
- retain our executives by providing a balanced mix of base salary and short and long-term incentive compensation;
- motivate our executives by "paying for performance," or rewarding individual performance and the accomplishment of corporate goals, as determined by the Compensation Committee, through performance-based compensation; and
- align the interests of executives and shareholders by rewarding our NEOs for increasing our stock price over the long term and maximizing shareholder value with a substantial portion of total compensation

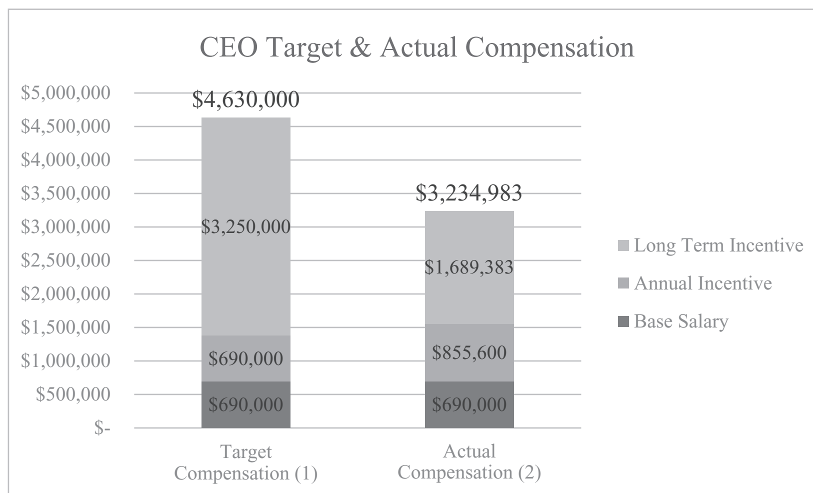
in the form of direct ownership in our company through long-term equity awards and meaningful ownership guidelines.

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' 2020 total compensation is comprised of a mix of base salary, STIP and LTCP 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 2020, approximately 85% of our CEO's target compensation and on average, 78% of the target compensation of our other NEOs was comprised of STIP and LTCP awards and thus variable based on the company's performance.



The chart below demonstrates how our compensation structure is linked to company performance. Based on the company's performance in 2020, compared to the target amount, the CEO's actual compensation for 2020 was 70% of his target opportunity. For this purpose, realized compensation includes base pay, annual incentive, value of RSUs vested, value of PSUs vested and value of performance-options vested.



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(1) Target Compensation represents 2020 base salary, 2020 target annual incentive, and grant date target value of equity granted pursuant to 2020 LTCP.

(2) Actual Compensation represents 2020 base salary, 2020 actual annual incentive, paid in February 2021, and the value realized upon vesting of the 2018 LTCP time-based RSU awards and performance-based RSUs based on the performance achieved through performance period ending in 2020, which vested in March 2021.

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 the 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 the Compensation Committee's 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 discussed above under "Board Structure and Committee Membership—Compensation Committee" and are specified in the Compensation Committee's charter, which is available on our website at *http://ir.interdigital.com/CommitteeChart*.

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, reviewing major individual accomplishments and any other recommendations of the Chief Executive Officer regarding 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 incentive programs, based upon data related to achievement provided by the Chief Financial Officer.

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 selects the consultant, negotiates the fees paid and manages the engagement. The Compensation Committee retained Pearl Meyer to advise it and the rest of the Board 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, and short and long-term incentive plan design and compensation of the company's executive officers. Based on consideration of the factors as set forth in applicable SEC rules and listing standards of the NASDAQ Stock Market, the Compensation Committee has determined that Pearl Meyer has no conflicts of interest in providing its services.

Factors Considered in Setting Compensation Amounts and Targets

In establishing compensation amounts and incentive 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 both the general and high-technology industries, adjusted for size.

Consistent with its review practices, in November 2019, Pearl Meyer assisted the Compensation Committee with its process of identifying peer group companies for 2020 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) and that have a relatively similar profit margin and market capitalization. There were no changes to the compensation peer group for 2020 from 2019, except for the removal of Integrated Device Technology, Inc. due to M&A activity.

The companies comprising the 2020 compensation peer group were as follows:

ADTRAN Inc.
Ansys, Inc.
Aspen Technology
CalAmp Corp.
Dolby Laboratories, Inc.
Infinera Corporation
Inovalon Holdings
Manhattan Associates
Plantronics, Inc.
Rambus Inc.
Silicon Laboratories, Inc.
Synaptics Inc.
TiVo Corporation
Ubiquiti Networks
Universal Display Corp.
Universal Electronics, Inc.
Xperi, Inc.

Pearl Meyer conducted a compensation 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 compensation 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, to identify those executives whose total compensation is substantially below or above the 50th percentile of the market data but does not benchmark executive officer compensation to specific market percentages. 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.

2020 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 April 2020 were based on consideration of each NEO's position, scope of responsibility and importance to the company and performance during 2019, 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. The base salaries remained flat for the CEO, CFO and COO for 2020 because the market data showed that their salaries were within the median range for their respective positions. Set forth below are the 2019 and 2020 base salaries for our NEOs:

NEO	2019	2020	% Increase
William J. Merritt	$690,000	$690,000	0%
Richard J. Brezski	402,500	402,500	0%
Richard L. Gulino(1)	350,000	360,500	3%
Kai O. Öistämö	609,000	609,000	0%

(1) Mr. Gulino was promoted to General Counsel on January 1, 2020; he received a modest, 3% increase to his base salary to bring his base salary to market median.

Short-Term Incentive Plan

The STIP annual incentive award is designed to provide a cash reward for the achievement of corporate goals and individual accomplishments during each fiscal year. Individual STIP payouts are determined based on performance against pre-determined corporate goals and individual performance.

In first quarter 2020, the Compensation Committee approved target STIP levels for each of the NEOs at the same level as 2019. The 2020 target STIP levels, set as a percentage of annual base salary, for the NEOs were as follows:

NEO	2020 Target STIP Level
William J. Merritt	100%
Richard J. Brezski	75%
Richard L. Gulino	60%
Kai O. Öistämö	100%

Our STIP program is structured with two equally weighted portions: a corporate achievement component and a personal performance component. The corporate achievement component is based on the company's achievement against pre-determined financial, strategic, and operational goals, while 20% of this component (at target) is reserved for the Compensation Committee to evaluate other goals in its discretion considering the quality of our results and other factors not anticipated at the beginning of the year (as listed below). The personal performance component is further detailed below. The STIP payout is determined using the following formula:

Corporate Achievement		**Personal Performance**		
50% of Target STIP Amount X Corporate Goal Achievement (0%-200%)	+	50% Target STIP Amount X Personal Performance Achievement (0%-200%)	=	**STIP Payout**

Corporate Performance Goals. For 2020, the corporate performance goals for the company's executives and the relative weights assigned to each were as follows:

2020 STIP Corporate Performance Goals:

Performance Measure (relative weight)	Description	Goal/Objectives	Determination of Payout Level
Total Revenue (20%)	Achieve specified amount of recognized revenue as reported on our financial statements	*Target is estimated recognized revenue as reported on 2020 financial statements* *Threshold $315M* *Target $330M* *Maximum $360M*	*Minimum threshold set, below which would yield 0% achievement* *Threshold set at previous year actual achievement* *Payout increases at rate of 3 percent for each percentage point above or below target up to 200% of target*
Revenue Platform Increase (20%)	Achieve specified amount of ***increase*** in all contracted revenue for 2021 based on new contracts and renewals signed in 2020	*Revenue Platform is recurring revenue*	*Increase represented by the target* *Up to 200% of target available for achieving double the Revenue Platform*
Licensing Business Execution (10%)	Achieve measurable progress with key customers in mobile and CE licensing programs	*Internal metric created related to stage of licensing negotiations with key customers* *Targets set for Mobile and CE licensing customers separately*	*Bonus element pays out if specific pre-defined strategic accomplishments are achieved*
Business Transformation (10%)	Successfully execute advancement of culture and engagement projects as well as advance system and process infrastructure optimization to support globalization	*Continuation of culture work with an enhanced focus on global mindset and integrating engagement initiatives as part of our Rebirth efforts* *Includes specific communication related goals* *Systems/Infrastructure/Process optimization to support globalization* *Strategic partnership(s) to provide compass for R&I and/or to expand revenue opportunities M&A to strengthen offering in current strategic markets* *Leadership & overall organization structure and capabilities obtained/integrated to meet forward-looking objectives*	*Bonus element pays out if specific pre-defined strategic accomplishments are achieved* *A scorecard approach was adopted for this metric, with each component equally weighted but individually evaluated at the end of the performance period*

Performance Measure (relative weight)	Description	Goal/Objectives	Determination of Payout Level
Innovation (10%)	Generate patent filings as well as contributions to 5G, video and other standards; achieve external recognition of innovation success	*Standards participation – meet or exceed specified targets for wireless and video standards contributions and related patent applications* *Specified external Boards/ Committees/ Standards Leadership roles/Invited Speaking Spots addressing future wireless and video technologies* *Specified number of publications published in peer reviewed journals/conferences again involving both wireless and video innovations* *Demonstrate successful R&D workforce retention consistent with strategic objectives*	*Bonus element pays out if specific pre-defined strategic accomplishments are achieved* *A scorecard approach was adopted for this metric, with each component equally weighted but individually evaluated at the end of the performance period*
Expense Management (10%)	Bring costs in line with 2017 levels	*Achievement of 2020 pro forma operating expense exit rate equal to 2017 target*	*Threshold cost level set, above which would yield 0% achievement*
Compensation Committee Discretion (20%)	Allow Compensation Committee to adjust performance upward or downward as a result of unexpected outcomes or circumstances		*Bonus component pays out based on overall subjective evaluation of company performance*

These strategic corporate performance goals were structured to challenge and motivate executives and intended to align the executive team around a key set of company performance objectives.

On January 27, 2021, the Chief Executive Officer reported to the Compensation Committee on the final achievement of the strategic corporate goals and provided his assessment with respect to departmental and individual executive officer performance for the year. Actual achievement against each of these performance goals was determined at the conclusion of the fiscal year. The following table contains details of the achievement of each of the components of the STIP, along with the payout assigned to each component according to its level of achievement:

	Corporate Performance Goals: Outcomes				
Goal (Target metric weight)	**Threshold Payout**	**Target Payout**	**Maximum Payout**	**Achievement**	**Component Payout**
Total Revenue	$315M 0%	$330M 20%	$360M 40%	Total Revenue approximately 11% above target; achievement ratcheted 3x for every 1% above target	25%
Revenue Platform Increase	$0M 0%	$25M 20%	50M 40%	Increase in Revenue Platform revenue over 2019 level of approximately 178% of goal	36%
Licensing Business Execution	0%	10%	20%	80% of target achieved based on stages of negotiations reached with customers	8%
Business Transformation	0%	10%	20%	Achievement on each goal is provided in parenthesis following the goal description: • Continuation of culture work with an enhanced focus on global mindset (125%) • Systems/Infrastructure/Process optimization to support globalization (110%) • Strategic partnerships to provide compass for R&I or expand revenue opportunities (80%) • Leadership & overall organization capabilities obtained/integrated to meet forward-looking objectives (110%) • M&A to strengthen offering in current strategic markets (120%)	11%
Innovation	0%	10%	20%	Achievement on each goal is provided in parenthesis following the goal description: • Patent applications (150%) • Video standards contributions (120%) • Wireless standards contributions (129%) • External boards/committees participation (167%) • Publications (160%) • Successful R&I retention (100%)	14%

Goal (Target metric weight)	Threshold Payout	Corporate Performance Goals: Outcomes Target Payout	Maximum Payout	Achievement	Component Payout
Expense Management	0%	10%	20%	2020 Pro Forma operating expense exit rate equal to 2017 target	10%
Compensation Committee Discretion	0%	20%	40%	Project IDeal: Seamlessly transitioned to all-remote work – implementation of Business Continuity Plan Network infrastructure test allowed seamless transition to all-remote work COVID Taskforce: COVID taskforce provided ongoing guidance and support for rapidly evolving environment Facilities created Return to Work Policies & Procedures, procured necessary supplies and prepared offices for re-opening, in compliance with ever-changing local, state and federal regulations Infrastructure in place (Envoy application/building ventilation system audits completed to ensure safe workplace for those that had to visit office) Government Relations – impacted licensing (See further information below)	24%
Overall Corporate Achievement	**0%**	**100%**	**200%**		**128%**

The Compensation Committee did not use its discretion to modify performance metrics under the STIP in light of COVID-19, however, as described in the table above, as part of its consideration of its discretionary goal, the Compensation Committee considered the substantial efforts made by the Company to continue operations and continue to perform in light of COVID-19 and its challenges. For example, the Committee considered that the Company proactively managed the dynamics presented with the COVID-19 pandemic while simultaneously investing in employee engagement. Recognizing the multi-faceted efforts needed to support our workforce, the Company undertook Project IDeal which embodied the various workstreams focused on delivering solutions and staying connected to our employees to create as ideal of a workforce possible for our employees now and going forward. Some of these efforts included responses in the following areas:

- **Virtual/Flexible Working resources:** Invested in Microsoft Teams capability and enhancements for the global workforce and provided a remote work stipend for employees in support of home office needs.
- **Return to Office Approach:** Launched return to office policies and procedures and provided COVID-19 Guidelines for In-Person meeting requests, prepared a formal Office Reopening Plan inclusive of occupancy, health, and safety standards and expectations in advance of office reopening's globally, enacted infrastructure for application/building ventilation that were successfully audited to ensure a safe workplace for those employees who had to visit an office, and established a Future of Work team focused on the future work environment and crafting a formalized flexible work policy.

- **Communication:** Implemented IDcares 'hotline' to capture real time questions, comments, or feedback, launched two employee engagement surveys to assess how the company is responding to employee needs and how the company can continue to support employees – feedback was used to invest in areas that mattered most to employees, and a dedicated COVID-19 task force provided ongoing guidance due to the rapidly evolving global environment.
- **Engagement:** Demonstrated a significant investment in wellness and wellbeing through monthly facilitated learning sessions, launching a global wellness platform, addressing ways to manage stress and fatigue, introducing a COVID for Good sharing channel, conducting on-going tailored internal training programs and sponsoring employees to attend best-in-class external development programs that align to their career aspirations and providing COVID-19 test kits to employees globally in advance of the holiday season.

Personal Performance Component. The Personal Performance component of each NEO's STIP is based on pre-established criteria and evaluated by the Compensation Committee at the end of the year. For the CEO, the Compensation Committee considered the Board's assessment of performance, as reflected in the assessment of the non-executive Chairman of the Board. For 2020, Mr. Merritt was further assessed on performance of the strategic corporate goals as his personal achievement of the following:

Goal	Achievements
Revenue	Despite certain macroeconomic conditions, InterDigital was able to successfully execute on its strategy to increase revenue, which increased to $359.0 million, the highest since 2017.
Increase in Revenue Platform	InterDigital's recurring revenue saw a 13% increase year over year.
Licensing Business Execution	InterDigital continued to drive transparency in licensing through disclosing the rate structure, portfolio data and licensing principles, which contributed toward furthering negotiations, or, when necessary, engaging in litigation, to further licensing execution.
Business Transformation	InterDigital incorporated a number of new team members into its executive team across the organization.
Expense Management	InterDigital committed to bring its 2020 operating expense exit rate to 2017 levels, which it achieved.

For the other NEOs, the Compensation Committee reviewed the performance assessments provided by Mr. Merritt with respect to each executive's individual performance and considered its own direct interactions with each NEO as well, including the impact on achievement of the strategic corporate goals and each how well such NEO's department performed during the year with respect to the department's goals/primary projects. After completing the evaluations, the Compensation Committee determined that the personal performance achievement against objectives for each executive was as follows:

Named Executive Officer	Personal Performance Factor (0%-200%)
William J. Merritt	120%
Richard J Brezski	105%
Richard L. Gulino	95%
Kai O. Öistämö	100%

STIP Payout Calculation

Using the formula presented above, the payout for each executive was based on both Corporate Achievement and Personal Performance. The following table lays out the calculations for each Named Executive Officer for 2020:

Named Executive Officer	2020 Base Salary ($)	Target bonus as percentage of base salary	Corporate Achievement (applies to 50% of target award)	Personal Performance (applies to 50% of target award)	Overall achievement as % of target	Target bonus ($)	Actual Bonus ($)
Merritt	690,000	100%	128%	120%	124%	690,000	855,600
Brezski	402,500	75%	128%	105%	117%	301,875	351,684
Gulino	360,500	60%	128%	95%	112%	216,300	241,175
Öistämö(1)	609,000	100%	128%	100%	114%	456,750	520,695

(1) Mr. Öistämö's payout was pro-rated based on the portion of the year during which he worked.

The 2020 STIP awards paid to the NEOs 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 2020, and the Summary Compensation Table below reports the amounts actually earned by each NEO for 2020 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 consists of three components:

Equity Vehicle	What it Does	Vesting Requirements
Performance-based RSUs	Aligns NEO and shareholder interests by tying value to both business results and future stock price.	Achievement of specified performance goals is required for vesting. For performance that falls below threshold achievement, no equity vests; vesting is capped at 200% of target. Performance-based options' exercise term is typically 7 to 10 years. Specific vesting occurs based on satisfaction of performance goals as set forth below under "– A Closer Look at 2020 LTCP Performance-Based RSUs and Options."
Performance stock options	Rewards for stock price appreciation and achievement of underlying goals.	
Time-based RSUs	Focuses our executives on long-term share ownership and sustained value.	Three-year cliff or ratable vesting of shares.

2020 LTCP Grant

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 and encourage collaboration and shared responsibility for executing the company's strategic plan. The Compensation Committee approved LTCP equity grants on March 31, 2020 that were comprised of the following equity vehicles:

	2020 LTCP Grant: Equity Mix		
NEO	**Performance-Based RSUs**	**Performance Based Stock Options**	**Time-Based RSUs**
William J. Merritt	33%	33%	33%
Richard J. Brezski	75%	0%	25%
Richard L. Gulino	75%	0%	25%
Kai O. Öistämö	33%	33%	33%

The table below shows the target award values for the 2020 LTCP grant for each of the NEOs:

	Performance-Based RSUs(1)	**Performance-Based Stock Options(2)**	**Time-Based RSUs(1)**	**Total Value**
William J. Merritt	$1,083,348	$1,083,348	$1,083,383	$3,250,079
Richard J. Brezski	900,008	—	300,002	1,200,010
Richard L. Gulino	675,028	—	225,024	900,052
Kai O. Öistämö	666,682	666,682	666,702	2,000,066

(1) Award amounts for performance-based and time-based RSUs were determined based on the closing price of our common stock on March 31, 2020, the date of grant.

(2) Individual award amounts for options were calculated based on Black-Scholes values.

A Closer Look at 2020 LTCP Performance-Based RSUs and Options. The actual number of performance-based RSUs and performance-based options (the "Performance Awards") from the 2020 LTCP grant that may vest is based on the achievement of one or both goal(s) set by the Compensation Committee. The goals employed for the 2020 LTCP are Normalized Cash Flows (excluding China Revenue) and China Revenue Platform. If specified performance goals are not met, no payout will occur.

Performance Awards may vest at the end of a three-year performance period (January 1, 2020 through December 31, 2022) based on specified threshold, target and maximum levels of Normalized Cash Flow. If the threshold level of achievement is not met, no payout will occur. Goal achievement for performance that falls between the amounts established for threshold, target and maximum achievement above is calculated using straightline interpolation between the target achievement level and the actual achievement level. Achievement of the threshold level of performance will result in a 50% payout.

Performance Awards granted under the 2020 LTCP cycle alternatively may vest based on the second performance metric, China Revenue Platform. Growth in our China Revenue is much less predictable due to regulatory issues and the general business climate. Further, we believe the opportunities in China represent an outsized portion of our overall opportunity and recognize the strategic importance of rapidly acting on this initiative. As a result of these factors and to motivate our executives to grow our China Revenue stream, we have structured a portion of the 2020 LTCP as a set of milestones towards achieving our five-year goal for our China Revenue Platform (such awards, "Milestone Awards"). For each of the five milestones that is achieved, 20% of the executives' target Milestone Awards will vest. The Milestone Awards may vest at any time during the 5-year performance period, to the extent that one or more of the milestones are achieved.

The total aggregate achievement from the China Revenue Platform milestone goals and the Normalized Cash Flow goal cannot exceed 200% of target. For example, if all of the five China Revenue Platform goals have been achieved by December 31, 2022, the measurement date for the Normalized Cash Flow goal, yet the Normalized Cash Flow achievement reached the maximum level, only 100% of target will vest as a result of the Normalized Cash Flow goal achievement.

The first China Revenue Platform milestone goal was met in June 2020; as a result, 20% of target Milestone Awards vested on July 15, 2020.

Status of Prior LTCP Grants:

2018 LTCP Grant Interim Measurement: The 2018 LTCP performance-based RSUs have a five-year performance period (January 1, 2018 – December 31, 2022), with an interim measurement date on December 31, 2020. As of such interim measurement date, pursuant to the goals as modified in 2020, the company has not achieved the threshold pro forma EBITDA. As a result, 0% of the 2018 performance-based awards have vested. The Compensation Committee will reassess performance results at the end of the full performance period on December 31, 2022 to determine if any awards will vest at that time.

Our 2017, 2018 and 2019 performance based RSUs and options have an interim vesting feature that allows executives to earn all or a portion of their awards at the end of three years if the five-year goals are attained early. While our goals are rigorously set in line with performance expectations for the business over the full five years of the performance period, the Committee believes that putting an incentive in place to accelerate the attainment of our five-year goals is in the best interests of the business and our shareholders. While this feature did not yet result in a payout, we continue to believe that this feature continues to provide a powerful motivation to our executive team.

2017, 2018 and 2019 LTCP Grant Goals: In 2017, 2018 and 2019, the NEOs at the time were granted performance-based RSUs and some also received performance-based options with vesting based on the achievement of revenue platform and pro forma EBITDA goals. However, subsequent strategic decisions by the company impacted their relevance and appropriateness. In particular, the company disposed of the Hillcrest product business in 2019; additionally, the company completed the Technicolor acquisition in 2019 taking on additional cost in support of investments in video technology. These significant changes, coupled with intricacies of the cost accounting around the Madison joint licensing program, the CIR research tax credit and related matters, added significant complexity to measuring pro-forma EBITDA.

As a result, and in order to ensure that the outstanding performance-based awards successfully continued to align management's interest with those of the company's shareholders and support the company's leadership incentive objectives, the Compensation Committee approved the elimination of pro forma EBITDA goals as a scalable performance metric for the 2017, 2018 and 2019 LTCP performance cycles. Instead, the Compensation Committee approved pro forma EBITDA amounts as a threshold minimum for each grant. Maintaining the earnings goal as a threshold minimum retains a profitability metric while reflecting the business changes resulting from the acquisition and divestitures of the company. No modifications were made to the revenue targets, which remain appropriate and continue to drive shareholder value.

Other Practices, Policies and Guidelines

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 CEO's target ownership level is no less than the lesser of (i) the amount of company stock with a value of at least five times his current annual base salary or (ii) 65,000 shares. The company's other executive officers (including Mr. Brezski and Mr. Gulino) are expected to own no less than the lesser of (i) the amount of company stock with a value of at least two times their current annual base

salary or (ii) 12,500 shares. While he was an executive officer of the company, Mr. Öistämö was expected to own no less than the lesser of (i) the amount of company stock with a value of at least three and one-half times his current annual base salary or (ii) 25,000 shares.

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. Unearned performance-based RSUs and unexercised options do not count towards ownership guidelines. 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 December 31, 2020, all of the NEOs were in compliance with the guidelines.

Prohibition Against Hedging & Clawback Policy

The company's insider trading policy prohibits directors, officers, employees and consultants of the company from engaging in any hedging transactions involving company stock.

Compensation is subject to 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 the NASDAQ Stock Market.

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. The company's nonqualified deferred compensation plan (the "deferred compensation plan") provides a select group of 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 2020, 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; in 2020, these contributions received the investment performance of the company's 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."

Severance Arrangements with NEOs

In October 2018, the company adopted the InterDigital, Inc. Executive Severance Policy, which has an initial term of three years and automatically renews for additional successive one-year periods thereafter (unless the company provides notice of non-renewal at least 30 days before the expiration of the term (as extended by any renewal period)). Among other things, the Executive Severance Policy provides severance payments and benefits upon certain qualifying terminations of employment, including upon termination of the NEO's employment by the company without "Cause," and provides 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 Executive Severance Policy. For more information regarding the provisions governing these termination scenarios, please see "Potential Payments upon Termination or Change in Control."

Recent Developments – Change in CEO

As disclosed in a Form 8-K filed on March 16, 2021, Mr. Merritt notified the Company of his intention to retire from his position at the Company and resign from the Board of Directors of the Company effective April 5, 2021. In consideration of his distinguished service to the Company and the Company's desire to ensure a smooth transition to his successor, the Company entered into a Retirement & Transition Agreement and Release with Mr. Merritt (the "Merritt Retirement Agreement") on March 16, 2021. Pursuant to the Merritt Retirement Agreement, Mr. Merritt agreed to provide limited transition services on a part-time basis for a period of 100 calendar days following April 5, 2021 in consideration of the Company's agreement to provide Mr. Merritt with pro rata vesting of his unvested time-based restricted stock units ("RSUs"), in order to facilitate and ensure a smooth transition to his successor. All of Mr. Merritt's other Company equity awards ceased vesting as of April 5, 2021.

In connection with Mr. Chen's appointment as President and Chief Executive Officer of the Company and member of the Company's Board of Directors, in each case effective April 5, 2021, the Company and Mr. Chen entered into an employment arrangement providing for his compensation. As further described in the Form 8-K, Mr. Chen is eligible to receive an annual base salary in the amount of $690,000, participation in the short-term incentive plan with a target payout of 100% of his annual base salary (and a maximum payout of 200% of his annual base salary), long-term equity incentive awards, a sign-on cash bonus of $1,500,000 (payable one-third upon his commencement of employment, and one-third on each of the six-month and 1-year anniversary of his commencement of employment, subject to his continued employment except as provided below), Company contributions to the deferred compensation plan, relocation assistance, and participation in the Company's health and welfare benefit programs made available to other similarly situated employees as in effect from time to time.

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 STIP and LTCP 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 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 FASB ASC Topic 718 for our share-based compensation awards. FASB 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. FASB 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.

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
S. Douglas Hutcheson
Philip P. Trahanas

The foregoing Compensation Committee report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act and shall not otherwise be deemed filed under these acts, except to the extent specifically incorporated by reference.

Summary Compensation Table

The following table contains information concerning compensation awarded to, earned by or paid to our NEOs in the last three years (unless the NEO was not an executive officer of the Company during such year). Our NEOs consist of: (i) William J. Merritt, our former President and CEO who ceased to be an executive officer of the Company effective April 5, 2021; (ii) Richard J. Brezski, our CFO; (iii) Richard L. Gulino, our CLO, GC and Corporate Secretary; and (iv) Kai O. Öistämö, our former COO who ceased to be an executive officer of the Company effective September 30, 2020. Additional information regarding the items reflected in each column follows the table.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)(4)	Option Awards ($)(5)	Non-Equity Incentive Plan Compensation ($)(6)	All Other Compensation ($)(7)	Total ($)
William J. Merritt	2020	690,000	—	1,083,348	—	855,600	13,556	2,642,504
Former President and Chief	2019	681,346	—	1,083,383	1,083,383	555,450	13,406	3,416,967
Executive Officer	2018	640,000	—	1,666,750	—	660,000	42,621	3,009,287
Richard J. Brezski	2020	402,500	—	300,003	—	351,684	23,325	1,077,512
Chief Financial Officer	2019	400,783	—	250,000	—	243,009	23,094	916,886
and Treasurer	2018	396,550	—	250,050	—	252,801	20,132	919,483
Richard L. Gulino(8)	2020	357,332	—	225,024	—	241,175	13,078	836,609
Chief Legal Officer, General Counsel and Corporate Secretary								
Kai O. Öistämö	2020	463,777	—	666,683	—	520,695	89,182	1,740,337
Former Chief Operating	2019	606,404	550,000	666,702	666,702	520,695	105,353	3,115,806
Officer	2018	133,846	550,000	1,150,117(9)	—	427,500	81,015	2,192,361

(1) Base salary increases, as applicable, for 2020, 2019, and 2018 became effective on April 1, April 1, and July 1, respectively, of each year. Amounts reported reflect the value of base salary earned by each NEO during such years.

(2) In connection with his hiring as COO in October 2018, Mr. Öistämö received a sign-on bonus, one-half of which was paid in 2018 and the other half of which was paid in 2019.

(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 13 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2020. 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 13 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2020.

On March 31, 2020, the company granted performance-based RSU awards to its NEOs, including Milestone Awards. Additionally, on January 15, 2020, the company granted a performance-based RSU award to Richard L. Gulino under the 2019 LTCP. As of such dates, consistent with the estimate determined as of the respective grant date under FASB ASC Topic 718, the probable outcome of the performance conditions for these grants did not meet the threshold for recording compensation cost, and, as a result, their grant date

value was $0. The following table sets forth the grant date fair value of the performance-based RSUs granted to the NEOs in 2020 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level equating to performance against target of at least 200%:

NEO	Maximum Value Performance-Based RSU Awards Granted in 2020 ($)
William J. Merritt	2,166,697
Richard J. Brezski	1,800,017
Richard L. Gulino	1,919,308
Kai O. Öistämö	1,333,365

(5) Amounts reported reflect the value recognized for financial reporting purposes in accordance with FASB ASC Topic 718. During 2020, the company granted performance-based options to Mr. Merritt and Mr. Öistämö, including Milestone Awards. As of the grant date, consistent with the estimate determined as of the respective grant date under FASB ASC Topic 718, the probable outcome of the performance conditions for these grants did not meet the threshold for recording compensation cost, and, as a result, their grant date value was $0. The following table sets forth the grant date fair value of the performance-based stock options granted to Mr. Merritt and Mr. Öistämö in 2020 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level of 200%.

NEO	Maximum Value 2020 LTCP Performance-Based Stock Option Awards ($)
William J. Merritt	$2,144,991
Richard J. Brezski	—
Richard L. Gulino	—
Kai O. Öistämö	$1,319,986

The weighted-average assumptions underlying the above valuations under the Black-Scholes option pricing model are as follows: expected term of 6.5 years; volatility of 37.5%; a risk-free interest rate of 0.6%; and a dividend yield of 3.1%.

(6) Amounts reported 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 year 2020:

NEO	401(k) Plan Matching Contributions ($)(a)	Supplemental LTD ($)(b)	Deferred Compensation Plan Matching Contributions ($)(c)	PTO Payout ($)(d)	Travel Allowance ($)(e)	Total ($)
William J. Merritt	8,550	5,006	—	—	—	13,556
Richard J. Brezski	8,550	3,495	11,280	—	—	23,325
Richard L. Gulino	8,550	4,528	—	—	—	13,078
Kai O. Öistämö	—	5,353	—	3,829	80,000	89,182

(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) Amounts represent paid time off accrued but not taken, which, pursuant to company policy, is paid to employees upon employment termination.

(e) Amount represents a taxable stipend to compensate Mr. Öistämö for expenses related to his travel between his home and the company's office in Wilmington, Delaware.

(8) Mr. Gulino was not among the company's NEOs for 2018 or 2019.

(9) Includes $150,052, or 1,903 restricted stock units, that Mr. Öistämö forfeited upon his resignation from the Board on October 8, 2018.

Grants of Plan-Based Awards in 2020

The following table summarizes the grants of (i) cash awards under the STIP and (ii) options (OPT), time-based RSU awards (TRSU) and performance-based RSU awards (PSU) under the LTCP, each made to the NEOs during the year ended December 31, 2020. 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)						
Name	**Type of Award**	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)(3)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($)(4)**
William J. Merritt	STIP		0	690,000	1,380,000							
	OPT	3/31/2020								93,586	44.63	0
	TRSU	3/31/2020							24,274			1,083,348
	PSU	3/31/2020				12,137	24,274	48,548				0
Richard J. Brezski	STIP		0	301,875	603,750							
	TRSU	3/31/2020							6,722			300,003
	PSU	3/31/2020				10,083	20,166	40,332				0
Richard L. Gulino	STIP		0	216,300	432,600							
	TRSU	1/15/2020							1,210			69,575
	TRSU	3/31/2020							5,042			225,024
	PSU	1/15/2020				2,475	4,950	9,900				0
	PSU	3/31/2020				7,563	15,125	30,250				0
Kai O. Öistämo	STIP		0	609,000	1,218,000							
	OPT	3/31/2020								57,591	44.63	0
	TRSU	3/31/2020							14,938			666,683
	PSU	3/31/2020				7,469	14,938	29,876				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 2020. Such amounts ranged from 0 to 200% of the target payout, representing the maximum payout possible under the STIP. For all NEOs, the actual amount earned for fiscal 2020, which is reported in the Summary Compensation Table above, was based on the company's achievement of the 2020 strategic corporate goals established by the Compensation Committee in January 2020 and individual performance of the NEO during 2020.

(2) Amounts reported represent the potential threshold, target and maximum number of performance-based RSUs the NEO could earn, measured as of the grant date, pursuant to his or her performance-based RSU award for the 2020 LTCP. 100% achievement of the performance goal or goals associated with the award results in a 100% payout of the associated target amounts. Except for Milestone Awards, goal achievement for performance that falls between the amounts established for threshold, target and maximum achievement

is calculated using straightline interpolation between the target achievement level and the actual achievement level, with a threshold payout of 50% of target and a maximum payout of 200% of target. In June 2020, 20% of performance-based RSUs constituting Milestone Awards vested at the target level upon satisfaction of the first milestone under the respective awards.

(3) Amounts reported represent the target number of performance-based stock options granted. 100% achievement of the performance goal or goals associated with the award results in a 100% vesting of the associated target number of options. Except for Milestone Awards, goal achievement for performance that falls between the amounts established for threshold, target and maximum achievement is calculated using straightline interpolation between the target achievement level and the actual achievement level, with a threshold vesting of 50% of target and a maximum vesting of 200% of target. In June 2020, 20% of performance-based stock options constituting Milestone Awards vested at the target level upon satisfaction of the first milestone under the respective awards.

(4) Grant date fair value of RSU awards is determined in accordance with FASB ASC Topic 718. The TRSU awards granted in 2020 are scheduled to vest in full on March 15, 2023. 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 conditions for the 2020 LTCP did not meet the threshold for recording compensation cost, and, as a result, the grant date value of the performance-based RSU awards was $0. Accordingly, there is no value reported for the performance-based RSUs granted in 2020. Amounts reported also reflect the value at the grant date of the performance-based stock options granted in 2020 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. As of the date of grant, the probable outcome of the performance conditions for these performance-based options did not meet the threshold for recording compensation cost, and, as a result, their grant date value was $0. Accordingly, there is no value reported for the performance-based stock options granted to Mr. Merritt or Mr. Öistämö in 2020. See footnote (5) to the Summary Compensation Table above for the grant date fair value of the performance-based stock options granted to Mr. Merritt or Mr. Öistämö in 2020 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level of 200%.

Outstanding Equity Awards at 2020 Fiscal Year End

The following table sets forth information concerning outstanding option and stock awards of the NEOs as of December 31, 2020.

		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 (#) (1)**	**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	3/15/14	37,658	—	—	30.69	3/15/21				
	3/15/15	24,291	—	—	52.85	3/15/22				
	3/30/16	27,540	—	—	54.93	3/30/23				
	3/30/17	25,126	—	—	85.85	3/30/24				
	3/30/17(6)								17,473	1,060,262
	7/16/18(7)	—	—	127,470	83.35	7/16/28				
	7/16/18						19,997	1,213,418		
	7/16/18(8)								19,997	1,213,418
	3/15/19	27,379	51,795	—	67.71	3/15/26				
	3/15/19						16,024	973,429		
	3/15/19(9)								16,024	973,429
	3/31/20(12)	18,718	—	74,867	44.63	3/31/2030				
	3/31/20(13)								21,815	1,325,555
	3/31/20						24,274	1,472,946		
Richard J. Brezski	3/15/14	16,737	—	—	30.69	3/15/21				
	3/15/15	10,796	—	—	52.85	3/15/22				
	3/30/16	12,518	—	—	54.93	3/30/23				
	3/30/17(6)								6,116	371,119
	7/16/18						3,000	182,040		
	7/16/18(8)								8,999	546,059
	3/15/19						3,698	224,395		
	3/15/19(9)								11,094	673,184
	3/31/20						6,722	407,891		
	3/31/20(10)								16,128	978,647
Richard L. Gulino	10/15/19						962	58,374		
	10/15/19(9)								1,443	87,561
	1/15/20						1,210	73,423		
	1/15/20(9)								4,950	300,366
	3/31/20						5,042	305,949		
	3/31/20(10)								12,095	733,925
Kai O. Öistämö(11)	3/15/19	16,245	—	—	67.61	3/15/26				

(1) Amounts reported represent awards of options under the LTCP and are based on target performance measures. Except as described below, all options vest annually, in three equal installments, beginning on the first anniversary of the grant date. Certain of the 2018 and 2020 performance-based options vest upon the achievement of specified pre-approved milestones, when and if achieved, and not on pre-determined dates.

(2) All awards granted are time-based RSUs granted under the LTCP. Awards granted on July 16, 2018 vested on March 15, 2021; awards granted on March 15, 2019, October 15, 2019 and January 15, 2020 are scheduled to fully vest on March 15, 2022; and awards granted on March 31, 2020 are scheduled to fully vest on March 15, 2023.

(3) Values reported were determined by multiplying the number of unvested time-based RSUs by $60.68, the closing price of our common stock on December 31, 2020.

(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 $60.68, the closing price of our common stock on December 31, 2020.

(6) Performance-based RSU award granted for the 2017 LTCP. Eligible to vest on March 15, 2022, subject to the achievement of pre-approved performance goals established by the Compensation Committee measured as of December 31, 2021.

(7) Performance-based stock option award granted for the 2018 LTCP. Eligible to vest on March 15, 2023, subject to the achievement of pre-approved goals established by the Compensation Committee measured as of December 31, 2022. There is a two-year holding period following vesting of the performance-based stock options.

(8) Performance-based RSU award granted for the 2018 LTCP. Eligible to vest on March 15, 2023, subject to the achievement of pre-approved goals established by the Compensation Committee measured as of December 31, 2022.

(9) Performance-based RSU award granted for the 2019 LTCP. Eligible to vest on March 15, 2022, subject to the achievement of pre-approved goals established by the Compensation Committee measured as of December 31, 2021, and the remaining unvested portion, if any, shall remain eligible to vest on March 15, 2024, subject to the achievement of the same performance goals measured as of December 31, 2023.

(10) Performance-based RSU award granted for the 2020 LTCP that will either vest on March 15, 2023, subject to the achievement of pre-approved goals established by the Compensation Committee measured as of December 31, 2022, or upon the achievement of specified pre-approved milestones, when and if achieved, and not on any pre-determined date.

(11) Mr. Öistämö forfeited all of his unvested options and RSUs upon his resignation on September 30, 2020.

(12) Performance-based stock option awards granted for the 2020 LTCP that will either vest on March 15, 2023, subject to the achievement of pre-approved goals established by the Compensation Committee measured as of December 31, 2022, or upon the achievement of specified pre-approved milestones, when and if achieved, and not on any pre-determined date. There is a two-year holding period following vesting of the performance-based stock options.

(13) Performance-based RSU award granted for the 2020 LTCP that will either vest on March 15, 2023, subject to the achievement of pre-approved goals established by the Compensation Committee measured as of December 31, 2022, or upon the achievement of specified pre-approved milestones, when and if achieved, and not on any pre-determined date.

Option Exercises and Stock Vested in 2020

The following table sets forth information, on an aggregated basis, concerning stock options exercised and stock awards vested during 2020 for the NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)(1)	Value Realized on Exercise ($)(2)	Number of Shares Acquired on Vesting (#)(3)	Value Realized on Vesting ($)(4)
William J. Merritt	22,085	344,305	11,029	538,411
Richard J. Brezski	7,362	113,890	6,198	317,917
Richard L. Gulino	—	—	3,030	167,801
Kai O. Öistämö	—	—	2,994	165,808

(1) Amounts reported represent the total number of shares underlying exercised options, before deductions for tax withholdings and exercise price. The number of shares acquired from the net exercise was 3,910 for Mr. Merritt and 1,223 for Mr. Brezski.

(2) Amounts reported represent the number of options exercised times the applicable market price less the number of options exercised times the option exercise price.

(3) Includes dividend equivalents accrued and paid out in additional shares of common stock upon the vesting of the underlying awards.

(4) Amounts reported represent the 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 designated select group of 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 may elect to defer base salary and STIP payouts, and non-employee members of the Board 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 2020 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, 2019. For 2020, 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, and matching contributions under the deferred compensation plan were deemed to be notionally invested in the InterDigital Stock Fund and were 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 NEO information regarding the deferred compensation plan for 2020.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(4)
William J. Merritt	—	—	288,589	—	2,621,551
Richard J. Brezski	40,250	11,280	61,464	—	436,829
Richard L. Gulino	—	—		—	—
Kai O. Öistämö	—	—		—	—

(1) Contributions include deferred 2020 salary amounts and deferred 2019 STIP amounts (corresponding to the portion of the 2019 STIP amount paid in 2020). The payouts of the 2020 STIP were not made until 2021. As a result, any deferrals of the 2020 STIP are not reflected in this column. For Mr. Brezski, $40,250, was included in the "Salary" column of the Summary Compensation Table.

(2) For the 2020 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 2020 calendar year. The amounts disclosed in this column reflect matching contributions (made by the company in 2021) for 2020 NEO deferral contributions and are included in the "All Other Compensation" column of the Summary Compensation Table for fiscal year 2020.

(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 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.

(4) Aggregate balance consists of employee contributions made in 2013 through 2020, company matching contributions for 2013 through 2020 and notional investment earnings through 2020.

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 years 2013 through 2019, in the aggregate:

Name	Salary ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)
William J. Merritt	401,347	1,205,746	191,656
Richard J. Brezski	190,767	50,192	64,454
Richard L. Gulino	—	—	—
Kai O. Öistämö	—	—	—

The deferred compensation plan was implemented in 2013. Therefore, there are no amounts included that were reported as compensation to any NEO prior to 2013.

Potential Payments upon Termination or Change in Control

InterDigital, Inc. Executive Severance and Change in Control Policy

As discussed above in "Compensation Discussion and Analysis," our NEOs are eligible for benefits pursuant to the Executive Severance Policy, which provides for severance pay and benefits, among other things, in certain events of termination of employment, as described below.

Ms. Öistämö resigned from the Company on September 30, 2020. Therefore, no payments would have been made to him upon termination or change in control at December 31, 2020. The actual payments he received upon retirement are disclosed below under "Payments upon Resignation of Mr. Öistämö." Effective April 5, 2021, Mr. Merritt retired from his position as President and Chief Executive Officer.

Time-Based RSU, Performance-Based RSU, Options, Performance-Based Stock Options 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 days during the period beginning on the grant date and ending on the original vesting date ("Restricted Period") for which the NEO was employed by the total number of days during the Restricted 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 granted under the 2009 Plan or prior to the last year of a Performance Period for performance-based RSUs or options granted under the 2017 Plan, the NEO would forfeit eligibility to receive any payout of such performance-based RSUs or performance-based options. If an NEO's employment is terminated by the company without cause (as defined in the related award agreement) or by reason of the named executive officer's death or disability, in each case, after the second anniversary of the grant date for performance-based RSUs granted under the 2009 Plan or during the last year of a Performance Period for performance-based RSUs or options granted under the 2017 Plan, the performance-based RSUs or options will vest as to a prorated portion (based on the number of payroll periods or days the NEO was employed during the applicable performance period) of the number of RSUs or options that would have otherwise become vested according to actual performance during the performance period. In the event of a termination without cause, the prorated vesting is conditioned upon the NEO's execution of a release of claims in favor of the company within 60 days following termination of employment for all awards granted under the 2017 Plan.

If an NEO's employment terminates without cause or by reason of an NEO's death or disability, the NEO would be entitled to pro-rata vesting of stock options granted as part of the LTCP. Such prorated portion is

determined by multiplying the total number of shares subject to the then-unvested portion of the option by the fraction equal to the number of days during the period beginning on the later of the grant date or the most recent vesting date and ending on the third anniversary of the grant date ("Restricted Period") for which the NEO was employed divided by the total number of days during the Restricted Period and subject to the NEO's execution of a release of claims in favor of the company within 60 days following termination of employment.

Pursuant to the terms of the Executive Severance Policy, in the event of a termination without "cause" or resignation for "good reason," in each case, on or within one year following a "change in control" of the company, each NEO would be entitled to receive an amount equal to 100% of their respective target payouts under the STIP.

Pursuant to the terms of the equity awards and STIP, the NEO forfeits any such awards if employment terminates for cause or the NEO resigns.

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 with the company for any reason, the NEO would receive a distribution of 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 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 the 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 the 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 Performance-Based Option and STIP Awards" above for a description of the treatment of the outstanding equity 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, if applicable, in accordance with his or her 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

The company may terminate the employment of any NEO at any time for "cause" which is generally defined in the Executive Severance Policy 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 the Executive Severance Policy 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 company (or the case of our Chief Executive Officer, 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 Executive Severance Policy, in the event of a termination without cause, the NEO would be entitled to receive the Standard Entitlements. In addition, provided the NEO executes a separation agreement in a form acceptable to the company (which may include, among other things, a broad release of all claims against the company, a non-disparagement, a non-solicitation and other standard restrictive covenant provisions) (a "Separation Agreement"), the NEO would be entitled to receive: (i) severance in an amount equal to one and a half times base salary then in effect (or, in the case of our Chief Executive Officer, two and a half times base salary then in effect) paid over a period of eighteen months (or, in the case of our Chief Executive Officer, thirty months); (ii) health coverage on terms and conditions comparable to those most recently provided for the period of one year (or, in the case of our Chief Executive Officer, eighteen months) 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 Following a Change in Control

Pursuant to the terms of the Executive Severance Policy, if the company terminates an NEO other than for cause or such NEO terminates employment with us for "good reason", in each case within one year following a change in control of the company, he or she would be entitled to receive the Standard Entitlements. In addition, provided that he or she executes a Separation Agreement, the NEO would be, entitled to (i) severance in an amount equal to two times base salary then in effect (in the case of our Chief Executive Officer, three times base salary then in effect) plus one times the target bonus under the STIP then in effect and (ii) an amount equal to the cost of continued health coverage on terms and conditions comparable to those most recently provided for the period of twenty-four months, in each case, paid in a lump sum 60 days after date of termination. Termination for "good reason" 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 payment of the NEO's compensation; (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 Executive Severance Policy or the company's nondisclosure and assignment of ideas agreement.

If the company terminates an NEO other than for cause or such NEO terminates his or her 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 and performance-based stock option awards at target and (ii) all outstanding stock option and time-based RSU awards would become fully vested. Those equity awards granted under the 2017 Plan would be subject to the NEO's execution of a Separation Agreement. Any transfer restriction otherwise applicable to shares subject to performance-based stock options will lapse upon a change in control.

For this purpose, under the Executive Severance Policy, "change in control" has the same defined meaning as set forth in the company's 2017 Equity Incentive Plan.

Change in Control without Termination

In the event of a change in control without termination, outstanding performance-based RSU awards granted under the 2009 Plan will be treated as provided in the individual award agreement. A change in control without termination does not result in any acceleration of performance-based RSUs under the 2017 Plan.

Post-Termination Obligations

Each of the NEOs is bound by certain confidentiality obligations, which extend indefinitely. 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 an NEO upon termination constitute "parachute payments" pursuant to Section 280G of the Code, the Executive Severance Policy provides that the payments will be either (i) reduced to such lesser amount that would result in no amount being subject to excise tax or (ii) made in full, whichever produces the larger after-tax net benefit to the NEO. The Executive Severance Policy does not provide for an excise tax "gross-up."

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 by the company without cause or by the NEO for good reason within one year of a change in control of the company; 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, 2020, and the price per share used to calculate the value of the company's stock awards was $60.68, the per share closing market price of our common stock on December 31, 2020, the last business day of 2020. The amounts reflected are estimates of the amounts that would have been paid to the NEOs upon their termination pursuant to existing terms in place at December 31, 2020. 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

As described above, in connection with his retirement from the Company effective April 5, 2021, the Company entered into the Merritt Retirement Agreement, pursuant to which Mr. Merritt agreed to provide limited transition services on a part-time basis for a period of 100 calendar days following April 5, 2021 in consideration of the Company's agreement to provide Mr. Merritt with pro rata vesting of his unvested time-based restricted stock units ("RSUs"), in order to facilitate and ensure a smooth transition to his successor. All of Mr. Merritt's other Company equity awards ceased vesting as of April 5, 2021. Mr. Merritt did not receive any of the cash severance set forth in the table below.

Assuming the following events occurred on December 31, 2020, 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	—	2,169,132(3)	2,621,551	—	20,000	—	—
Retirement	—	—	2,621,551	—	—	—	—
Death	—	2,169,132(3)	2,621,551	750,000	—	—	—
Without Cause	1,725,000(1)	2,169,132(3)	2,621,551	—	—	35,774(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Merritt for Good Reason, within 1 year)	2,760,000(2)	10,065,416(4)	2,621,551	—	—	47,699(9)	10,000
Change in Control (Without Termination)	—	—	2,621,551	—	—	—	—

(1) This amount represents cash payments under our Executive Severance Policy equal to two and a half times Mr. Merritt's base salary of $690,000, which he is entitled to receive once his Separation Agreement becomes effective and is payable in equal installments over a period of 30 months after the date of his termination.

(2) This amount represents cash payments under our Executive Severance Policy equal to the sum of three times Mr. Merritt's base salary of $690,000 plus his target 2019 STIP payout of $690,000. 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, 2020, of Mr. Merritt's time-based and performance-based RSUs granted for the 2018 LTCP, time-based RSUs granted for the 2019 and 2020 LTCPs 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 granted for the 2019 and 2020 LTCP since a termination on December 31, 2020, would not be in the final year of the applicable performance periods. 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 for the 2018 LTCP (the performance period for which ended December 31, 2020), the amount reflects the actual payout of 0% of target (based on actual performance over the performance period) 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) $1,181,122, representing the value of 19,465 time-based RSUs granted for the 2018 LTCP (plus cash in lieu of a fractional share); (b) $608,034, representing the value of 10,020 time-based RSUs granted for the 2019 LTCP (plus cash in lieu of fractional share); and (c) $379,975, representing the value of 6,262 time-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share). In addition, in the event of a termination by the company without cause, Mr. Merritt would also be entitled to pro rata vesting of his options granted for the 2019 LTCPs, resulting in the accelerated vesting of 6,392 options respectively. As the exercise price for the options granted to Mr. Merritt for the 2019 LTCPs is greater than $60.68, the value reflected in the table above for these options is zero.

(4) This amount represents the value, at December 31, 2020, of Mr. Merritt's time-based RSUs, performance-based RSUs and option awards granted for the 2018, 2019 and 2020 LTCPs 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) $1,278,345 representing the value of 21,067 time-based RSUs granted for the 2018 LTCP (plus cash in lieu of a fractional share); (b) $1,278,345, representing the value of 21,067 performance-based RSUs granted for the 2018 LTCP (plus cash in lieu of a fractional share); (c) $1,104,316, representing the value of 16,716 time-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); (d) $1,104,316 representing the value of 16,716 performance-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); (e) $1,490,884, representing the value of 24,570 time-based RSUs for the 2020 LTCP (plus cash in lieu of a fractional share); (f) $1,341,687, representing the value of 22,111 performance-based RSUs for the 2020 LTCP (plus cash in lieu of a fractional share) and (g) $1,145,458 representing the value of 18,877 performance-based RSUs for the 2017 LTCP (plus cash in lieu of a fractional share). The value of the accelerated options is the aggregate spread between the closing stock price of $60.68 on December 31, 2020 and the exercise price of the options. Mr. Merritt also would be entitled to the accelerated vesting of 52,794 options granted for the 2019 LTCP, as well as 53,735 and 93,586 performance-based options granted for the 2018 and 2020 LTCPs respectively. The exercise price for outstanding options granted under the 2018 and 2019 LTCPs is greater than $60.89, the value reflected in the table above for these options is zero. The exercise price for the performance-options granted under the 2020 LTCP is 44.63, therefore, the value of the accelerated options from the 2020 LTCP would be $1,341,697.

(5) This amount represents the balance, at December 31, 2020, 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 $750,000.

(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, 2020, 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, 2020 pursuant to the Executive Severance Policy.

(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, 2020 pursuant to the Executive Severance Policy.

(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, 2020, Mr. Brezski'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	—	422,703(3)	436,829	—	20,000	—	—
Retirement	—	—	436,829	—	—	—	—
Death	—	422,703(3)	436,829	603,750	—	—	—
Without Cause	603,750(1)	422,703(3)	436,829	—	—	23,849(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Brezski for Good Reason, within 1 year)	1,106,875(2)	3,631,665(4)	436,829	—	—	47,699(9)	10,000
Change in Control (Without Termination)	—	—	436,829	—	—	—	—

(1) This amount represents cash payments under our Executive Severance Policy equal to one and a half times Mr. Brezski's base salary of $402,500, 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 cash payments under our Executive Severance Policy equal to the sum of two times Mr. Brezski's base salary of $402,500 and one times his target 2019 STIP payout of $301,875. 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, 2020, of Mr. Brezski's time-based and performance-based RSUs granted for the 2018 LTCP, time-based RSUs granted for the 2019 and 2020 LTCP 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 granted in 2019 or 2020 since a termination on December 31, 2020 would be prior to the final year of a performance period. 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 for the 2018 LTCP (the performance period for which ended December 31, 2020), the amount reflects the actual payout of 0% of target (based on actual performance over the performance period) 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) $177,195 representing the value of 2.920 time-based RSUs granted for the 2018 LTCP (plus cash in lieu of a fractional share); (b) $140,298, representing the value of 2,312 time-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); and (c) $105,210, representing the value of 1,734 time-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share).

(4) This amount represents the value, at December 31, 2020, of Mr. Brezski's time-based and performance-based RSUs granted pursuant to the 2018, 2019 and 2020 LTCP 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) $191,781, representing the value of 3,161 time-based RSUs granted for the 2018 LTCP (plus cash in lieu of a fractional share); (b) $575,277, representing the value of 9,481 performance-based RSUs granted for the 2018 LTCP (plus cash in lieu of a fractional share); (c) $234,043, representing the value of 3,857 time-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); (d) $702,248, representing the value of 11,573 performance-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); (e) $412,806, representing the value of 6,803 time-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share); (f) $1,114,570, representing the value of 18,368 performance-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share); and (g) $400,939, representing the value of 6,607 performance-based RSUs granted for the 2017 LTCP

(5) This amount represents the balance, at December 31, 2020, 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.

(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 $750,000.

(7) 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, 2020, 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. Brezski as of December 31, 2020 pursuant the Executive Severance Policy.

(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. Brezski as of December 31, 2020 pursuant to the Executive Severance Policy.

(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 L. Gulino

Assuming the following events occurred on December 31, 2020, Mr. Gulino'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	—	159,704(3)	—	—	20,000	—	—
Retirement	—	—	—	—	—	—	—
Death	—	159,704(3)	—	540,750	—	—	—
Without Cause	540,750(1)	159,704(3)	—	—	—	23,849(8)	10,000
Change in Control (Termination by Us Without Cause or by Mr. Gulino for Good Reason, within 1 year)	937,300(2)	1,676,458(4)	—	—	—	47,699(9)	10,000
Change in Control (Without Termination)	—	—	—	—	—	—	—

(1) This amount represents cash payments under our Executive Severance Policy equal to one and a half times Mr. Gulino'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 cash payments under our Executive Severance Policy equal to the sum of two times Mr. Gulino's base salary of $360,500 and one times his target 2020 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, 2020, of Mr. Gulino's time-based RSUs granted for the 2019 and 2020 LTCP that would vest upon termination due to disability, death or termination by the company without cause. Pursuant to the terms of the awards, Mr. Gulino would forfeit eligibility to receive any payout of performance-based RSUs granted in 2019 and 2020 since a termination on December 31, 2020, would be prior to the final year of a performance period. 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. 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) $80,779, representing the value of 1,331 time-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); and (b) $78,925, representing the value of 1,301 time-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share).

(4) This amount represents the value, at December 31, 2020, of Mr. Gulino's time-based and performance-based RSUs granted pursuant to the 2019 and 2020 LTCP 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) $134,754, representing the value of 2,221 time-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); (b) $396,118, representing the value of 6,528 performance-based RSUs granted for the 2019 LTCP (plus cash in lieu of a fractional share); (c) $309,675, representing the value of 5,103 time-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share); and (d) $835,912, representing the value of 13,776 performance-based RSUs granted for the 2020 LTCP (plus cash in lieu of a fractional share).

(5) This amount represents the balance, at December 31, 2020, of Mr. Gulino's deferred compensation plan account.

(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 $750,000.

(7) This amount represents the monthly benefit that would become payable to Mr. Gulino under our executive long-term disability plan in the event of his termination due to disability on December 31, 2020, 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. Gulino as of December 31, 2020 pursuant the Executive Severance Policy.

(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. Gulino as of December 31, 2020 pursuant to the Executive Severance Policy.

(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.

Payments upon Resignation of Kai O. Öistämö

Upon Mr. Öistämö's resignation from the Company on September 30, 2020, Mr. Öistämö did not receive any severance payments and forfeited all of his unvested RSUs and options.

Chief Executive Officer Pay Ratio

We believe our executive compensation program must be consistent and internally equitable to motivate our employees to perform. The Compensation Committee monitors the relationship between the pay of our executive officers and the pay of our non-executive employees. The Compensation Committee reviewed a comparison of our Chief Executive Officer's annual total compensation in fiscal year 2020 to that of the median of all other employees for that same period.

Now that Technicolor SA, has been fully integrated into the organization and significantly increased our headcount, we identified a new median employee for fiscal year 2020 to calculate our pay ratio. Due to the inclusion of these additional employees outside of the United States, our pay ratio increased from the 19 times pay ratio in 2019, as the pay of the newly included employees is lower than those examined in the United States in 2019.

Our Chief Executive Officer's total 2020 compensation, as set forth in the Summary Compensation Table above, was approximately $2,642,504, and our median employee's total 2020 compensation was approximately $113,969, making our Chief Executive Officer's pay in 2020 approximately 23 times the pay of our median employee.

The pay ratio described above is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K. The median employee was identified by determining the compensation for each employee using the following consistently applied compensation measures:

- Annual Salary for fiscal year 2020;
- Annual incentive bonus target (i.e., STIP award); and
- Grant date fair value of equity awards (or long-term cash compensation award) granted during fiscal year 2020.

Our calculation includes all employees in the United States, France, Canada, United Kingdom, Germany, Finland and Belgium as of December 31, 2020. We applied U.S. exchange rates to the compensation elements paid in non-U.S. dollars.

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, 2020:

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	1,568,438	$58.83	933,695
Equity compensation plans not approved by InterDigital shareholders(3)	—		—
Total	1,568,438		933,695

(1) Column (a) includes 267,115 shares of common stock underlying outstanding time-based RSU awards, 784,672 shares of common stock underlying outstanding performance-based RSU awards, assuming a maximum payout of 200% of the target after the end of the applicable performance period, 26,397 shares of common stock underlying outstanding time-based stock options, and 393,834 shares of common stock underlying outstanding performance-based stock options, assuming a maximum payout of 200% of the target after the end of the applicable performance period, as well as 47,003 dividend equivalents credited in respect of the RSU awards. 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 14, 2017, the company's shareholders adopted and approved our 2017 Equity Incentive Plan (the "2017 Plan"), which provides for grants of stock options, stock appreciation rights, restricted stock, RSUs, performance units, performance shares and incentive cash bonuses. Amounts reported relate to securities available for future issuance under the 2017 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 30,812,218 shares of our common stock outstanding as of March 31, 2021, 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, 2021, 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. The table below excludes dividends and dividend equivalent units that will be payable on April 28, 2021.

	Common Stock	
Name	**Shares**	**Percent of Class**
Directors and Director Nominees:		
Liren Chen	—	—
Joan H. Gillman(1)	9,026	*
S. Douglas Hutcheson(2)	16,123	*
John A. Kritzmacher	14,144	*
Pierre-Yves Lesaicherre	—	—
John D. Markley, Jr.(3)	7,500	*
William J. Merritt(4)	310,985	1.0%
Jean F. Rankin	22,038	*
Philip P. Trahanas(5)	9,314	*
Named Executive Officers:		
Richard J. Brezski(6)	71,823	*
Richard L. Gulino	2,101	*
Kai O. Öistämö(7)	13,308	*
All directors, director nominees and named executive officers as a group (12 persons)(8)	476,361	1.5%
Greater Than 5% Shareholders:		
BlackRock, Inc.(9) 55 East 52nd Street New York, New York 10055	3,677,761	11.9%
The Vanguard Group(10) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	2,864,498	9.3%

* Represents less than 1% of our outstanding common stock.

(1) Includes 8,701 shares of common stock that have vested but have been deferred by Ms. Gillman.

(2) Includes 9,741 shares of common stock that have vested but have been deferred by Mr. Hutcheson.

(3) Includes 2,119 shares of common stock that have vested but have been deferred by Mr. Markley.

(4) Includes 148,469 shares of common stock that Mr. Merritt has the right to acquire through the exercise of stock options and 3,422 shares of common stock beneficially owned by Mr. Merritt through participation in the 401(k) Plan.

(5) Includes 9,314 shares of common stock that have vested but have been deferred by Mr. Trahanas.

(6) Includes 23,314 shares of common stock that Mr. Brezski has the right to acquire through the exercise of stock options and 1,875 shares of common stock beneficially owned by Mr. Brezski through participation in the 401(k) Plan.

(7) Mr. Öistämö was not an executive officer of the company as of March 31, 2021, but is an NEO for purposes of this proxy statement

(8) Includes: 188,028 shares of common stock that all directors, director nominees and named executive officers as a group have the right to acquire through the exercise of stock options; 29,875 shares of common stock that have vested but have been deferred by all directors, director nominees and named executive officers as a group; and 5,296 shares of common stock beneficially owned by all directors, director nominees and named executive officers as a group through participation in the 401(k) Plan.

(9) As of December 31, 2020, based on information contained in the Schedule 13G/A filed on February 5, 2021 by BlackRock, Inc. With respect to the shares beneficially owned, BlackRock, Inc. reported that it has sole voting power with respect to 3,617,115 shares and sole dispositive power with respect to 3,677,761 shares.

(10) As of December 31, 2020, based on information contained in the Schedule 13G/A filed on February 10, 2021 by The Vanguard Group. With respect to the shares beneficially owned, the Vanguard Group reported that it has sole voting power with respect to 0 shares, shared voting power with respect to 44,437 shares, sole dispositive power with respect to 2,796,846 shares and shared dispositive power with respect to 67,652 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

During 2020, did all directors and officers timely file all reports required by Section 16(a) of the Exchange Act?

Based solely 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 2020, all of our directors and officers timely filed all reports required by Section 16(a).

How may shareholders make proposals or director nominations for the 2022 annual meeting?

Shareholders interested in submitting a proposal for inclusion in our proxy statement for the 2022 annual meeting may do so by submitting the proposal in writing to our Corporate Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727. To be eligible for inclusion in our proxy statement for the 2022 annual meeting, shareholder proposals must be received no later than December 17, 2021, 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 2022 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 4, 2022, and no later than April 3, 2022. However, if the date of our 2022 annual meeting is more than 30 days before or more than 60 days after the anniversary of our 2021 annual meeting, the submission and the required information must be received by us no earlier than the 90th day prior to the 2022 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 2022 annual meeting. Proposals or nominations that do not comply with the advance notice requirements in our bylaws will not be entertained at the 2022 annual meeting. A copy of the bylaws may be obtained on our website at *http://ir.interdigital.com* under the IR menu heading "Governance – Governance Documents," or by writing to our Corporate Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727.

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 2021, 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 Corporate 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.

How can I receive the annual report?

We will provide to any shareholder, without charge, a copy of our 2020 annual report on Form 10-K upon written request to our Corporate Secretary at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727. Our 2020 annual report and this proxy statement are also available online at *http://ir.interdigital.com/FinancialDocs*.

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.

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Appendix A

INTERDIGITAL, INC.

2017 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units, Performance Shares, Incentive Cash Bonuses, and other stock or cash awards as the Administrator may determine.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan. Unless otherwise determined by the Board, the Compensation Committee of the Board will be the Administrator.

(b) "Affiliate" means any entity that, directly or indirectly, controls, is controlled by, or is under common control with, the Company.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards and the related issuance of Shares under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and, only to the extent applicable with respect to an Award or Awards, the tax, securities, exchange control, and other laws of any jurisdictions other than the United States where Awards are, or will be, awarded under the Plan. Reference to a section of an Applicable Law or regulation related to that section shall include such section or regulation, any valid regulation issued under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(d) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Incentive Cash Bonuses, or other stock or cash awards as the Administrator may determine.

(e) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "Board" means the Board of Directors of the Company.

(g) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than 50% of the total voting power of the stock of the Company will not be considered a Change in Control. Further, if the shareholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of 50% or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event shall not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities that own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) A change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets that occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets:

(1) a transfer to an entity that is controlled by the Company's shareholders immediately after the transfer, or

(2) a transfer of assets by the Company to:

a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock,

b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company,

c) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or

d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3).

For purposes of this definition, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(h) "Code" means the Internal Revenue Code of 1986. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means InterDigital, Inc., a Pennsylvania corporation, or any successor thereto.

(l) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent, Subsidiary or Affiliate to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.

(m) "Covered Employee" means any Service Provider who would be considered a "covered employee" within the meaning of Section 162(m) of the Code.

(n) "Determination Date" means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as "performance-based compensation" under Code Section 162(m).

(o) "Director" means a member of the Board.

(p) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(q) "Dividend Equivalent" means a credit, made at the discretion of the Administrator or as otherwise provided by the Plan, to the account of a Participant in an amount equal to the cash dividends paid on one Share for each Share represented by an Award held by such Participant. Dividend Equivalents will not be paid unless and until the portions of the Awards representing the Shares with respect to which such dividends were credited have vested.

(r) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent, Subsidiary or Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(s) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(t) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is increased or reduced.

(u) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

Notwithstanding the foregoing, if the determination date for the Fair Market Value occurs on a weekend, holiday or other non-Trading Day, the Fair Market Value will be the price as determined under subsections (i) or

(ii) above on the immediately preceding Trading Day, unless otherwise determined by the Administrator. In addition, for purposes of determining the fair market value of shares for any reason other than the determination of the per Share exercise price of Options or Stock Appreciation Rights, fair market value will be determined by the Administrator in a manner compliant with Applicable Laws and applied consistently in the jurisdiction for such purpose. Note that the determination of fair market value for purposes of tax withholding may be made in the Administrator's sole discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes.

(v) "Fiscal Year" means the fiscal year of the Company.

(w) "Full Value Award" means any Award that results in the issuance of Shares other than Options, Stock Appreciation Rights or other Awards that are based solely on an increase in value of the Shares following the grant date.

(x) "GAAP" means U.S. generally accepted accounting principles.

(y) "Incentive Cash Bonus" means an opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period specified by the Administrator, granted pursuant to Section 12. Each Incentive Cash Bonus represents an unfunded and unsecured obligation of the Company.

(z) "Incentive Stock Option" means an Option that is intended to qualify and does qualify as an incentive stock option within the meaning of Section 422 of the Code.

(aa) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(bb) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(cc) "Option" means a stock option granted pursuant to the Plan.

(dd) "Outside Director" means a Director who is not an Employee.

(ee) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ff) "Participant" means the holder of an outstanding Award.

(gg) "Performance Goals" will have the meaning set forth in Section 13 of the Plan.

(hh) "Performance Period" means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(ii) "Performance Share" means an Award denominated in Shares that may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine pursuant to Section 11.

(jj) "Performance Unit" means an Award that may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine and that may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 11.

(kk) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, continued service, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(ll) "Plan" means this 2017 Equity Incentive Plan.

(mm) "Restricted Stock" means Shares issued pursuant to a Restricted Stock award under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

(nn) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(oo) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(pp) "Section 16(b)" means Section 16(b) of the Exchange Act.

(qq) "Securities Act" means the Securities Act of 1933, as amended.

(rr) "Section 409A" means Section 409A of the Code.

(ss) "Service Provider" means an Employee, Director or Consultant.

(tt) "Share" means a share of the Common Stock, as adjusted in accordance with Section 16 of the Plan.

(uu) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 10 is designated as a Stock Appreciation Right.

(vv) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(ww) "Trading Day" means a day on which the primary stock exchange or national market system on which the Common Stock trades is open for trading.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 16(a) of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 2,400,000 Shares, *plus* (ii) any Shares subject to stock options, restricted stock units, performance shares, performance units, or similar awards granted under the Company's 2009 Stock Incentive Plan (the "2009 Plan") that, on or after the date this Plan is approved by the Company's shareholders, expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by the Company, with the maximum number of Shares to be added to the Plan as a result of clause (ii) equal to 1,460,461. For clarity, Shares used to pay the exercise price of an award granted under the 2009 Plan or to satisfy the tax withholding obligations related to an award granted under the 2009 Plan will not be added to the Plan pursuant to clause (ii) of the previous sentence. The Shares that may be issued under the Plan may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to, or repurchased by, the Company due to failure to vest, then the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights, the forfeited or repurchased Shares) that were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, the gross Shares issued (i.e., Shares actually issued pursuant to a Stock Appreciation Right, as well as the Shares that represent payment of the exercise price and any applicable tax withholdings) pursuant to a Stock Appreciation Right will cease to be available under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. For purposes of clarification, no Shares purchased by the Company with proceeds received from the exercise of an Option or Stock Appreciation Right will become available for issuance under this Plan.

(c) Incentive Stock Options. Subject to adjustment as provided in Section 16, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal 200% of the sum of the aggregate Share number stated in Section 3(a) and, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

(d) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

(e) Adjustment. The numbers provided in Sections 3(a) and 3(b) will be adjusted as a result of changes in capitalization and any other adjustments under Section 16(a).

(f) Substitute Awards. If the Administrator grants Awards in substitution for equity compensation awards outstanding under a plan maintained by an entity acquired by or consolidated with the Company, the grant of those substitute Awards will not decrease the number of Shares available for issuance under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees may administer the Plan with respect to different groups of Service Providers. The Board may retain the authority to concurrently administer the Plan with a Committee and may revoke the delegation of some or all authority previously delegated.

(ii) Section 162(m). Unless an Award is granted and administered solely by a Committee of two or more "outside directors" within the meaning of Code Section 162(m), it will not qualify as "performance-based compensation" within the meaning of Code Section 162(m).

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(v) Further Delegation. To the extent permitted by Applicable Laws, the Board or a Committee may delegate to one or more officers the authority to grant Awards to Employees of the Company or any of its Subsidiaries who are not Officers, provided that the delegation must specify any limitations on the authority required by Applicable Laws, including the maximum number or value of Shares that may be subject to the Awards granted by such officer(s). Such delegation may be revoked at any time by the Board or Committee. Any such Awards will be granted on the form of Award Agreement most recently approved for use by the Board or a Committee consisting solely of Directors, unless the resolutions delegating the authority permit the officer(s) to use a different form of Award Agreement approved by the Board or a Committee consisting solely of Directors.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by or the value of each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan (provided that all forms of Award Agreement must be approved by the Board or the Committee of Directors acting as the Administrator);

(v) to determine the terms and conditions, consistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to determine whether Awards will be adjusted for Dividend Equivalents;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Sections 4(d) and 22 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to the applicable limits in Section 7(b) of the Plan);

(x) to waive any terms, conditions or restrictions;

(xi) to allow Participants to satisfy tax withholding obligations in such manner as prescribed in Section 17 of the Plan;

(xii) to delegate ministerial duties to any of the Company's employees;

(xiii) to authorize any person to take any steps and execute, on behalf of the Company, any documents required for an Award previously granted by the Administrator to be effective;

(xiv) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award; and

(xv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations will be final and binding on all Participants and any other holders of Awards and will be given the maximum deference permitted by Applicable Laws.

(d) No Exchange Program. The Administrator may not implement an Exchange Program.

5. Award Limitations.

(a) Annual Awards for Employees and Consultants. For so long as: (x) the Company is a "publicly held corporation" within the meaning of Code Section 162(m) and (y) the deduction limitations of Code Section 162(m) are applicable to the Company's Covered Employees, then, subject to Section 16, the limits specified below shall be applicable to Awards issued under the Plan:

(i) Limits on Options. No Employee or Consultant shall receive Options during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Options with respect to an additional 300,000 Shares.

(ii) Limits on Stock Appreciation Rights. No Employee or Consultant shall receive Stock Appreciation Rights during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Stock Appreciation Rights with respect to an additional 300,000 Shares.

(iii) Limits on Restricted Stock. No Employee or Consultant shall receive Awards of Restricted Stock during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Awards of Restricted Stock with respect to an additional 300,000 Shares.

(iv) Limits on Restricted Stock Units. No Employee or Consultant shall receive Awards of Restricted Stock Units during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Awards of Restricted Stock Units with respect to an additional 300,000 Shares.

(v) Limits on Performance Shares. No Employee or Consultant shall receive Awards of Performance Shares during any Fiscal Year with respect to more than 300,000 Shares; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted Awards of Performance Shares with respect to an additional 300,000 Shares.

(vi) Limits on Performance Units. No Employee or Consultant shall receive Awards of Performance Units with an aggregate initial value of greater than $3,000,000; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted additional Awards of Performance Units with an aggregate initial value of $3,000,000.

(vii) Limits on Incentive Cash Bonuses. No Employee or Consultant shall receive Incentive Cash Bonuses with an aggregate value of greater than $3,000,000; provided, however, that in connection with a Participant's initial service as an Employee, the Participant may be granted additional Incentive Cash Bonuses with an aggregate initial value of $3,000,000.

(b) Outside Director Limits. No Outside Director may, in any Fiscal Year, be paid cash compensation and granted Awards with an aggregate value (determined under GAAP with respect to Awards) greater than $1,000,000, except that such limit will be increased to $2,000,000 in the Fiscal Year of his or her initial service as an Outside Director. Any cash compensation paid or Awards granted to an individual for his or her services as an Employee, or for his or her services as a Consultant (other than as an Outside Director), will not count for purpose of this limitation.

6. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Incentive Cash Bonuses, and such other cash or stock awards as the Administrator determines may be granted to Service Providers. Incentive Stock Options may be granted only to Employees of the Company or any Parent or Subsidiary of the Company.

7. Stock Options.

(a) Annual $100,000 Limit on Incentive Stock Options. Notwithstanding the designation of an Option as an Incentive Stock Option, to the extent that the aggregate fair market value of the Shares with respect to which incentive stock options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary of the Company) exceeds one hundred thousand dollars ($100,000), the portion of the Options falling within such limit will be Incentive Stock Options and the excess Options will be treated as Nonstatutory Stock Options. For purposes of this Section 7(a), incentive stock options will be taken into account in the order in which they were granted. The fair market value of the Shares will be determined as of the time the option with respect to such Shares is granted.

(b) Term of Option. The term of each Option will be stated in the Award Agreement but will not exceed 10 years from the date the Option is granted. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option will be 5 years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted and subject to the provisions of this Plan, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) other Shares, provided that such Shares have a fair market value (as determined in good faith by the Administrator) on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (4) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (5) by net exercise; (6) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (7) any combination of the foregoing methods of payment.

(d) Exercise of Option. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator, subject to the provisions of this Plan, and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 16 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

Each Award Agreement will specify the applicable post-termination exercise period following termination as a Service Provider.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Transferability. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. Subject to the provisions of this Plan, the Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement; provided, however that such dividends and distributions will be subject to the same restrictions on transferability and forfeitability (as applicable) as the Shares of Restricted Stock with respect to which they were paid, and the Company will hold such dividends and distributions until the restrictions on the Shares of Restricted Stock with respect to which they were paid have lapsed.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan in accordance with Section 3(b).

9. Restricted Stock Units.

(a) Grant of Restricted Stock Units. Subject to the terms of the Plan, Restricted Stock Units may be granted to Service Providers at any time and from time to time as determined by the Administrator.

(b) Restricted Stock Unit Agreement. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify such terms and conditions as the Administrator, in its sole discretion, will determine, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 9(e), will be left to the discretion of the Administrator.

(c) Vesting Criteria and Other Terms. Subject to the provisions of this Plan, the Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion. After the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock Units.

(d) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as specified in the Award Agreement.

(e) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will be available for grant under the Plan.

(f) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company and become available for grant under the Plan.

10. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan, provided, however, that the per Share exercise price will be not less than 100% of the Fair Market Value of a Share on the date of grant.

(c) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the per Share exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(d) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement; provided, however, that the term will be no more than 10 years from the date of grant thereof.

(e) Payment of Stock Appreciation Right Amount. A Stock Appreciation Right may not be exercised for a fraction of a Share. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the per Share exercise price; multiplied by

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof. Shares issued upon exercise of a Stock Appreciation Right will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until any such Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to a Stock Appreciation Right, notwithstanding the exercise of the Stock Appreciation Right. The Company will issue (or cause to be issued) any such Shares promptly after the Stock Appreciation Right is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 16 of the Plan.

11. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Subject to the terms of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant

of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made at the time(s) specified in the Award Agreement. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

12. Incentive Cash Bonuses.

(a) Grant of Incentive Cash Bonuses. Subject to the terms of the Plan, Incentive Cash Bonuses may be granted to Service Providers at any time and from time to time as determined by the Administrator.

(b) Terms of Incentive Cash Bonuses. The Administrator, in its sole discretion, will determine the terms and conditions of each Incentive Cash Bonus, including (i) the target and maximum amount payable to a Participant as an Incentive Cash Bonus, (ii) the performance objectives and level of achievement versus these objectives that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Cash Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Administrator. The Administrator may set performance objectives based upon the achievement of Company-wide, regional, department, business unit, business segment, affiliate, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(c) Earning Incentive Cash Bonuses. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator.

(d) Form and Timing of Payment. Payment of any earned Incentive Cash Bonus will be made in cash as soon as practicable after the date(s) determined by the Administrator.

(e) Cancellation. On the date determined by the Administrator, all unearned Incentive Cash Bonuses will be forfeited to the Company.

(f) Discretionary Adjustments. Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Cash Bonus on account of either financial performance or personal performance evaluations may, to the extent determined by the Administrator, be reduced, but not increased, by the Administrator on the basis of such further considerations as the Administrator shall determine.

13. Performance-Based Compensation Under Code Section 162(m).

(a) General. If the Administrator, in its discretion, decides to grant an Award intended to qualify as "performance-based compensation" under Code Section 162(m), the provisions of this Section 13 will control over any contrary provision in the Plan; provided, however, that the Administrator may in its discretion grant Awards that are not intended to qualify as "performance-based compensation" under Code Section 162(m) to Participants that are based on Performance Goals or other specific criteria or goals but that do not satisfy the requirements of this Section 13.

(b) Performance Goals. The granting and/or vesting of Awards of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Incentive Cash Bonuses, and other incentives under the Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Code Section 162(m) and may provide for a targeted level or levels of achievement ("Performance

Goals") including stock price; revenue; profit; bookings; cash flow; customer retention; customer satisfaction; net bookings; net income or net income per Share, diluted or basic; net profit; operating cash flow; operating expenses; total earnings; earnings per share; diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before or after interest and taxes; earnings before or after taxes; earnings before or after interest, taxes, depreciation, amortization, and/or extraordinary or special items; pre-tax profit; net asset turnover; inventory turnover; capital expenditures; interest expense after taxes; net earnings; operating earnings; gross or operating margin; profit margin; debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; cash flow return on investment (discounted or otherwise); return on sales; net or gross sales; market share; economic value added or created; cost of capital; cash flow in excess of cost of capital; change in assets; free cash flow; average cash balance or cash position; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; individual objectives; total shareholder return; and strategic business criteria, consisting of one or more objectives based on meeting specified product development, strategic partnering, licensing, research and development, market penetration, geographic business expansion, cost target, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology goals, and goals relating to acquisitions or divestitures of subsidiaries, affiliates, or joint ventures. Any Performance Goals may be used to measure the performance of the Company as a whole or, except with respect to shareholder return metrics, of a region, business unit, affiliate or business segment, and any Performance Goals may be measured either on an absolute basis, a per share basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with GAAP, in accordance with accounting principles established by the International Accounting Standards Board ("IASB Principles") or which may be adjusted when established to either exclude any items otherwise includable under GAAP or under IASB Principles or include any items otherwise excludable under GAAP or under IASB Principles. In all other respects, Performance Goals will be calculated in accordance with the Company's financial statements, generally accepted accounting principles, or under a methodology established by the Administrator prior to or at the time of the issuance of an Award and that is consistently applied with respect to a Performance Goal in the relevant Performance Period. In addition, the Administrator will adjust any performance criteria, Performance Goal or other feature of an Award that relates to or is wholly or partially based on the number of, or the value of, any stock of the Company, to reflect any stock dividend or split, repurchase, recapitalization, combination, or exchange of shares or other similar changes in such stock. The Performance Goals may differ from Participant to Participant and from Award to Award. Prior to the Determination Date, the Administrator will determine whether any significant element(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participant.

(c) Procedures. To the extent necessary to comply with the performance-based compensation provisions of Code Section 162(m), with respect to any Award granted subject to Performance Goals, within the first 25% of the Performance Period, but in no event more than ninety (90) days following the commencement of any Performance Period (or such other time as may be required or permitted by Code Section 162(m)), the Administrator will take action to (i) designate one or more Participants to whom an Award will be made, (ii) select the Performance Goals applicable to the Performance Period, (iii) establish the Performance Goals, and maximum amounts of such Awards, as applicable, that may be earned for such Performance Period, and (iv) specify the relationship between Performance Goals and the amounts of such Awards, as applicable, to be earned by each Participant for such Performance Period. Following the completion of each Performance Period, the Administrator will certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amounts earned by a Participant, the Administrator will have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period. A Participant will be eligible to receive payment pursuant to an Award for a Performance Period only if the Performance Goals for such period are achieved.

(d) Additional Limitations. Notwithstanding any other provision of the Plan, any Award that is granted to a Participant and is intended to constitute qualified performance based compensation under Code Section 162(m) will be subject to any additional limitations set forth in the Code (including any amendment to

Section 162(m)) or any regulations and ruling issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Code Section 162(m), and the Plan will be deemed amended to the extent necessary to conform to such requirements.

14. Leaves of Absence/Transfer Between Locations. All Awards granted under the Plan may be subject to any leave of absence policy that the Administrator may adopt prior to the grant of such Awards. The Company may condition approval of any such leave on a Participant agreeing to the terms of such leave of absence policy. In the absence of such a policy, unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence that is longer than one (1) year. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or any Parent, Subsidiary, or Affiliate of the Company employing the Employee or (ii) transfers between locations of the Company or among the Company or any Parent, Subsidiary, or Affiliate of the Company. For purposes of Incentive Stock Options, no such leave may exceed 3 months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then 6 months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

15. Transferability of Awards.

(a) General. Except to the limited extent provided in Section 15(b), an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant.

(b) Limited Transferability. The Administrator may permit an Award (other than an Incentive Stock Option) to be assigned or transferred, in whole or in part, during a Participant's lifetime: (i) under a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation Section 1.421-1(b)(2); or (ii) to a "family member," within the meaning of and in accordance with the instructions for Form S-8 promulgated under the Securities Act, to the extent such assignment or transfer is in connection with the Participant's estate plan; or (iii) to the extent required by any Applicable Laws. Any individual or entity to whom an Award is transferred will be subject to all of the terms and conditions applicable to the Participant who transferred the Award, including the terms and conditions of the Plan and the applicable Award Agreement. If an Award is unvested, then the Participant's status as a Service Provider will continue to determine whether the Award will vest and when the Award will expire.

16. Adjustments; Dissolution or Liquidation; Change in Control.

(a) Adjustments. In the event that any extraordinary dividend or other extraordinary distribution (whether in cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to acquire securities of the Company, other change in the corporate structure of the Company affecting the Shares, or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any of its successors) affecting the Shares occurs (including, without limitation, a Change in Control), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share limits in Sections 3 and 5(a) of the Plan.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it previously has not been exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. Except as set forth in this Section 16(c), in the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be

treated as the Administrator determines, including, without limitation, that Awards may be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices. In taking any of the actions permitted under this Section 16(c), the Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this Section 16(c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

For the purposes of this Section 16(c), an Award will be considered assumed if the Award is terminated in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the merger or Change in Control. Any such cash or property may be subjected to any escrow applicable to holders of Common Stock in the merger or Change in Control. If, as of the date of the occurrence of the merger or Change in Control, the Administrator determines that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment. The amount of cash or property can be subjected to vesting and paid to the Participant over the original vesting schedule of the Award.

Notwithstanding anything in Section 16(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more Performance Goals will not be considered assumed if the Company or its successor modifies any of such Performance Goals without the Participant's consent; provided, however, a modification to such Performance Goals only to reflect the successor corporation's post-merger or post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

The Administrator will have authority to modify Awards in connection with a merger or Change in Control: (i) in a manner that causes the Awards to lose their tax-preferred status; (ii) to terminate any right a Participant has to exercise an Option prior to vesting in the Shares subject to the Option (i.e., "early exercise"), so that following the closing of the merger or Change in Control, the Option may only be exercised only to the extent it is vested; (iii) to reduce the per Share exercise price of an Award in a manner that is disproportionate to the increase in the number of Shares subject to the Award, as long as the amount that would be received upon exercise of the Award immediately before and immediately following the closing of the merger or Change in

Control is equivalent and the adjustment complies with U.S. Treasury Regulation Section 1.409A-1(b)(v)(D); and (iv) to suspend a Participant's right to exercise an Option during a limited period of time preceding and or following the closing of the merger or Change in Control without Participant consent if such suspension is administratively necessary or advisable to permit the closing of the merger or Change in Control.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director, in the event of a Change in Control, the Participant will fully vest in and have the right to exercise Options and Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares that would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Performance Units, Performance Shares, and Incentive Cash Bonuses, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels, prorated based on the portion of the Performance Period that elapsed as of immediately prior to the Change in Control. All other terms and conditions with respect to such Awards with performance-based vesting will be deemed met.

17. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's employment tax obligations) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part, by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the minimum statutory amount required to be withheld or a greater amount if that would not result in adverse financial accounting treatment, (iii) delivering to the Company already-owned Shares having a fair market value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount that the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined.

(c) Compliance With Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A.

18. Forfeiture Events.

(a) All Awards under the Plan will be subject to recoupment under the Company's current Clawback Policy effective December 5, 2014 and any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other

Applicable Laws. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate, including but not limited to a reacquisition right regarding previously acquired Shares or other cash or property. Unless this Section 18(a) is specifically mentioned and waived in an Award Agreement or other document, no recovery of compensation under a clawback policy or otherwise will be an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or a Subsidiary, Parent, or Affiliate of the Company.

(b) The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but will not be limited to, termination of such Participant's status as Service Provider for cause or any specified action or inaction by a Participant, whether before or after such termination of service, that would constitute cause for termination of such Participant's status as a Service Provider.

19. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor will they interfere in any way with the Participant's right or the right of the Company, or Parent, Subsidiary, or Affiliate of the Company, as applicable, to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

20. Grant Date. The grant date of an Award will be, for all purposes, the date that the Administrator makes the determination granting such Award or may be a later date if such later date is designated by the Administrator on the date of the determination or under an automatic grant policy. Notice of the grant will be provided to each Participant within a reasonable time after the date of such grant.

21. Term of Plan. Subject to Section 25 of the Plan, the Plan will become effective upon approval by the shareholders of the Company following its adoption by the Board. It will continue in effect until terminated under Section 22, but no Incentive Stock Options may be granted after 10 years from the date the Plan is adopted by the Board.

22. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board or Compensation Committee of the Board may amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company will obtain shareholder approval of any Plan amendment to the extent necessary or desirable to comply with Applicable Laws.

(c) Consent of Participants Generally Required. Subject to Section 22(d) below, no amendment, alteration, suspension or termination of the Plan or an Award under it will materially impair the rights of any Participant without a signed, written agreement between the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it regarding Awards awarded under the Plan prior to such termination.

(d) Exceptions to Consent Requirement.

(i) A Participant's rights will not be deemed to have been impaired by any amendment, alteration, suspension or termination if the Administrator, in its sole discretion, determines that the amendment, alteration, suspension or termination taken as a whole, does not materially impair the Participant's rights; and

(ii) Subject to any limitations of Applicable Laws, the Administrator may amend the terms of any one or more Awards without the affected Participant's consent even if it does materially impair the Participant's right if such amendment is done:

(1) in a manner specified by the Plan,

(2) to maintain the qualified status of the Award as an Incentive Stock Option under Code Section 422,

(3) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award only because it impairs the qualified status of the Award as an Incentive Stock Option under Code Section 422,

(4) to clarify the manner of exemption from Code Section 409A or compliance with any requirements necessary to avoid the imposition of additional tax under Code Section 409A(a)(1)(B), or

(5) to comply with other Applicable Laws.

23. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and may be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(c) Failure to Accept Award. If a Participant has not accepted an Award or has not taken all administrative and other steps (e.g., setting up an account with a broker designated by the Company) necessary for the Company to issue Shares upon the vesting, exercise, or settlement of the Award prior to the first date the Shares subject to such Award are scheduled to vest, then the Award will be cancelled on such date and the Shares subject to such Award immediately will revert to the Plan for no additional consideration unless otherwise provided by the Administrator.

24. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any state, federal or foreign law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

25. Shareholder Approval. The Plan will be subject to approval by the shareholders of the Company within 12 months after the date the Plan is adopted by the Board. Such shareholder approval will be obtained in the manner and to the degree required under Applicable Laws.

AMENDMENT TO THE
2017 EQUITY INCENTIVE PLAN

THIS AMENDMENT (this "Plan Amendment") is made to the InterDigital, Inc. 2017 Equity Incentive Plan (the "Plan"), effective as of the Effective Date (as defined below).

WHEREAS, pursuant to Section 22 of the Plan, the Board of Directors (the "Board") of InterDigital, Inc.. (the "Company") is authorized to amend the Plan, subject to approval of the Company's stockholders if applicable;

WHEREAS, the Company wishes to amend the Plan to increase the number of shares available thereunder by 1,780,000 shares;

NOW, THEREFORE,

The Plan is hereby amended as follows:

1. Amendment to the Plan.

a. Section 3(a) of the Plan is hereby amended in its entirety to read as follows:

(a) Stock Subject to the Plan. Subject to the provisions of Section 16(a) of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 4,180,000 Shares, plus (ii) any Shares subject to stock options, restricted stock units, performance shares, performance units, or similar awards granted under the Company's 2009 Stock Incentive Plan (the "2009 Plan") that, on or after the date this Plan is approved by the Company's shareholders, expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by the Company, with the maximum number of Shares to be added to the Plan as a result of clause (ii) equal to 1,460,461. For clarity, Shares used to pay the exercise price of an award granted under the 2009 Plan or to satisfy the tax withholding obligations related to an award granted under the 2009 Plan will not be added to the Plan pursuant to clause (ii) of the previous sentence. The Shares that may be issued under the Plan may be authorized, but unissued, or reacquired Common Stock.

2. Effectiveness. This Plan Amendment has been duly adopted by the Board and shall be effective upon approval by the Company's stockholders (the "Effective Date").

3. Effect on the Plan. This Plan Amendment shall not constitute a waiver, amendment or modification of any provision of the Plan not expressly referred to herein. Except as expressly amended herein, the provisions of the Plan are and shall remain in full force and effect. On and after the Effective Date, each reference in the Plan to "this Plan," "herein," "hereof," "hereunder" or words of similar import shall mean and be a reference to the Plan as amended by this Plan Amendment.

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BOARD OF DIRECTORS

S. DOUGLAS HUTCHESON
Chairman of the Board, InterDigital, Inc. Senior Advisor, Searchlight Capital

JOAN H. GILLMAN
Former Executive Vice President, Time Warner Cable, Inc.

JOHN A. KRITZMACHER
Executive Vice President & Chief Financial Officer, John Wiley & Sons, Inc.

JOHN D. MARKLEY, JR.
Managing Partner, New Amsterdam Growth Capital

LIREN CHEN
President & Chief Executive Officer, InterDigital, Inc.

JEAN F. RANKIN
Former Executive Vice President, General Counsel and Secretary, LSI Corporation

PHILIP P. TRAHANAS
Partner, Lampros Capital Partners

EXECUTIVE OFFICERS

LIREN CHEN
President & Chief Executive Officer

RICHARD J. BREZSKI
Chief Financial Officer & Treasurer

RICHARD L. GULINO
Chief Legal Officer, General Counsel & Corporate Secretary

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Conshohocken, Pennsylvania
Issy-les-Moulineaux, France
London, England
Los Altos, California
Montreal, Canada
New York, New York
Princeton, New Jersey
Washington, D.C.

SHAREHOLDER INFORMATION

ANNUAL MEETING OF SHAREHOLDERS
Wednesday, June 2, 2021
2:00 PM Eastern Time
http://www.virtualshareholdermeeting.com/IDCC2021

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 & 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
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INDEPENDENT REGISTERED PUBLIC ACCOUNT FIRM
PricewaterhouseCoopers LLP
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Corporate Information is as of April 15, 2021.
InterDigital is a registered trademark of InterDigital, Inc.
All other trademarks, service marks, and/or trade names appearing in this Annual Report are the property of their respective holders.

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WE INVENT THE TECHNOLOGIES THAT MAKE LIFE BOUNDLESS