



interdigital™

Annual Report 2021
Notice of 2022 Annual Meeting
and Proxy Statement

InterDigital, Inc.

WE INVENT THE
TECHNOLOGIES
THAT MAKE LIFE
BOUNDLESS

to our shareholders

FIFTY YEARS
OF BUILDING
FOUNDATIONAL
INNOVATIONS

At InterDigital we take pride in our position as a foundational technology company, innovating technologies that connect billions of people every day. This year marks the 50th year that our world-class engineers and inventors have been making vital contributions to every generation of digital cellular, Wi-Fi, and video technology, while driving significant value to our industry, consumers, and the global economy.

We are consistently inspired by the ever-growing number of applications, components, devices, and services built on, and benefitting from, the remarkable foundation of connectivity that we have helped enable.

Over the last two years of the COVID-19 pandemic, the importance of this foundational technology has become even greater as much of the world transitioned to remote work, increased video calls to loved ones, and spent more time on new streaming video platforms. As a result of the pandemic's unique and dynamic circumstances, and the ways we were able to adapt, we're left with a greater appreciation of, and new expectations for, connectivity in the future.

At the forefront of these new possibilities is the ongoing rollout of 5G. No generation of wireless has captured consumers' imaginations like 5G, and just this January we saw sales of 5G handsets surpass 4G smartphones, a mere three years after entering the market. This is a remarkable achievement for everyone in the industry and we're delighted to see our many years of research and contributions to 5G begin to impact the lives of billions of people during this critical time.

Still, we remain in the early days of 5G adoption with new wells of value yet to be tapped, as 5G promises to connect a far wider range of consumers, devices and industries than ever before.

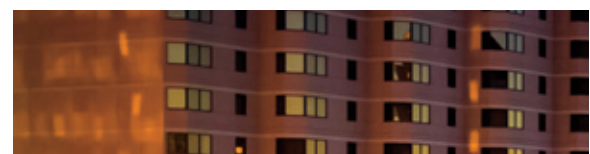
InterDigital's technology has helped form the foundation for 5G and we're proud that our engineers continue to make key contributions to the advancement of the next "G". It is our workforce of hardworking engineers and

boundary-pushing inventors that earned InterDigital a place amongst the world's most innovative companies, according to the Lexis Nexis Global Top 100 Innovation Momentum list. The list was the result of a deep analysis of a curated group of companies with "exceptional technology relevance for the future and those outperforming their peers."

Our engineers make our cutting-edge innovations possible, and this year we recognized two outstanding and industry-shaping engineers as part of our new Inventor of the Year program. Our winners, Moon-Il Lee and Franck Galpin have made significant contributions to core technologies like Multiple-Input Multiple Output (MIMO) and ultra-reliable and low latency communications features in 5G and the application of AI in video compression, respectively.

In wireless, the innovations we propel in 5G hold promise for more than just smartphones and personal devices, but for entire connected industries. 5G's promise for connected industries is significant given predictions that 5G will support considerable growth in cellular IoT markets. In fact, in 2021 we demonstrated a successful pilot for zero-defect manufacturing showcasing the benefit of our 5G edge solutions for Industry 4.0 applications using AWS Wavelength on Vodafone's 5G network in the UK. Wireless communication technologies are constantly evolving, enhancing capabilities, enabling new use cases, and even supporting new industries. Through continuous evolution, our innovations have great influence in the capabilities of today's devices, and in laying the foundation for technologies of the future. As 5G rolls out, we've built upon our research heritage and expertise to position InterDigital as a critical player shaping the early development and roadmap for 5G-Advanced and 6G.

Last summer, we became founding members in two critical research consortia dedicated to developing core networking innovations and shaping the roadmap for 6G, specifically the University of Texas at Austin's 6G Research Center and the ATIS Next G Alliance. Our leadership in these groups helps us shape and influence the 6G





research ecosystem, and InterDigital's Doug Castor was elected as vice chair of the Next G Alliance working group tasked with developing a vision and roadmap for 6G.

Our foundational wireless technologies complement our innovation and outstanding leadership in video. Our video expertise is widely recognized as InterDigital engineers have been elected to the Digital Video Broadcasting (DVB) Steering Board and granted Advanced Television Systems Committee's (ATSC) highest technical honors for outstanding contributions to video technologies. The recognition of our leadership is further bolstered by our provocative video innovations, showcased, for example, in the [Cannes Film Festival debut](#) of our immersive film displaying the exciting potential of volumetric video storytelling, developed in partnership with French production company Ten2Ten Films.

The convergence of wireless and video technologies has made our unique portfolio more valuable than ever to existing and prospective licensees, and 2021 was a stand-out year for our business by all measures. Throughout the year we secured 13 licensing agreements, the highest number of new licensing agreements in more than two decades, including a major deal with one of the world's leading smartphone manufacturers, Xiaomi, and an expansion of our consumer electronics licensing program. After signing Xiaomi, InterDigital now has more than 50% of the smartphone market under license, which translates to approximately 800 million devices sold last year and reveals a growing number of consumers benefiting from InterDigital's technology. Moreover, the diversity of our licensees indicates that a growing number of players in the mobile and consumer electronics space see the value of InterDigital technologies to an array of devices.

Our foundation as an innovation leader is crucial and makes the record number of licensing agreements we achieved last year possible. We also value maintaining a strong base to run the business. With a healthy balance sheet and revenues growing last year by 19% to \$425.4 million, we believe we are in a strong position to grow our business and keep returning value to our shareholders.

Our performance over the last year reflects how the business has transitioned smoothly from Bill Merritt's long tenure as CEO. Thanks to our exceptionally strong leadership team, the company has not missed a beat in developing new opportunities and building on existing customer relationships.

Alongside our work to pioneer and shape the evolution of technologies to enhance consumer wireless experiences, we recognize the real potential for our technology to make the world a better place. In addition to our efforts to foster a more inclusive workforce and energy-aware workplace, we have woven environmental, social and governance (ESG) commitments throughout our research, business practices, and thought leadership, and continue to boldly explore avenues to support a more inclusive, vibrant, and sustainable world.

For fifty years we have worked hard to build a strong foundation to shape the critical technologies for wireless, video, and beyond. Through our strength, resilience, and innovative spirit, we have the right foundation to shape the next fifty years of innovative technologies, boundless connectivity, and growth for our shareholders and partners.



S. DOUGLAS HUTCHESON
Chairman of the Board



LIREN CHEN
President and
Chief Executive Officer





foundational innovation

We are consistently inspired by the ever-increasing number of applications, components, devices, and services built on, and benefitting from, the remarkable foundation of connectivity that we have helped enable. As we reflect on a remarkable era in mobile technology, our history reminds us that we are only starting to appreciate where our foundational innovation will lead us.

50 years

For fifty years we have worked hard to build a strong foundation to shape the critical technologies for wireless, video, and beyond.

Through our strength, resilience, and innovative spirit, we have the right foundation to shape the next fifty years of innovative technologies, boundless connectivity, and growth for our shareholders and partners.

financial highlights

\$ **425.4**

Total Revenue (\$359.0 in 2020, \$318.9 in 2019)

\$ **71.2**

Income from Operations (\$55.2 in 2020, \$37.8 in 2019)

\$ **42.2**

Net Income (\$37.9 in 2020, \$15.0 in 2019)

\$ **1.77**

Net Income Per Common Share — Diluted
(\$1.44 in 2020, \$0.66 in 2019)

*for fiscal year 2021
in millions, except for per share data*

forward looking statements

Statements made in the letter to shareholders and in the introduction to this annual report that relate to our future plans, events, financial results or performance, including, without limitation, statements relating to our belief that we are well positioned to maintain a strong presence in mobile handset licensing and derive value from consumer electronics, video and related emerging technologies, potential avenues for continued growth, the expected monetization and market adoption of our research and development efforts, our belief that we are ahead of our competitors in the development of certain mobile technologies, and our belief that adding other technologies to our offering can drive substantial value, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995.

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



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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K

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

For the fiscal year ended December 31, 2021

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
(State or other jurisdiction
of incorporation or organization)

82-4936666
(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

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: \$2,243,149,387 as of June 30, 2021.

The number of shares outstanding of the registrant's common stock was 30,690,019 as of February 15, 2022.

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 2022 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.

PART I

Item 1. BUSINESS.

Overview

InterDigital, Inc. (“InterDigital”) is a global research and development company focused primarily on wireless, visual and related technologies. We design and develop advanced technologies that enable connected, immersive experiences in a broad range of communications and entertainment products and services. We license our innovations worldwide to companies in a variety of industries, including wireless communications, consumer electronics, personal computer, and automotive. 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. With the acquisitions of the patent licensing business (the “Technicolor Patent Acquisition”) and research and innovation unit of visual technology industry leader Technicolor SA (“Technicolor”) (together, the “Technicolor Acquisitions”), we are 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 and development and licensing companies in the world, with one of the most significant patent portfolios of fundamental wireless and video technologies. As of December 31, 2021, InterDigital’s wholly owned subsidiaries held a portfolio of approximately 27,500 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. Our video technology portfolio combines patents and applications that InterDigital obtained through the Technicolor Acquisitions and patents and applications created by internal development. Our patented wireless inventions, our patented video inventions, or both have been implemented in a wide variety of products. Products incorporating our patented inventions include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; televisions, gaming consoles, set-top boxes, streaming devices and other consumer electronics; wireless infrastructure equipment, such as base stations; components, dongles and modules for wireless devices; and Internet of Things (“IoT”) devices and software platforms.

InterDigital derives revenues primarily from patent licensing. In 2021 and 2020, our total revenues were \$425.4 million and \$359.0 million, respectively. Additional information about our revenues, profits and assets, as well as additional financial data, is provided in the Consolidated Financial Statements and accompanying Notes in Part II, Item 8, of this Form 10-K.

Our Strategy

Our strategy is to continue to be a leading innovator, designer and developer of wireless, visual and related technology solutions and to monetize those solutions and innovations primarily through licensing to companies providing products and services that utilize our innovations.

To execute our strategy, we intend to:

- ***Continue to invest in advanced research and development.*** We intend to grow our worldwide patent portfolio in advanced wireless technology, video coding, 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.
- ***Grow our patent-based revenue.*** We intend to grow our licensing revenue base by adding licensees in the wireless communications, consumer electronics, personal computer and automotive industries, and by expanding our licensing activities into additional product and services markets that utilize our innovations in wireless, visual and other technologies, in alignment with our intellectual property position. These licensing efforts may be direct or executed in conjunction with licensing partnerships 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, provide direction for internal development efforts and help guide technology and intellectual property sourcing through partners and other external sources.
- ***Pursue strategic partnerships with other technology companies.*** We have in the past and we expect to continue to pursue partnerships to jointly develop technology with other companies in our industries. In addition, as part of our ongoing research and development efforts, InterDigital develops proprietary solutions that may be most valuable when incorporated into commercial products or services. As an example, we 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, 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, which InterDigital acquired in 2019.

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. In connection with the Technicolor Acquisitions, Technicolor agreed to fund certain of InterDigital R&I’s research projects, but this agreement was terminated effective July 1, 2021. 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. Over the last three

years, investment in development has ranged from \$74.9 million to \$89.4 million, and the largest portion of this expense has been personnel costs. Additional information about our development expenses is provided 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 acquisition of the Technicolor R&I team. 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 VCC/H.266 and the MPEG Immersive (MPEG-I) standards suite for the future. Beyond video standards, InterDigital R&I is conducting research in groundbreaking areas in visual technologies such as immersive video and AI based video coding.

Artificial Intelligence

In addition to our historical work in major wireless standards that integrate some AI capabilities, the acquisition of Technicolor’s R&I team brought additional advanced AI talent to InterDigital that is researching a variety of aspects of AI that can be applied to complex problems in video and wireless technologies. 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, 2021, our patent portfolio consisted of approximately 27,500 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 2022 through 2041. We currently operate six research and development facilities in four countries: Conshohocken, Pennsylvania, USA; London, United Kingdom; Montreal, Canada; New York, New York, USA; Los Altos, 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”), Xiaomi Corporation (“Xiaomi”), and ZTE Corporation (“ZTE”), among others.

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

Our variable royalty 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 exclusive 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 for 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 9, “*Obligations,*” 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 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, and 4G 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 signed patent license agreements with BMW Group, Audi, Porsche, Volkswagen, and Volvo Cars, among others.

In 2020, Sisvel International N.A. announced that it had launched a licensing program covering VP9 and AV1 video coding formats, which we have joined 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.

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' 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 for 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 again in December 2021. As of December 31, 2021, Convida Wireless owned approximately 2,500 patents and patent applications worldwide, which expire at different times ranging from 2022 through 2041.

Overview of Smartphone and Consumer Electronics Industries

The primary markets for our wireless and video technologies are the smartphone and consumer electronics markets. The smartphone market, with approximately 1.4 billion units shipped worldwide in 2021, is driven by several large, global brands. The market saw a decline in 2020 mostly due to the COVID pandemic but rebounded in 2021, growing for the first time year over year since 2017 despite continued COVID impacts and global component shortages. Growth is expected to continue in the near-term due to the global uptake of 5G smartphones as well as the migration from feature phones to smartphones in emerging regions.

In addition to smartphones there is a large universe of other consumer electronic devices and ecosystems, with a mix of mature and emerging as well as consolidated and fragmented device segments. After smartphones, televisions remain one of the largest markets with more than 200 million units shipped globally. Other key device

categories include tablets and personal computers, set-top-boxes and streaming media players, gaming consoles, wearables and smart home products. Automobiles represent another large and important market for connectivity technologies, with approximately 40 million connected vehicles shipped in 2021, which is expected to grow significantly in the future.

IoT is an important and relatively new market that is expected to result in a significant increase in the number of connected devices worldwide and unlock new business capabilities. Total global cellular IoT connections (including automotive) are estimated to grow from approximately 1.8 billion in 2021 to 3 billion in 2027.

Overview of Standardization

To achieve economies of scale and support interoperability among different participants, many wireless and consumer electronics products have been designed to operate in accordance with certain industry standards. Wireless 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. New wireless 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 enable the efficient transmission and rendering of video content.

SDOs, which facilitate and govern the development of standards, typically ask participating companies to declare formally whether they believe they hold patents or patent applications essential or potentially 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 neither 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, HEVC, and VVC. 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

2021 Patent Licensing Activity

During 2021, we entered into thirteen patent license agreements, including agreements with Xiaomi, Sony, and a top ten TV manufacturer discussed below. We estimate these agreements will result in revenues exceeding \$390 million over their respective lives.

Direct Licenses

During third quarter 2021, we entered into a multi-year, worldwide, non-exclusive, royalty bearing license with Xiaomi. The license covers Xiaomi's cellular-enabled mobile devices under our standard essential patents related to 3G, 4G, 5G, WiFi and HEVC video technology. As part of the agreement, we and Xiaomi agreed to dismiss all pending patent litigation and other proceedings between the companies.

During fourth quarter 2021, we renewed our multi-year, worldwide, non-exclusive patent license agreement with Sony. In addition, we renewed our joint venture with Sony, Convida Wireless.

Licenses Through Platforms

During third quarter 2021, as part of the Madison Arrangement, we entered into a non-exclusive, per-unit royalty-bearing patent license agreement with a top ten global TV manufacturer, covering certain of the licensee's sales of digital televisions.

Customers Generating Revenues Exceeding 10% of Total 2021 Revenues

A small number of customers historically have accounted for a significant portion of our consolidated revenues. In fiscal 2021, revenues (in descending order) from Apple, Samsung, Xiaomi, and Huawei each comprised 10% or more of our consolidated revenues. Additional information regarding revenue concentrations is provided in this Annual Report in Note 4, "*Geographic/Customer Concentration*" in the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Form 10-K.

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 had 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.

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, beginning in 2013. Samsung did not elect to terminate such rights and obligations, and the period for such election expired. Accordingly, the term of the Samsung PLA ends on December 31, 2022.

During 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.

In 2021, we entered into a multi-year, worldwide, non-exclusive, royalty bearing license with Xiaomi. The license covers Xiaomi's cellular-enabled mobile devices under our standard essential patents related to 3G, 4G, 5G, WiFi and HEVC video technology. As part of the agreement, we and Xiaomi agreed to dismiss all pending patent litigation and other proceedings between the companies.

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 fair, reasonable and non-discriminatory ("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 of our patent portfolio 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 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 technologies 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.

Environmental, Social and Governance (“ESG”)

During 2020, we completed our first company-wide ESG materiality assessment, which represents an effort to strategically review and analyze our most significant opportunities and accomplishments under four pillars: human capital, environmental impact, governance, and social impact. As part of this assessment, we published our first Corporate Sustainability Report during 2021, which can be found on our corporate website. This report is the introduction of our commitment to sustainability to our employees, customers, partners, and shareholders, as well as the communities in which we operate. This report also provides an overview of our aspirational goals and a summary of our performance in 2020. We plan to publish a 2022 Corporate Sustainability Report on our corporate website during the first half of 2022. The information contained in our Corporate Sustainability Report is not incorporated by reference into this Form 10-K.

Our Board of Directors has oversight over environmental, social and other sustainability matters, including diversity initiatives, 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.

We are committed to driving positive progress towards reducing the environmental footprint that the deployment of 5G, wireless networks, and other video technologies will bring. While our research and business activities do not entail the same concerns related to manufacturing or raw materials sourcing and disposal, in 2021 we implemented a corporate sustainability strategy to address the following:

- Invest in best practices to track and reduce our carbon footprint, including environmental considerations, tracking, and reporting related to data center needs of energy and emissions efficiencies.
- Implement a sustainable workspace program that will drive energy efficiencies and reduction of disposable material use.

InterDigital ranks among the industry leaders for ETSI-disclosed patents and applications as potentially essential to 5G standards. 5G technology is designed to efficiently use energy throughout its ecosystem and will play a significant role in promoting and attaining sustainability goals. Many research articles have discussed the environmental benefits of 5G, including lowering greenhouse gas emissions, better managing electricity use, and better monitoring and mitigation of air and water pollution. According to a report published by Accenture plc, switching to the more efficient 5G network equipment can help reduce carbon emissions from mobile networks by 50% over the next 10 years. Additionally, 5G technology has significant potential societal benefits, including

promoting productivity-led economic growth, increasing medical diagnostic capabilities, creating more sustainable cities and communities, improving remote education and reducing inequalities in the education and income gaps. We believe that the benefits to be derived from 5G are substantial and will be felt throughout society.

Human Capital

Overview

We strive to make InterDigital a great place to work for all employees. We are committed to creating a workplace where employees feel valued, respected and challenged, while fostering an environment that attracts and engages a talented workforce who contribute to the company's growth and sustained success. Our Compensation Committee is responsible for overseeing our policies and strategies related to culture and human capital, including diversity, equity and inclusion.

As of December 31, 2021, we had 510 employees worldwide, of whom, approximately 280 were based outside of the U.S, and nearly all of whom were full-time. Our employees based in France are represented by works councils and subject to collective bargaining agreements. None of our employees based in the United States or our other geographic locations are unionized or subject to collective bargaining agreements. Management believes that its relations with our employees and works councils are good.

Health, Safety & Well-Being

In order to protect the health and safety of our employees and their families during the COVID-19 pandemic, our entire worldwide workforce has been provided the ability to work remotely. We expanded our Employee Assistance Programs to all locations globally and offered well-being educational sessions, and our employees received a stipend to help cover additional costs incurred as a result of the extended remote work environment. We believe that we created robust health and safety protocols to provide a safe working environment for those employees who voluntarily chose to work from an office. We are actively preparing to formally welcome our employees safely back into our offices through a flexible work model that blends in-person and remote work.

Compensation & Benefits

We provide a total compensation package that is targeted to be competitive with the markets in which we compete for talent, while allowing individual pay to vary equitably based on performance, skills and experience. Our total rewards plans include base salary, short- and long-term incentives, healthcare benefits, retirement savings plans, physical and mental well-being programs, flexible work schedules, monetary and social recognition in each of our locations around the globe. In addition to comprehensive health benefits, depending on location, employees may also enjoy subsidized fitness programs, commuter benefits, wellness incentives, tuition reimbursement opportunities and professional development opportunities among other benefits. We routinely review our total rewards programs to ensure they are competitive, allowing us to recruit and retain the diverse talent we need to be successful.

Talent and Culture

Research, learning and growth are fundamental to executing our promise to the world to invent the technologies that make life boundless. In addition, consistently evaluating our talent promotes opportunities to provide actionable learning experiences for our employees to further their career development.

Our Leadership Essentials competency development model is available to all employees and provides a library of tools and resources for growth in the areas of thought leadership, results leadership, people leadership

and self-leadership. Through ongoing dialogue with leaders, employees are encouraged to plan for their development and leverage the tools available to create meaningful and actionable development plans that drive personal and company growth.

In addition, all employees are encouraged to continually seek out and attend external development opportunities that can provide the employee with new knowledge and skills while also bringing fresh perspectives to the Company.

We endeavor to ensure that our leaders of tomorrow are members of the Company today. Leadership capability is critical in supporting our culture of innovation, inclusion and collaboration. As such, leaders have access to various structured development and learning experiences. These include our Learning for Leaders series which provides an interactive learning experience on topics germane to the realities of being a leader in today's environment. Recent sessions included Leading Through Change and Building Resilient Teams. In addition, all leaders will have the opportunity to attend our Fundamentals of Leadership program that seeks to create a foundation of managerial skills such as coaching and providing feedback, empowering employees to succeed and promoting collaboration amongst teams.

We continue to invest in processes to help the organization assess and develop talent, including a formalized annual performance evaluation program, an annual critical skills and potential analysis, and succession planning for the organization's most critical and senior roles. We intend to conduct a culture survey in 2022 that will provide relevant insight and guidance into how we can continually align the preferences of our employees with the programs and investments we offer.

We believe that our workplace culture, values, and competitive employee compensation are critical to maintaining low levels of attrition, thereby enabling us to attract and retain talent. For the year ended December 31, 2021, our voluntary attrition percentage was approximately 8%.

Diversity, Equity and Inclusion (DEI)

Maintaining a diverse, equitable and inclusive workforce is critical to our ability to succeed in the global marketplace for ideas that SDOs embody. In recent years we have invested in our talent acquisition, talent development, and succession planning efforts as a means to diversify our workforce. We have continually provided minority and female leaders the opportunity to attend targeted world-class external development programs that speak to the unique experiences these employees can face in the workplace while investing in their continued growth both personally and professionally. In addition, core principles of our culture of inclusion are reflected in the all employee training programs we offer on our policies against harassment and discrimination of any kind. With a workforce that is approximately 70% male employees and 30% female employees, and approximately 15% self-identified as diverse within the United States, we recognize that we are on a journey and there is more yet to be done. As such, we are formalizing our DEI strategy throughout 2022 as part of our broader investment in culture and engagement. Through partnerships with thought leaders in diversity, equity and inclusion, we intend to continue the journey we have started by hosting inclusion training events for all employees, providing forums for feedback and engagement on inclusion and continuing to build on our talent processes that enable change.

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 Brussels, Belgium; Espoo, Finland; Hicksville, New York, USA; Indianapolis, Indiana, USA; and Paris, France. 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

Challenges relating to our ability to enter into new license agreements and renew existing 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.

We may also face challenges in renewing our existing license agreements. Many of our license agreements have fixed terms. Although we endeavor to renew such license agreements prior to their expiration, 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. In particular, two of our largest patent license agreements, those with Apple and Samsung, expire during the second half of 2022. We may not be able to renew these agreements promptly or at all, or on terms that are favorable to us. Any such failure would materially harm our revenues, cash flows and overall business and could harm our other licensing efforts.

In addition, as discussed elsewhere 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 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, or with whom an existing agreement has expired. Any such delays in the negotiation or entry into patent license agreements and receipt of the associated revenue stream could cause our revenue and cash flow to decline.

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. In particular, in 2021, the IP Tribunal of the Supreme People's Court of the People's Republic of China (SPC) affirmed its position that in certain SEP licensing disputes, Chinese courts can set worldwide royalty rates, and Lenovo recently initiated a proceeding before the Wuhan Intermediate People's Court to determine a worldwide rate for our 3G, 4G, and 5G SEPs. In addition, our FRAND trial before the UK High Court to establish FRAND terms for a worldwide license with Lenovo for our 3G, 4G, and 5G SEPs recently completed and is pending a decision. 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 comparable 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 to 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.

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. For example, President Biden issued an executive order which, among other things, proposed considering changes to the USPTO, DOJ and National Institute of Standards and Technology’s joint policy statement on remedies for SEPs subject to FRAND commitments. The European Commission has also initiated a process to review the EU’s IP policies, in particular as they relate to SEPs and FRAND. Any change as it relates to these matters could impact our ability to negotiate license agreements on favorable terms or at all, limit our potential legal remedies and materially impact our business. Further, 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.

Our plans to license additional 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 was 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.

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). 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.

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.

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.

Risks related to the implementation of our strategic review.

As described elsewhere in this Annual Report on Form 10-K, during second quarter 2021, we began the process of a strategic review in order to increase focus on core technologies and markets. Related to this review, during second quarter 2021, we commenced the process of a collective economic layoff in which we proposed a reduction in force of 66 positions in our research and innovation unit, the majority of whom are based in France. The process to undertake this collective economic layoff is governed by French labor law and could take more time and be more costly than anticipated. As part of our further restructuring efforts, in October 2021, we expanded the scope of our reduction in force to include general and administrative functions largely in the U.S. These restructuring initiatives have placed substantial demands on our management, which could lead to the diversion of management’s attention from other business priorities, and we expect these demands will continue. These initiatives could also lead to unanticipated work stoppages, low employee morale, decreased productivity, and a failure to deliver under existing commitments to third parties for research services, which could harm our business. As a result of these or any other factors, we could fail to realize the anticipated benefits associated with the strategic review, which could in turn materially harm our business, financial condition and operating results.

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 and/or purportedly royalty-free 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.

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 technologies, including in the standards-setting arena. Due to competition, our technologies may not find a viable commercial marketplace or, where applicable, be adopted by the relevant standards. In particular, increasing participation within standards-setting organizations has contributed to greater competition for influence within such organizations and for ultimately setting 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.

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 regularly review their policies with respect to the use of SEPs, including the enforcement of such patents against competitors and others. Such scrutiny has in the past resulted in enforcement actions against Qualcomm and other licensing companies, 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 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 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, and 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 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 2021, Apple, Samsung, Xiaomi, and Huawei each comprised 10% or more of our consolidated revenues. 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.

A portion of our revenue and cash flow is 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 pandemic), 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 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 strategic partnerships 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 targeted acquisitions, research partnerships, joint ventures and licensing platforms, and the continued development of new technologies, particularly in the video coding and IoT spaces. Commercial success depends on many factors, including the demand for the technology, the highly competitive markets for products that utilize our technology, regulatory issues associated with such 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 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.

We may not be able to attract and retain qualified employees.

Competition for top talent is substantial and increasing. In order to be successful, we must attract, develop, and retain employees. Implementing our business strategy requires specialized engineering and other technical talent, and these skills are in high demand among our competitors. The market for employees in our industry is extremely competitive, and competitors for talent, particularly engineering talent, increasingly attempt to hire, and to varying degrees have been successful in hiring, our employees or employment candidates. Further, the increased availability of remote working arrangements, largely driven by the COVID-19 pandemic, has expanded the pool of companies that can compete for our employees and employment candidates. A number of such competitors for talent are significantly larger than us and may be able to offer compensation, benefits or work arrangements perceived as more desirable than what we are able to offer. If we are unable to recruit, retain, and motivate our employees, then we may not be able to innovate, execute on our strategy and grow our business as planned.

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, the majority of our employees have been required to work from home 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.

Further, as our employees return to work in our physical locations, they may be exposed to COVID-19, and there can be no assurances that the protective measures that we have taken will be sufficient to protect our employees. As part of our return-to-work plan, many of our employees will have the flexibility to work remotely on at least a part-time basis for the foreseeable future, which could impair our ability to maintain our collaborative and innovative culture, and may cause disruptions among our employees, including decreases in

productivity, challenges in communications between on-site and off-site employees and, potentially, employee dissatisfaction and attrition. Any of these factors could adversely impact our business.

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, Belgium and Finland. 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.

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 2021, Samsung, Apple and Xiaomi 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. As of December 31, 2021, and 2020, 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.

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 may 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.

We regularly make strategic decisions about our patent portfolio. Although we seek to focus our operations in areas where we see the potential for growth and to divest assets where we see more limited opportunities, dispositions we decide to undertake may involve risks, and the anticipated benefits of such actions may not be realized.

From time to time, we intend to make strategic decisions about our patent portfolio, whether through a formal portfolio review or opportunistic dispositions. Cost savings expectations of any portfolio review are inherently uncertain and, therefore, we cannot provide assurance that we will achieve any expected, or any actual cost savings from any such action. Our portfolio review activities may place substantial demands on our

management, which could lead to the diversion of management's attention from other business priorities. We have divested a number of assets, including as part of a recent strategic portfolio rationalization review. Any assets that we divest could turn out to be more valuable than we had anticipated and we may not realize the anticipated benefits of any strategic decision about our patent portfolio.

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.

Securities analyst coverage or lack of coverage may have a negative impact on our common stock's market price.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If securities or industry analysts stop their coverage of us or additional securities and industry analysts fail to cover us in the future, the trading price for our common stock would be negatively impacted. If any analyst or analysts who cover us downgrade our common stock, changes their opinion of our shares or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If any analyst or analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease and we could lose visibility in the financial markets, which could cause our stock price and trading volume to decline.

Our approved stock repurchase program 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, our Board of Directors could choose to suspend or terminate the stock repurchase program at any time or not to renew the program.

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, 2021 was approximately \$427.1 million. This level of debt could have significant consequences on our future operations, including:

- 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 9 “*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 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 leased properties:

<u>Location</u>	<u>Approximate Square Feet</u>	<u>Principal Use</u>	<u>Lease Expiration Date</u>
Wilmington, Delaware	36,200	Corporate headquarters	November 2022
Rennes, France	50,000	Office and research space	October 2024
Conshohocken, Pennsylvania . .	30,300	Office and research space	September 2026
New York, New York	19,400	Office and research space	July 2030
Montreal, Quebec	11,918	Office and research space	June 2026
Los Altos, California	4,900	Office and research space	November 2027

We are also a party to leases for several smaller research and/or office spaces, including in Brussels, Belgium; Espoo, Finland; Indianapolis, Indiana, USA; London, United Kingdom; Paris, France; and Hicksville, New York, USA. 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 11, “*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 Global Select Market ("NASDAQ") is the principal market for our common stock, which is traded under the symbol "IDCC."

Holdings

As of February 15, 2022, there were 473 holders of record of our common stock.

Dividends

Cash dividends on outstanding common stock declared in 2021 and 2020 were as follows (in thousands, except per share data):

	<u>Per Share</u>	<u>Total</u>	<u>Cumulative by Fiscal Year</u>
2021			
First quarter	\$0.35	\$10,766	\$10,766
Second quarter	0.35	10,794	21,560
Third quarter	0.35	10,740	32,300
Fourth quarter	0.35	10,741	43,041
	<u>\$1.40</u>	<u>\$43,041</u>	
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
	<u>\$1.40</u>	<u>\$43,111</u>	

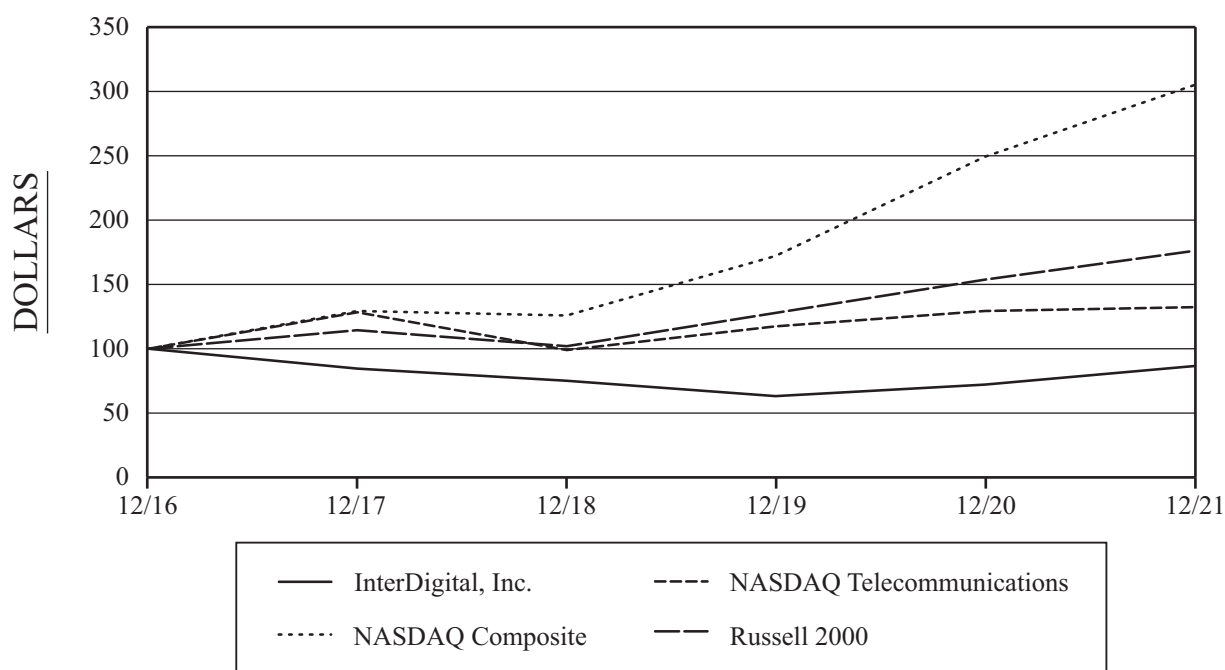
In September 2017, we announced that our Board of Directors had approved an increase in the Company's quarterly cash dividend to \$0.35 per share. We currently expect to continue to pay dividends comparable to our quarterly \$0.35 per share cash dividend in the future; however, continued payment of cash 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, the NASDAQ Telecommunications index and the Russell 2000 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 12/31/2016 to 12/31/2021. We have historically presented the performance graph by comparing our cumulative total shareholder return against the cumulative total return of the NASDAQ Composite index and the NASDAQ Telecommunications index. We have decided to change from the NASDAQ Composite index to the Russell 2000 index as management believes the companies included in the Russell 2000 index are more comparable to us because of their more similar market capitalizations. Beginning with our Annual Report on Form 10-K for 2022, we will only present the cumulative total return of the NASDAQ Telecommunications index and the Russell 2000 index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among InterDigital, Inc., the NASDAQ Composite Index,
the Russell 2000 Index and the NASDAQ Telecommunications Index



*\$100 invested on 12/31/16 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.
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	12/16	12/17	12/18	12/19	12/20	12/21
InterDigital, Inc.	100.00	84.65	75.15	63.05	72.06	86.83
NASDAQ Composite	100.00	129.64	125.96	172.17	249.51	304.85
Russell 2000	100.00	114.65	102.02	128.06	153.62	176.39
NASDAQ Telecommunications	100.00	128.15	99.14	117.73	129.57	132.63

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 2021.

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased 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, 2021—October 31, 2021	95,937	\$67.63	95,937	\$41,974,275
November 1, 2021—November 30, 2021	7,636	\$66.71	7,636	\$41,464,736
December 1, 2021—December 31, 2021	—	\$ —	—	\$41,464,736
Total	<u>103,573</u>	<u>\$67.56</u>	<u>103,573</u>	<u>\$41,464,736</u>

(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. [RESERVED]

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 Consolidated Financial Statements and the Notes thereto contained in this Form 10-K. The following section generally discusses our financial condition and results of operations for our fiscal year ended December 31, 2021 compared to our fiscal year ended December 31, 2020. A discussion regarding our financial condition and results of operations for December 31, 2020 compared to our fiscal year ended December 31, 2019 can be found in Part II, Item 7 of our Annual Report on Form 10-K for fiscal year 2020, filed with the Securities and Exchange Commission (the “SEC”) on February 18, 2021.

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 global research and development company focused primarily on wireless, visual and related technologies. We design and develop advanced technologies that enable connected, immersive experiences in a broad range of communications and entertainment products and services. We license

our innovations worldwide to companies in a variety of industries, including wireless communications, consumer electronics, personal computer, and automotive. 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. With the acquisitions of the patent licensing business (the “Technicolor Patent Acquisition”) and research and innovation unit of visual technology industry leader Technicolor SA (“Technicolor”) (together, the “Technicolor Acquisitions”), we are 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 and development and licensing companies in the world, with one of the most significant patent portfolios of fundamental wireless and video technologies. As of December 31, 2021, InterDigital’s wholly owned subsidiaries held a portfolio of approximately 27,500 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. Our video technology portfolio combines patents and applications that InterDigital obtained through the Technicolor Acquisitions and patents and applications created by internal development. Our patented wireless inventions, our patented video inventions, or both have been implemented in a wide variety of products. Products incorporating our patented inventions include: mobile devices, such as cellular phones, tablets, notebook computers and wireless personal digital assistants; televisions, gaming consoles, set-top boxes, streaming devices and other consumer electronics; wireless infrastructure equipment, such as base stations; components, dongles and modules for wireless devices; and Internet of Things (“IoT”) devices and software platforms.

Revenue

In 2021, 2020, and 2019, our total revenues were \$425.4 million, \$359.0 million, and \$318.9 million, respectively. Our recurring revenues in 2021, 2020 and 2019 were \$351.7 million, \$336.8 million, and \$298.2 million, respectively. In 2021, 2020, and 2019, we recognized \$73.7 million, \$21.6 million and \$19.8 million, respectively, of non-current patent royalties as more fully discussed below. In 2021, 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

During 2021, we entered into thirteen patent license agreements, including agreements with Xiaomi, Sony, and a top ten TV manufacturer discussed below. We estimate these agreements will result in revenues exceeding \$390 million over their respective lives.

Direct Licenses

During third quarter 2021, we entered into a multi-year, worldwide, non-exclusive, royalty bearing license with Xiaomi. The license covers Xiaomi’s cellular-enabled mobile devices under our standard essential patents

related to 3G, 4G, 5G, WiFi and HEVC video technology. As part of the agreement, we and Xiaomi agreed to dismiss all pending patent litigation and other proceedings between the companies.

During fourth quarter 2021, we renewed our multi-year, worldwide, non-exclusive patent license agreement with Sony. In addition, we renewed our joint venture with Sony, Convida Wireless.

Licenses Through Platforms

During third quarter 2021, as part of the Madison Arrangement, we entered into a non-exclusive, per-unit royalty-bearing patent license agreement with a top ten global TV manufacturer, covering certain of the licensee's sales of digital televisions.

Expiration of License Agreements

We had six patent license agreements that were scheduled to expire between January 1, 2021 and December 31, 2021. Of the six related customers, four were renewed during 2021. The two patent license agreements that have not yet been renewed contributed \$13.2 million of recurring revenue in 2021.

Nine of our patent license agreements are scheduled to expire during 2022. Collectively, these agreements accounted for \$211.5 million, or approximately 60%, of recurring revenue in 2021. Among the customers licensed under these agreements are Apple and Samsung, each of which comprised 10% or more of our consolidated revenues in 2021, 2020, and 2019.

We are actively working to renew these agreements on terms consistent with the licensees' respective market positions and utilization of our technology.

Restructuring Activities

On June 10, 2021, we announced that, as a result of a strategic review of our research and innovation priorities, we commenced the process of a collective economic layoff in which we proposed a reduction in force of 66 positions in our research and innovation unit, 60 of whom are based in France. On September 28, 2021, the Company finalized an agreement with the representative trade unions of certain of its French subsidiaries to commence the reorganization of the research and innovation unit located in France as part of the reduction in force announced in June. This agreement was validated by the Regional Director of Economy, Employment, Labor and Solidarity on October 25, 2021. During fourth quarter 2021, the list of impacted employees was finalized and included additional employees who voluntarily took the termination benefits. The company formally notified the impacted employees in fourth quarter 2021.

In October 2021, we expanded our restructuring efforts to include general and administrative functions largely centered in the U.S., which will result in a further reduction in force of approximately 8% of total headcount as well as cuts to our non-labor expenses. These employees were provided notification of termination during fourth quarter 2021.

During 2021, we recognized \$27.9 million restructuring expenses including \$22.6 million severance and other benefits, a \$13.2 million asset impairment, and \$1.7 million outside services and other associated costs, offset by a \$9.6 million reimbursement agreement, which are included within "*Restructuring Activities*" in the consolidated statement of income.

We expect to recognize additional restructuring charges of approximately \$1 million in first quarter 2022. We began to see related cost savings in late 2021 and expect to see further cost savings of approximately \$15 million in 2022. However, such savings do not account for any changes in litigation, revenue share, or any new investments we may make.

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. We negotiated resolutions to the matters involving ZTE, Huawei and Xiaomi in December 2019, April 2020 and July 2021, respectively, while our matters with Lenovo continue to proceed. During 2021, we filed patent infringement actions against Oppo, OnePlus and realme.

The matters are more fully discussed in Note 11, “*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.

In 2021, our intellectual property enforcement costs increased to \$34.3 million, from \$28.6 million and \$25.4 million in 2020 and 2019, respectively. These costs represented 20% of our total patent administration and licensing costs of \$175.7 million in 2021. 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, 2021, we had \$948.6 million of cash, restricted cash and short-term investments and an additional \$230.0 million of cash payments due under contracted fixed price agreements, including \$9.6 million recorded in our \$31.1 million accounts receivable balance. The remaining accounts receivable is primarily related to variable patent royalty revenue.

Over 90% of our revenue comes from fixed price agreements. Such agreements often have prescribed payment schedules that are uneven and sometimes front-loaded, resulting in timing differences between when we collect the cash payments and recognize the related revenue. As a result, our cash receipts due in 2022 from existing agreements are expected to be lower than revenue to be recognized in 2022 from such agreements as noted in the deferred revenue amortization table below.

The following table reconciles the timing differences between cash receipts and recognized revenue on a quarterly basis for each of the last three years, including the resulting operating cash flow (in thousands):

Cash vs. Non-cash revenue:	2021				
	Q1	Q2	Q3	Q4	YTD
Fixed fee cash receipts (a)	\$47,312	\$ 3,050	\$ 143,050	\$ 123,050	\$316,462
Other cash receipts (b)	10,676	17,808	7,739	15,556	51,779
Change in deferred revenue	23,429	63,230	(150,703)	80,912	16,868
Change in receivables	(3,507)	(499)	129,655	(110,546)	15,103
Other	4,453	4,146	13,755	2,843	25,197
Total Revenue	<u>\$82,363</u>	<u>\$ 87,735</u>	<u>\$ 143,496</u>	<u>\$ 111,815</u>	<u>\$425,409</u>
Net cash (used in) provided by operating activities	\$ (9,842)	\$(27,259)	\$ 96,264	\$ 71,229	\$130,392

Cash vs. Non-cash revenue:	2020				
	Q1	Q2	Q3	Q4	YTD
Fixed fee cash receipts (a)	\$ 20,019	\$114,413	\$142,019	\$ 53,410	\$329,861
Other cash receipts (b)	14,481	9,880	7,845	15,751	47,957
Change in deferred revenue	39,512	(16,829)	(75,749)	28,669	(24,397)
Change in receivables	(2,664)	(6,228)	8,902	(11,364)	(11,354)
Other	4,862	3,262	4,476	4,324	16,924
Total Revenue	<u>\$ 76,210</u>	<u>\$104,498</u>	<u>\$ 87,493</u>	<u>\$ 90,790</u>	<u>\$358,991</u>
Net cash (used in) provided by operating activities .	<u>\$(26,885)</u>	<u>\$ 69,755</u>	<u>\$101,342</u>	<u>\$ 19,255</u>	<u>\$163,467</u>

Cash vs. Non-cash revenue:	2019				
	Q1	Q2	Q3	Q4	YTD
Fixed fee cash receipts (a)	\$ 22,617	\$ 18,892	\$150,450	\$ 56,617	\$248,576
Other cash receipts (b)	12,260	7,431	11,400	15,509	46,600
Change in deferred revenue	43,423	19,331	(63,629)	8,624	7,749
Change in receivables	(1,725)	23,894	(33,828)	4,917	(6,742)
Other	(7,944)	6,061	8,130	16,494	22,741
Total Revenue	<u>\$ 68,631</u>	<u>\$ 75,609</u>	<u>\$ 72,523</u>	<u>\$102,161</u>	<u>\$318,924</u>
Net cash (used in) provided by operating activities	<u>\$(30,781)</u>	<u>\$(22,742)</u>	<u>\$125,499</u>	<u>\$ 17,457</u>	<u>\$ 89,433</u>

(a) Fixed fee cash receipts are comprised of cash receipts from Dynamic Fixed-Fee Agreement royalties, including the associated past patent royalties

(b) Other cash receipts are comprised of cash receipts related to our variable patent royalty revenue, including the associated past patent royalties, current technology solutions revenue, royalties from static agreements, and patent sales.

When we collect payments on a front-loaded basis, we recognize a deferred revenue liability equal to the cash received and accounts receivable recorded which relate to revenue expected to be recognized in future periods. That liability is then reduced as we recognize revenue over the balance of the agreement. The following table shows the projected amortization of our current and long term deferred revenue as of December 31, 2021 (in thousands):

	<u>Deferred Revenue</u>
2022	\$294,235
2023	14,023
2024	920
2025	920
Thereafter	—
Total	<u><u>\$310,098</u></u>

Return of Capital

In June 2014, our Board of Directors authorized a \$300 million share repurchase program (the “2014 Repurchase Program”). Subsequently 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. Since 2014, we have repurchased \$658.5 million of shares at an average price of \$51.32, adjusted for dividends. As of December 31, 2021, there was approximately \$41.5 million remaining under the share repurchase authorization.

Since January 2014, we have paid \$313.2 million in dividends, bringing our total return of capital over the last eight years to \$971.7 million.

The table below sets forth the total number of shares repurchased and the dollar value of shares repurchased under the 2014 Repurchase Program, cash dividends on outstanding common stock declared, and the total capital returned to our shareholders (in thousands):

	2014 Repurchase Program		Cash Dividends Declared		Total Capital Returned to Shareholders
	# of Shares	Value	Per Share	Value	
2021	458	\$ 30,000	\$1.40	\$ 43,041	\$ 73,041
2020	6	349	1.40	43,111	43,460
2019	2,962	196,269	1.40	43,718	239,987
2018	1,478	110,505	1.40	47,922	158,427
2017	107	7,693	1.30	45,122	52,815
2016	1,304	64,685	1.00	34,359	99,044
2015	1,836	96,410	0.80	28,726	125,136
2014	3,554	152,625	0.70	27,153	179,778
Total	11,705	\$658,536	\$9.40	\$313,152	\$971,688

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 2021. Fixed-fee royalties accounted for 89% of our revenues in 2021. 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 2021, we did not experience a significant impact on our contracted revenue due to COVID-19. Meanwhile, we have taken steps to protect the health and safety of our employees and their families, with the majority of our workforce continuing to work remotely. We are currently planning for a return to in-person work as early as March 2022, however we continue to evaluate feasibility of this date based on the evolving environment and regulatory guidance. All of our locations are available on a limited and voluntary basis. Despite these remote working conditions, our business activities have continued to operate with minimal interruption, and we expect them to continue to operate efficiently. Although we have resumed work-related travel on a limited basis, we have conducted the majority of 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, 2021, we successfully concluded eighteen new patent license agreements that we estimate will result in revenues exceeding \$560.0 million over their respective lives. 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 2021 financial results against the financial results of other periods, the following items should be taken into consideration:

- Our 2021 revenue includes \$73.7 million of non-recurring revenue primarily related to the patent license agreements with Xiaomi and a top ten global TV manufacturer signed, as discussed above.
- During 2021, we recognized \$27.9 million restructuring expenses including \$22.6 million of severance and other benefits, a \$13.2 million asset impairment and \$1.7 million of associated outside services and other costs, offset by a \$9.6 million reimbursement agreement. These costs resulted from our restructuring activities as described in Note 20, “*Restructuring Activities*” within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K. The patents held for sale are recorded at fair value on December 31, 2021 and are included within “*Prepaid and other current assets*” in the consolidated balance sheet.
- During 2021, we incurred \$10.1 million of one-time share-based compensation costs driven by the impact of licensing success achieved during 2021.
- Interest expense decreased in 2021 by \$15.6 million, primarily due to a reduction in non-cash interest expense resulting from the accounting adoption of ASU 2020-06, related to the accounting for convertible debt.
- In 2021, “*Other income, net*” includes a \$1.9 million gain on a contract termination, a \$7.6 million gain resulting from observable price changes in orderly transactions of our long-term strategic investments, and a \$2.3 million gain on the curtailment of our defined benefit plan.

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 depend 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 and will record a true-up when we receive the actual royalty report from the licensee. Estimating licensees' quarterly royalties prior to receiving the royalty reports requires us to make assumptions and judgments related to forecasted trends and growth rates used to estimate our licensees' sales, which could have an impact on the amount of revenue we report on a quarterly basis.

Technology Solutions

Technology solutions revenue consists primarily of revenue from royalty payments, software licenses, and engineering services. 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 2021, we signed three new fixed-fee agreements 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 2021 revenue is summarized in the following table (in thousands):

<u>Allocation to past patent royalties</u>	<u>Change in amount allocated</u>	
	<u>+5%</u>	<u>-%5</u>
Change in Revenue	\$13,732	\$(13,732)

Revenue from Non-financial Sources

During 2021, 2020 and 2019, approximately 5%, 7% and 6%, respectively, of our total revenue was based on the estimated fair value of patents. 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 2021 revenue, patent amortization and pre-tax income is summarized in the following table (in thousands).

<u>Estimated value of patents acquired in connection with PLAs</u>	<u>Change in estimate</u>	
	<u>+5%</u>	<u>-%5</u>
Revenue	\$1,018	\$(1,018)
Less: Patent amortization	941	(941)
Pre-tax income	<u>\$ 77</u>	<u>\$ (77)</u>

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 RSU 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 or 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 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 of achievement in accordance with accounting rules for share-based compensation. Due to the binary nature of patent license agreements, performance awards with milestone goals are typically not expensed until the goal has been achieved. Achievement rates can vary by performance cycle and from period to period, resulting in variability in our compensation expense.

We account for compensation costs associated with share-based 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 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 2021, 2020 and 2019 were \$0.8 million, \$0.2 million and \$0.2 million, respectively.

The below table summarizes our supplemental compensation expense for 2021, 2020 and 2019, in thousands:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term incentive compensation	\$18,820	\$16,166	\$14,129
Time-based awards (a)	8,528	6,668	6,327
Performance-based awards (a)	17,933	2,347	299
Other share-based compensation	3,962	2,580	1,307
Total supplemental compensation expense	<u>\$49,243</u>	<u>\$27,761</u>	<u>\$22,062</u>

(a) For 2021, 2020 and 2019, approximately 7%, 12%, and 5%, respectively, of the aggregate expense associated with time-based and performance-based awards related to cash awards.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of income in the period 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 2021, we paid approximately \$134.6 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.

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 11, “*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, dividend program, and other contractual obligations discussed below in both the short-term over the next twelve month, and the long-term beyond twelve months.

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

As of December 31, 2021 and December 31, 2020, we had the following amounts of cash, cash equivalents, restricted cash and short-term investments (in thousands):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Increase / (Decrease)</u>
Cash and cash equivalents	\$706,282	\$473,474	\$ 232,808
Restricted cash included within prepaid and other current assets	5,861	3,108	2,753
Restricted cash included within other non-current assets ..	1,081	1,081	—
Short-term investments	<u>235,345</u>	<u>453,173</u>	<u>(217,828)</u>
Total cash, cash equivalents, restricted cash and short-term investments	<u>\$948,569</u>	<u>\$930,836</u>	<u>\$ 17,733</u>

The net increase in cash, cash equivalents, restricted cash and short-term investments was attributable to cash provided by operating activities of \$130.4 million. This increase was partially offset by cash used in investing activities, excluding sales and purchases of short-term investments, of \$36.9 million and cash used in financing activities of \$74.5 million. Cash used in investing activities, excluding sales and purchases of short-term investments, primarily related to capital investments for patents and fixed assets, and patent acquisitions, was partially offset by net cash receipts from sales of our long-term investments. Cash used in financing activities primarily related to dividend payments and repurchases of common stock. 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 2021 and 2020 (in thousands):

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>Increase / (Decrease)</u>
Cash flows provided by operating activities	<u>\$130,392</u>	<u>\$163,467</u>	<u>\$(33,075)</u>

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 \$33.1 million change in net cash provided by operating activities was primarily driven by an increase in cash operating expenses primarily due to restructuring activities and revenue share costs, along with other factors further discussed below in the “*Results of Operations*”. Additionally, lower cash receipts contributed to the change, and was primarily attributable to the timing of cash receipts related to existing patent license agreements and reduction in cash receipts resulting from a handset manufacturer exiting the handset business, offset by cash receipts from new patent license agreements signed in 2021. The table below sets forth the significant items comprising our cash flows provided by operating activities during the years ended December 31, 2021 and 2020 (in thousands):

	For the Year Ended December 31,		
	2021	2020	Increase / (Decrease)
Cash Receipts:			
Patent royalties	\$ 364,348	\$ 366,297	\$ (1,949)
Technology solutions	3,893	11,521	(7,628)
Total cash receipts	\$ 368,241	\$ 377,818	\$ (9,577)
Cash Outflows:			
Cash operating expenses (a)	(234,046)	(204,801)	(29,245)
Income taxes paid, net of refunds (b)	(23,091)	(26,233)	3,142
Total cash outflows	(257,137)	(231,034)	(26,103)
Other working capital adjustments	19,288	16,683	2,605
Cash flows provided by operating activities	\$ 130,392	\$ 163,467	\$(33,075)

(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.

Cash provided by or used in investing and financing activities

Net cash provided by investing activities in 2021 was \$179.6 million, a \$489.7 million change from \$310.0 million net cash used in investing activities in 2020. During 2021, we sold \$216.6 million of short-term marketable securities, net of purchases, capitalized \$35.9 million of patent costs and property plant and equipment purchases, acquired \$2.4 million of patents, and received \$1.4 million of net cash receipts from our long-term strategic investments. During 2020, we purchased \$272.8 million of short-term marketable securities, net of sales, capitalized \$42.4 million of patent costs and property plant and equipment purchases, and received \$4.3 million of net cash receipts from the sale of one of our long-term strategic investments.

Net cash used in financing activities for 2021 was \$74.5 million, a \$58.4 million change from net cash used in financing activities of \$132.9 million in 2020. This change was primarily attributable to a \$94.9 million payment on long-term debt related to the repayment of our 2020 Notes in 2020, offset by \$29.7 million of additional repurchases of common stock in 2021 compared to 2020.

Other

Our combined short-term and long-term deferred revenue balance at December 31, 2021 was \$311.1 million, a decrease of \$16.9 million from December 31, 2020. Based on current license agreements, we expect the amortization of dynamic fixed-fee royalty payments to reduce the December 31, 2021 deferred revenue balance by \$291.7 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, 2021) or above the strike price of the warrants (\$109.43 per share for the 2024 Warrant Transactions as of December 31, 2021), 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 when 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 9, “*Obligations*” within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K, as of December 30, 2021, 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, 2021, 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

The following table summarizes our contractual obligations as of December 31, 2021 (in thousands). As discussed above 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 these contractual obligations discussed below in both the short-term over the next twelve month, and the long-term beyond twelve months.

	Payments Due by Period				
	Total	Less Than 1 year	1-3 Years	3-5 Years	Thereafter
2024 Notes (a)	\$400,000	\$ —	\$400,000	\$ —	\$ —
Contractual interest payments on the 2024 Notes (a) . . .	20,000	8,000	12,000	—	—
Operating lease obligations	25,751	5,142	8,516	6,266	5,827
Defined benefit plan obligations (b)	3,012	200	298	248	2,266
Purchase obligations (c)	12,401	12,401	—	—	—
Total contractual obligations	<u>\$461,164</u>	<u>\$25,743</u>	<u>\$420,814</u>	<u>\$6,514</u>	<u>\$8,093</u>

- (a) Refer to Note 9, “*Obligations*,” within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for details of our 2024 Notes.
- (b) Refer to Note 10, “*Commitments*,” 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.
- (c) 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, 2021 includes a \$15.7 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, 2021, we have recorded long-term debt of \$27.1 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, 2021, 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 9, “*Obligations*,” 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.

RESULTS OF OPERATIONS

2021 Compared with 2020

Revenues

The following table compares 2021 revenues to 2020 revenues (in thousands):

	For the Year Ended December 31,		Total	
	2021	2020	Increase(Decrease)	
Variable patent royalty revenue	\$ 32,234	\$ 26,587	\$ 5,647	21%
Fixed-fee royalty revenue	314,585	298,461	16,124	5%
Current patent royalties ^a	346,819	325,048	21,771	7%
Non-current patent royalties ^b	73,709	21,582	52,127	242%
Total patent royalties	420,528	346,630	73,898	21%
Current technology solutions revenue ^a	4,881	11,761	(6,880)	(58)%
Patent sales ^b	—	600	(600)	(100)%
Total revenue	<u>\$425,409</u>	<u>\$358,991</u>	<u>\$66,418</u>	<u>19%</u>

- (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 includes past patent royalties and royalties from static agreements, as well as patent sales.

The \$66.4 million increase in total revenue was primarily driven by the third quarter 2021 Xiaomi and top ten global TV manufacturer patent license agreements, which primarily drove both a \$14.9 million increase in recurring revenue and a \$52.1 million increase in non-current patent royalties. The increase in recurring revenues was also driven by revenue other new patent license agreements, including the Huawei PLA signed in second quarter 2020. These increases were partially offset by a reduction in recurring revenues due to a handset manufacturer exiting the handset business. The increase in non-current patent royalties was also primarily related to revenues from a static fixed-fee patent license agreement signed in second quarter 2021, offset by the prior period including past sales recognized from the Huawei patent license agreement signed in second quarter 2020. The decrease in technology solutions revenue was primarily due to reduced revenue from a strategic partner, whose contract was terminated in the first half of 2021.

In 2021 and 2020, 70% and 68% of our total revenues, respectively, were attributable to companies that individually accounted for 10% or more of our total revenues. In 2021 and 2020, the following licensees or customers accounted for 10% or more of our total revenues:

	For the Year Ended December 31,	
	2021	2020
Customer A	28%	31%
Customer B	18%	22%
Customer C	14%	—%
Customer D	10%	15%

Operating Expenses

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

	For the Year Ended December 31,		Increase/(Decrease)	
	2021	2020		
Patent administration and licensing	\$175,741	\$170,178	\$ 5,563	3%
Development	89,368	84,646	4,722	6%
Selling, general and administrative	61,217	48,999	12,218	25%
Restructuring activities	27,877	—	27,877	100%
Total operating expenses	<u>\$354,203</u>	<u>\$303,823</u>	<u>\$50,380</u>	<u>17%</u>

Operating expenses increased 17% to \$354.2 million in 2021 from \$303.8 million in 2020. The \$50.4 million increase in total operating expenses was primarily due to increases/(decreases) in the following items (in thousands):

	Increase/ (Decrease)
Restructuring activities	\$27,877
Share-based compensation	18,294
Revenue share	9,442
Personnel-related costs	7,158
Intellectual property enforcement and non-patent litigation	5,820
Non-cash charge of patents disposed	(7,539)
Corporate initiatives	(4,017)
Patent maintenance	(2,800)
Depreciation and amortization	(2,625)
Other	(1,230)
Total increase in operating expenses	<u>\$50,380</u>

The \$50.4 million increase in operating expenses was driven by restructuring activities, share-based compensation, and revenue share costs related to the license agreements signed in 2021. The share-based compensation increase was driven by the impact of licensing success achieved during 2021 on performance based equity awards, including previously granted awards, a new hire equity award granted to our CEO, and our 2019 grant for which we modified the goal for all participants in first half 2021. The \$9.4 million increase in revenue share costs related to the above-noted patent license agreement with a top ten global TV manufacturer. In addition, \$27.9 million of the increase related to non-recurring restructuring costs incurred as part of our overall restructuring plan, \$5.8 million related to an increase in intellectual property enforcement costs, primarily driven by the Xiaomi and Lenovo litigations, and \$7.2 million related to increased personnel-related costs primarily driven by new employment agreements. These increases were primarily offset due a one-time \$7.5 million non-cash charge to write-off the remaining book value of patents we disposed of in 2020 as part of our ongoing patent portfolio management and by a \$4.0 million decrease due to 2020 efforts to optimize our cost structure in 2020, including the closure of our San Diego office. Additionally, ongoing efforts to effectively manage our patent portfolio size drove the \$2.8 million reduction in patent maintenance costs and the \$2.6 million reduction in depreciation and amortization costs.

Patent administration and licensing expense: The \$5.6 million increase in patent administration and licensing expense primarily resulted from the above noted \$9.4 million increase in revenue share costs, \$5.8 million increase in intellectual property enforcement costs, and share-based compensation costs. These increases were partially offset by the above noted decrease in depreciation and amortization costs and the \$7.5 million one-time non-cash charge to write-off the remaining book value of patents disposed in 2020.

Development expense: Development expense increased by \$4.7 million primarily resulting from the increases in share-based compensation discussed above.

Selling, general and administrative expense: The \$12.2 million increase in selling, general and administrative expense primarily resulted from the above-noted increases in share-based compensation and personnel-related costs, partially offset by the above-noted corporate initiatives, as well as a decrease in outside consulting costs.

Restructuring Activities: The Company incurred \$27.9 million of restructuring expenses associated with the Company’s overall restructuring plan, as described in Note 20, “*Restructuring Activities*” within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information.

Non-Operating Expense

The following table compares 2021 non-operating expense to 2020 non-operating expense (in thousands):

	For the Year Ended December 31,		Change	
	2021	2020		
Interest expense	\$(25,225)	\$(40,799)	\$15,574	38%
Interest and investment income	1,690	5,661	(3,971)	(70)%
Other	9,885	11,263	(1,378)	(12)%
Total non-operating expense	<u>\$(13,650)</u>	<u>\$(23,875)</u>	<u>\$10,225</u>	<u>43%</u>

The change in non-operating expense between periods was primarily driven by \$15.6 million of reduced non-cash interest expense primarily due to the removal of the accretion of the debt discount on the 2024 Notes resulting from the adoption of ASU 2020-06 and a decrease in interest and investment income of \$4.0 million in 2021, primarily due to reduced rates of return on our short-term investments.

Other decreased \$1.4 million driven primarily by a \$3.0 million foreign currency translation loss in 2021, compared to a \$4.6 million gain in 2020 arising from euro translation of our foreign subsidiaries. This decrease was offset by gains recognized in 2021 including a \$1.9 million gain on a contract termination and a \$2.3 million gain on the curtailment of our defined benefit plan, as discussed further in Note 10, “*Commitments*,” within the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K. Additionally, during 2021 and 2020 we recognized \$7.6 million and \$5.6 million, respectively, of gains resulting from observable price changes of our long-term strategic investments. All of these items are included in the “*Other*” caption in the table above.

Income Taxes

In 2021, based on the statutory federal tax rate net of discrete federal and state taxes, our effective tax rate is 27.0%. The effective tax rate was driven by a net expense of \$10.8 million that primarily relates to non-deductible officer’s compensation and losses in certain jurisdictions where the Company presently has recorded a valuation allowance against the related tax benefit. The current year effective tax rate is compared to an effective tax rate benefit of 21.2% in 2020. The effective tax rate for 2020 was favorably impacted by a net benefit of \$19.7 million associated with amendment of prior year tax returns to utilize a tax asset generated during the year, as well as the reversal of a tax reserve.

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 “believe,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “goal,” “could,” “would,” “should,” “if,” “may,” “might,” “future,” “target,” “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 are made on the basis of management’s current views and assumptions and are not guarantees of future performance. 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 those set forth below:

- unanticipated delays, difficulties or accelerations in the execution of patent license agreements;
- our ability to leverage our strategic relationships and secure new patent license agreements on acceptable terms;
- our ability to enter into sales and/or licensing partnering arrangements for certain of our patent assets;
- our ability to enter into partnerships with leading inventors and research organizations and identify and acquire technology and patent portfolios that align with our roadmap;
- our ability to commercialize our technologies and enter into customer agreements;
- the failure of the markets for our current or new technologies and products to materialize to the extent or at the rate that we expect;
- unexpected delays or difficulties related to the development of our technologies and products;
- changes in our interpretations of, and assumptions and calculations with respect to the impact on us of, the 2017 Tax Cuts and Jobs Act, as well as further guidance that may be issued regarding such act;
- risks related to the potential impact of new accounting standards on our financial position, results of operations or cash flows;
- failure to accurately forecast the impact of our restructuring activities on our financial statements and our business;
- the resolution of current legal 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 proceedings;
- the timing and impact of potential administrative and legislative matters;
- changes or inaccuracies in market projections;
- our ability to obtain liquidity through debt and equity financings;
- the potential effects that the ongoing COVID-19 pandemic and/or corresponding macroeconomic uncertainty could have on our financial position, results of operations and cash flows; and
- changes in our business strategy.

You should carefully consider these factors as well as the risks and uncertainties outlined in greater detail in Part I, Item 1A, of 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 \$948.6 million as of December 31, 2021. 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, 2021. 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)						
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>	<u>Total</u>
Money market and demand							
accounts	\$705,725	—	—	—	—	—	\$705,725
Short-term investments	\$210,840	\$32,004	—	—	—	—	\$242,844
Average Interest rate	0.3%	1.3%	—%	—%	—%	—%	0.5%

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

Bank Liquidity Risk — As of December 31, 2021, we had approximately \$705.7 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. 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 2021, we paid approximately \$134.6 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 \$242.8 million as of December 31, 2021.

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, 2021 and 2020, 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, 2021, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 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, 2021, 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 convertible instruments in 2021.

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 matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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 noncurrent patent royalties were \$314.6 million and \$73.7 million, respectively, for the year ended December 31, 2021, 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.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 17, 2022

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

INTERDIGITAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	<u>DECEMBER 31,</u> <u>2021</u>	<u>DECEMBER 31,</u> <u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 706,282	\$ 473,474
Short-term investments	235,345	453,173
Accounts receivable, less allowances of \$322 and \$0	31,113	16,008
Prepaid and other current assets	77,545	59,894
Total current assets	1,050,285	1,002,549
PROPERTY AND EQUIPMENT, NET	13,377	16,630
PATENTS, NET	363,585	418,343
DEFERRED TAX ASSETS	98,408	80,380
OTHER NON-CURRENT ASSETS, NET	102,501	98,373
	577,871	613,726
TOTAL ASSETS	\$1,628,156	\$1,616,275
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	7,155	10,979
Accrued compensation and related expenses	32,638	32,413
Deferred revenue	291,673	219,935
Dividend payable	10,741	10,786
Other accrued expenses	29,354	21,649
Total current liabilities	371,561	295,762
LONG-TERM DEBT	422,745	367,992
LONG-TERM DEFERRED REVENUE	19,463	108,069
OTHER LONG-TERM LIABILITIES	61,470	47,886
TOTAL LIABILITIES	875,239	819,709
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, 71,720 and 71,389 shares issued and 30,689 and 30,816 shares outstanding	717	714
Additional paid-in capital	713,599	738,481
Retained earnings	1,441,105	1,413,969
Accumulated other comprehensive loss	(571)	(184)
	2,154,850	2,152,980
Treasury stock, 41,031 and 40,573 shares of common held at cost	1,409,611	1,379,611
Total InterDigital, Inc. shareholders' equity	745,239	773,369
Noncontrolling interest	7,678	23,197
Total equity	752,917	796,566
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,628,156	\$1,616,275

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,		
	2021	2020	2019
REVENUES:			
Patent licensing royalties	\$420,528	\$346,630	\$307,431
Technology solutions	4,881	11,761	10,518
Patent sales	—	600	975
Total Revenue	425,409	358,991	318,924
OPERATING EXPENSES:			
Patent administration and licensing	175,741	170,178	154,940
Development	89,368	84,646	74,860
Selling, general and administrative	61,217	48,999	51,289
Restructuring activities	27,877	—	—
Total Operating expenses	354,203	303,823	281,089
Income from operations	71,206	55,168	37,835
INTEREST EXPENSE	(25,225)	(40,799)	(40,955)
OTHER INCOME, NET	11,575	16,924	29,062
Income before income taxes	57,556	31,293	25,942
INCOME TAX (PROVISION) BENEFIT	(15,368)	6,648	(10,991)
NET INCOME	\$ 42,188	\$ 37,941	\$ 14,951
Net loss attributable to noncontrolling interest	(13,107)	(6,860)	(5,977)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	\$ 55,295	\$ 44,801	\$ 20,928
NET INCOME PER COMMON SHARE — BASIC	\$ 1.80	\$ 1.46	\$ 0.66
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING — BASIC	30,764	30,776	31,546
NET INCOME PER COMMON SHARE — DILUTED	\$ 1.77	\$ 1.44	\$ 0.66
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
OUTSTANDING — DILUTED	31,253	31,058	31,785
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)

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net income	\$ 42,188	\$37,941	\$14,951
Unrealized (loss) gain on investments, net of tax	<u>(387)</u>	<u>(110)</u>	<u>2,397</u>
Comprehensive income	<u>\$ 41,801</u>	<u>\$37,831</u>	<u>\$17,348</u>
Comprehensive loss attributable to noncontrolling interest	<u>(13,107)</u>	<u>(6,860)</u>	<u>(5,977)</u>
Total comprehensive income attributable to InterDigital, Inc.	<u>\$ 54,908</u>	<u>\$44,691</u>	<u>\$23,325</u>

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, 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
Adjustment related to the adoption of ASU 2020-06	—	—	(55,349)	15,587	—	—	—	—	(39,762)
Net income attributable to InterDigital, Inc.	—	—	—	55,295	—	—	—	—	55,295
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(13,107)	(13,107)
Proceeds from and increases in noncontrolling interests	—	—	—	—	—	—	—	100	100
Noncontrolling interest distribution	—	—	—	—	—	—	—	(2,512)	(2,512)
Net change in unrealized loss on short-term investments	—	—	—	—	(387)	—	—	—	(387)
Dividends declared (\$1.40 per share)	—	—	734	(43,746)	—	—	—	—	(43,012)
Exercise of common stock options	157	1	7,949	—	—	—	—	—	7,950
Issuance of common stock, net	174	2	(6,952)	—	—	—	—	—	(6,950)
Amortization of unearned compensation	—	—	28,736	—	—	—	—	—	28,736
Repurchase of common stock	—	—	—	—	—	458	(30,000)	—	(30,000)
BALANCE, DECEMBER 31, 2021	71,720	\$717	\$713,599	\$1,441,105	\$(571)	41,031	\$(1,409,611)	\$ 7,678	\$ 752,917

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,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 42,188	\$ 37,941	\$ 14,951
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	78,193	81,041	77,094
Non-cash interest expense, net	6,867	18,093	18,709
Non-cash change in fair value	(7,649)	(5,588)	710
Gain on asset acquisition and sale of a business	—	—	(22,690)
Change in deferred revenue	(16,868)	24,397	(7,749)
Deferred income taxes	(7,503)	(7,182)	4,123
Share-based compensation	28,736	10,442	7,603
Impairment of long-term investment	—	—	3,312
Loss on extinguishment of debt	—	—	5,488
Loss on disposal of assets	—	7,539	119
Impairment of patents	13,228	—	—
Other	—	412	623
(Increase) decrease in assets:			
Receivables	(15,103)	11,354	6,742
Deferred charges and other assets	(9,894)	(26,256)	(27,206)
(Decrease) increase in liabilities:			
Accounts payable	(1,803)	(2,850)	(638)
Accrued compensation and other expenses	20,000	14,124	8,242
Net cash provided by operating activities	<u>130,392</u>	<u>163,467</u>	<u>89,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments	(527,800)	(529,559)	(92,436)
Sales of short-term investments	744,353	256,726	389,032
Purchases of property and equipment	(2,511)	(11,793)	(4,509)
Capitalized patent costs	(33,416)	(30,615)	(33,481)
Acquisition of patents	(2,350)	—	—
Proceeds from sale of business	—	910	10,000
Long-term investments	1,363	4,285	(350)
Net cash provided by (used in) investing activities	<u>179,639</u>	<u>(310,046)</u>	<u>268,256</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from exercise of stock options	7,950	1,892	2
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	100	5,333	15,666
Non-controlling interest distribution	(2,512)	—	—
Dividends paid	(43,058)	(43,072)	(44,580)
Taxes withheld upon restricted stock unit vestings	(6,950)	(1,751)	(4,368)
Repurchase of common stock	(30,000)	(349)	(196,269)
Net cash used in financing activities	<u>(74,470)</u>	<u>(132,856)</u>	<u>(89,324)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
CASH	235,561	(279,435)	268,365
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	477,663	757,098	488,733
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u>\$ 713,224</u>	<u>\$ 477,663</u>	<u>\$ 757,098</u>

Refer to Note 1, "Background and Basis of Presentation," for additional supplemental cash flow information. Additionally, refer to Note 5, "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.

INTERDIGITAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

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, 2021. 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.

Prior Periods’ Financial Statement Revision

During 2021, we determined that we had incorrectly classified \$24.3 million of tax receivables as other current assets, whereas we should have reflected these as other non-current assets within the December 31, 2020 consolidated balance sheet. Although we concluded that such misclassification did not materially misstate the previously issued financial statements, we have corrected the classification by revising the accompanying 2020 balance sheet and footnotes.

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, 2021, 2020 and 2019 (in thousands):

SUPPLEMENTAL CASH FLOW INFORMATION:	FOR THE YEAR ENDED DECEMBER 31,		
	2021	2020	2019
Interest paid	\$ 8,000	\$ 8,712	\$ 7,886
Income taxes paid, including foreign withholding taxes	23,091	26,233	24,229
Non-cash investing and financing activities:			
Dividend payable	10,741	10,786	10,746
Increases in noncontrolling interests	—	—	13,750
Non-cash acquisition of patents	—	33,300	22,500
Right-of-use assets obtained in exchange of operating lease liabilities ^(a)	739	2,524	14,427
Accrued capitalized patent costs and property and equipment	2,021	(436)	1,619

a. Effective January 1, 2019, we adopted ASU 2016-02, “Leases (Topic 842)”, which outlines a comprehensive change to the lease accounting model.

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.

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, 2021 and 2020, 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 two 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 carrying value of goodwill was \$22.4 million as of December 31, 2021 and December 31, 2020, which was included within “*Other non-current assets, net*” in the consolidated balance sheets. No impairments were recorded during 2021, 2020 or 2019 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, less depreciation, amortization and impairments. 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

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. In 2021, a non-controlled subsidiary that we consolidate for financial statement purposes approved a plan to sell certain patents, which resulted in the Company recognizing a \$13.2 million impairment, as discussed further in Note 20, “*Restructuring Activities*”. In 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. We did not have any long-lived asset impairments in 2019.

Revenue Recognition

We derive the vast majority of our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depend 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 and will record a true-up when we receive the actual royalty report from the licensee. Estimating licensees' quarterly royalties prior to receiving the royalty reports requires us to make assumptions and judgments related to forecasted trends and growth rates used to estimate our licensees' sales, which could have an impact on the amount of revenue we report on a quarterly basis.

Technology Solutions

Technology solutions revenue consists primarily of revenue from royalty payments, software licenses, and engineering services. 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. The remaining material amounts of our accounts receivable are from variable patent license agreements, which primarily are paid on a quarterly basis. 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 \$0.3 million and \$0.0 million as of December 31, 2021 and 2020, 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 is included within "*Other non-current assets, net*" on our consolidated balance sheets. During 2021, 2020 and 2019, we made investments in other entities of \$1.1 million, \$0.2 million and \$0.4 million, respectively. The carrying value of our investments in other entities as of December 31, 2021 and 2020 was \$21.3 million and \$15.5 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 2021, 2020 or 2019.

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 9, “*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, 2021 and 2020 was \$4.4 million and \$4.6 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 2021 or 2020. Deferred financing expense was \$1.6 million, \$1.2 million and \$1.5 million in 2021, 2020 and 2019, 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 \$89.4 million, \$84.6 million and \$74.9 million in 2021, 2020 and 2019, 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 RSU awards and cash awards, noting equity awards are granted pursuant to the terms and conditions of our Equity Plans (as defined in Note 12, “*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 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 2021, 2020 and 2019 were \$0.8 million, \$0.2 million and \$0.2 million, respectively.

Restructuring

Restructuring activities include, but are not limited to, costs associated with termination benefits such as severance costs and retention bonuses, contract termination costs, and other costs associated with an exit or disposal activity. The termination benefits included within restructuring activities are recognized in accordance with either ASC 420, *Exit or Disposal Cost Obligations* (“ASC 420”) or ASC 712, *Compensation – Nonretirement Postemployment Benefits* (“ASC 712”), as applicable. Liabilities are recognized in accordance with ASC 420 when management commits to a plan of termination, the employees to be terminated are identified, the terms of the benefit arrangement are established, it was determined that either changes to the plan or withdrawal are unlikely, and the arrangements were communicated to employees. Liabilities that fall under ASC 712 are recognized when the liability was determined to be probable of being paid and reasonably estimable. The current liabilities are recorded within “*Other accrued expenses*” and long-term liabilities are included in “*Other long-term liabilities*” in the consolidated balance sheets. The restructuring expenses are included in “*Restructuring activities*” in the consolidated statements of income.

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: 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 adopted this guidance as of January 1, 2021, and the adoption did not have a material impact on our consolidated financial statements.

Accounting Standards Update: Simplifying the Accounting for Convertible 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 was permitted for fiscal years beginning after December 15, 2020. The ASU permits the use of either the modified retrospective or fully retrospective methods of transition. We elected to early adopt this standard on a modified retrospective approach as of January 1, 2021, which resulted in a \$10.4 million, \$50.2 million and \$15.6 million increase to net deferred tax assets, long-term debt and retained earnings, respectively, and a \$55.4 million decrease to additional paid-in capital. This \$50.2 million increase to long-term debt, net was comprised of \$51.6 million of unamortized interest discount partially offset by a net increase of \$1.4 million in unamortized debt issuance costs following the reversal of the initially established equity component of deferred financing costs. This was due to the standard no longer requiring bifurcation of the embedded conversion feature from the host contract on the 2024 Notes, as defined in Note 9, “*Obligations*”. This adoption also reduced non-cash interest expense starting in 2021 due to the removal of the accretion of the debt discount on the 2024 Notes. In addition, the adoption requires the use of the if-converted method of calculating diluted earnings per share rather than the treasury stock method for convertible instruments and requires the inclusion of the potential effect of shares settled in cash or shares in the diluted earnings per share calculation. Due to the reduction in non-cash interest expense, this adoption increased basic and diluted earnings per share by \$0.35 and \$0.34, respectively, in the year ended December 31, 2021.

During fourth quarter 2021, we determined that in our early adoption of this accounting standard, we incorrectly accounted for the adoption by increasing debt and decreasing retained earnings by \$50.2 million, which resulted in a \$10.4 million understatement of deferred taxes, \$65.8 million understatement of retained earnings and \$55.4 million overstatement of additional paid-in capital. We have concluded that this error did not result in our previously issued 2021 interim financial statements being materially misstated. We will, however, correct the error by prospectively revising our previously issued financial statements as of and for the periods ended March 31, 2021, June 30, 2021 and September 30, 2021 in connection with our 2022 quarterly filings on Form 10-Q. The accompanying annual financial statements reflect the correct accounting for the adoption of this standard.

Accounting Standards Update: Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity Classified Written Call Options

In May 2021, the FASB issued ASU No. 2021-04. The amendments in this ASU are intended to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options, including warrants, that remain equity classified after modification or exchange. ASU 2021-04 is effective for fiscal years beginning after December 15, 2021, with early adoption allowed. We have determined that the adoption will not have a material impact on our consolidated financial statements.

3. REVENUE RECOGNITION

Disaggregated Revenue

The following table presents the disaggregation of our revenue for the year ended December 31, 2021, 2020 and 2019 (in thousands):

	For the Year Ended December 31,		
	2021	2020	2019
Variable patent royalty revenue	\$ 32,234	\$ 26,587	\$ 30,428
Fixed-fee royalty revenue	314,585	298,461	257,221
Current patent royalties ^a	346,819	325,048	287,649
Non-current patent royalties ^b	73,709	21,582	19,782
Total patent royalties	420,528	346,630	307,431
Current technology solutions revenue ^a	4,881	11,761	10,518
Patent sales ^b	—	600	975
Total revenue	<u>\$425,409</u>	<u>\$358,991</u>	<u>\$318,924</u>

- 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 includes past patent royalties and royalties from static agreements, as well as patent sales.

During the year ended December 31, 2021, we recognized \$219.7 million of revenue that had been included in deferred revenue as of the beginning of the period. As of December 31, 2021, we had contract assets of \$18.9 million and \$8.3 million included within “*Accounts receivable, net*” and “*Other non-current assets, net*” in the consolidated balance sheet, respectively. As of December 31, 2020, we had contract assets of \$9.7 million and \$8.9 million included within “*Accounts receivable, net*” and “*Other non-current assets, net*” in the consolidated balance sheet, respectively.

Contracted Revenue

Based on contracts signed and committed Dynamic Fixed-Fee Agreement payments as of December 31, 2021, we expect to recognize the following amounts of revenue over the term of such contracts (in thousands):

	<u>Revenue</u>
2022	\$318,955
2023	118,795
2024	73,297
2025	60,920
2026	—
Thereafter	—
	<u><u>\$571,967</u></u>

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 2021, 2020 and 2019, 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):

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
United States	\$169,044	\$128,238	\$139,162
China	118,197	63,172	11,103
South Korea	86,677	111,634	113,189
Japan	24,689	23,694	35,614
Taiwan	11,040	10,059	938
Europe	15,762	22,194	18,639
Other Asia	—	—	279
Total revenue	<u><u>\$425,409</u></u>	<u><u>\$358,991</u></u>	<u><u>\$318,924</u></u>

During 2021, 2020 and 2019, the following licensees or customers accounted for 10% or more of total revenues:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Customer A	28%	31%	35%
Customer B	18%	22%	25%
Customer C	14%	—%	—%
Customer D	10%	15%	—%
Customer E	<10%	<10%	10%

As of December 31, 2021, and 2020, we held \$377.0 million and \$435.0 million of our property, equipment and patents, net of accumulated depreciation and amortization, respectively, of which greater than 90% of the total was within the United States in each of the years presented. As of December 31, 2021 and 2020, we held \$25.9 million and \$23.1 million of property, equipment and patents, net of accumulated depreciation and amortization, collectively, in Canada and Europe.

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

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash as of December 31, 2021 and 2020 consisted of the following (in thousands):

	December 31,	
	2021	2020
Money market and demand accounts	\$705,725	\$397,522
Commercial paper	7,499	80,141
Total cash, cash equivalents and restricted cash	<u>\$713,224</u>	<u>\$477,663</u>

The following table provides a reconciliation of total cash, cash equivalents and restricted cash as of December 31, 2021 and 2020 within the consolidated balance sheets (in thousands):

	December 31,	
	2021	2020
Cash and cash equivalents	\$706,282	\$473,474
Restricted cash included within prepaid and other current assets	5,861	3,108
Restricted cash included within other non-current assets	1,081	1,081
Total cash, cash equivalents and restricted cash	<u>\$713,224</u>	<u>\$477,663</u>

Marketable Securities

As of December 31, 2021 and 2020, the majority of our marketable securities are 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 two years, and we have both the ability and intent to hold the investments until maturity. We recorded no other-than-temporary impairments during 2021, 2020 or 2019. The gross realized gains and losses on sales of marketable securities were not significant during the years ended December 31, 2021, 2020 and 2019.

Marketable securities as of December 31, 2021 and 2020 consisted of the following (in thousands):

	December 31, 2021			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities				
Commercial paper	\$158,468	\$ 2	\$ (18)	\$158,452
U.S. government securities	51,444	—	(143)	51,301
Corporate bonds, asset backed and other securities	33,086	6	(1)	33,091
Total available-for-sale securities	<u>\$242,998</u>	<u>\$ 8</u>	<u>\$(162)</u>	<u>\$242,844</u>
Reported in:				
Cash and cash equivalents				\$ 7,499
Short-term investments				235,345
Total marketable securities				<u>\$242,844</u>

	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	<u>81,540</u>	<u>314</u>	<u>(5)</u>	<u>\$ 81,849</u>
Total available-for-sale securities	<u><u>\$532,979</u></u>	<u><u>\$363</u></u>	<u><u>\$(28)</u></u>	<u><u>\$533,314</u></u>
Reported in:				
Cash and cash equivalents				\$ 80,141
Short-term investments				<u>453,173</u>
Total marketable securities				<u><u>\$533,314</u></u>

As of December 31, 2021 and 2020, \$210.8 million and \$517.4 million, respectively, of our short-term investments had contractual maturities within one year. The remaining portions of our short-term investments had contractual maturities within one to two years.

6. 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, 2021, four licensees comprised 66%, and as of December 31, 2020 five licensees comprised 53%, 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, 2021 and December 31, 2020 (in thousands):

	Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market and demand accounts ^(a)	\$705,725	\$ —	\$ —	\$705,725
Commercial paper ^(b)	—	158,452	—	158,452
U.S. government securities	—	51,301	—	51,301
Corporate bonds, asset backed and other securities	—	33,091	—	33,091
	<u>\$705,725</u>	<u>\$242,844</u>	<u>\$ —</u>	<u>\$948,569</u>
	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 and asset backed securities	—	81,849	—	81,849
	<u>\$397,522</u>	<u>\$533,314</u>	<u>\$ —</u>	<u>\$930,836</u>

(a) Included within cash and cash equivalents.

(b) As of December 31, 2021 and 2020, \$7.5 million and \$80.1 million of commercial paper was included within cash and cash equivalents, respectively.

Level 3 Fair Value Measurements

Contingent Consideration

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 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, 2021 and 2020, 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, 2021 and December 31, 2020 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, 2021			December 31, 2020		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Senior Convertible Long-Term Debt	\$400,000	\$395,632	\$437,760	\$400,000	\$343,821	\$418,760

Technicolor Patent Acquisition Long-term Debt

As more fully disclosed in Note 9, “*Obligations,*” 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, 2021 and December 31, 2020 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, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Technicolor Patent Acquisition Long-Term Debt	\$27,113	\$28,569	\$24,171	\$27,016

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 December 31, 2021 and 2020, we recognized \$7.6 million and \$5.6 million, respectively, of gains resulting from observable price changes 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. 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 2021, we recognized a \$13.2 million impairment, resulting from our restructuring activities as described in Note 20, “*Restructuring Activities*”, which was included within “*Restructuring activities*” expenses in the consolidated statement of income. The Patents held for sale are recorded at fair value on December 31, 2021 and are included within “*Prepaid and other current assets*” in the consolidated balance sheet.

Also during 2021, we renewed our multi-year, worldwide, non-exclusive patent license agreement with Sony. A portion of the future consideration for the agreement was in the form of patents. We have yet to record these patents on our balance sheet as of December 31, 2021 as they have not yet been transferred. However, we have determined the estimated fair value of the patents for determining the transaction price for revenue recognition purposes, which was estimated to be \$30.1 million utilizing the income and market approach. The value will be amortized as a non-cash expense over the patents’ estimated useful lives once transferred.

During 2020, we entered into a patent license agreement with Huawei and 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.

During 2019 we entered into patent license agreements with ZTE for which a portion of the consideration was patents. The estimated fair value of the ZTE patents was \$14.0 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 transaction utilizing the market approach.

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.

7. PROPERTY AND EQUIPMENT

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

	December 31,	
	2021	2020
Computer equipment and software	\$ 14,787	\$ 16,003
Leasehold improvements	11,743	11,076
Building and improvements	3,574	3,548
Engineering and test equipment	1,470	1,183
Furniture and fixtures	799	1,051
Property and equipment, gross	32,373	32,861
Less: accumulated depreciation	(18,996)	(16,231)
Property and equipment, net	<u>\$ 13,377</u>	<u>\$ 16,630</u>

Depreciation expense was \$5.6 million, \$5.3 million and \$3.9 million in 2021, 2020 and 2019, respectively.

8. PATENTS, GOODWILL AND OTHER INTANGIBLE ASSETS

Patents

As of December 31, 2021 and 2020, patents consisted of the following (in thousands, except for useful life data):

	December 31,	
	2021	2020
Weighted average estimated useful life (years)	9.9	9.9
Gross patents	\$ 956,387	\$ 945,609
Accumulated amortization	(592,802)	(527,266)
Patents, net	<u>\$ 363,585</u>	<u>\$ 418,343</u>

Amortization expense related to capitalized patent costs was \$71.5 million, \$74.9 million and \$72.3 million in 2021, 2020 and 2019, 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, 2021 is as follows (in thousands):

2022	\$69,436
2023	65,158
2024	54,690
2025	51,078
2026	42,646

Goodwill

The following table shows the change in the carrying amount of our goodwill balance from December 31, 2019 to December 31, 2021, all of which is allocated to our one reportable segment (in thousands):

Goodwill balance as of December 31, 2019	\$22,421
Activity	—
Goodwill balance as of December 31, 2020	\$22,421
Activity	—
Goodwill balance as of December 31, 2021	<u>\$22,421</u>

9. OBLIGATIONS

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

	December 31,	
	2021	2020
2.00% Senior Convertible Notes due 2024	\$400,000	\$400,000
Less:		
Unamortized interest discount ^(a)	—	(51,567)
Deferred financing costs	(4,368)	(4,612)
Total net carrying amount of Senior Convertible Notes	<u>\$395,632</u>	<u>\$343,821</u>

- a. Due to the adoption of ASU 2020-06 on January 1, 2021, the unamortized interest discount was reclassified back to the carrying value of the 2024 Notes. Refer to Note 2, “*Summary of Significant Accounting Policies and New Accounting Guidance*”, for further information regarding this adoption.

There were no finance leases as of December 31, 2021 or December 31, 2020.

Maturities of principal of the long-term debt obligations of the Company as of December 31, 2021, excluding the long-term debt resulting from the Technicolor Patent Acquisition, are as follows (in thousands):

2022	\$ —
2023	—
2024	400,000
2025	—
2026	—
Thereafter	—
	<u>\$400,000</u>

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 were initially 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 \$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 was 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. Upon the adoption of ASU 2020-06 on January 1, 2021, we reclassified the unamortized debt discount from equity to Long-term debt. Refer to Note 2, “*Summary of Significant Accounting Policies and New Accounting Guidance*” for further information regarding this adoption.

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 equity.

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 remained 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, 2021, 2020 and 2019 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,						
	2021		2020			2019	
	2024 Notes	2024 Notes	2020 Notes	Total	2024 Notes	2020 Notes	Total
Contractual coupon interest . . .	\$8,000	\$ 8,000	\$237	\$ 8,237	\$ 4,600	\$ 2,824	\$ 7,424
Accretion of debt discount (a) .	—	13,157	669	\$13,826	7,322	7,743	\$15,065
Amortization of financing costs	1,627	1,176	70	1,246	654	821	\$ 1,475
Total	<u>\$9,627</u>	<u>\$22,333</u>	<u>\$976</u>	<u>\$23,309</u>	<u>\$12,576</u>	<u>\$11,388</u>	<u>\$23,964</u>

a. Due to the adoption of ASU 2020-06 on January 1, 2021, the unamortized interest discount was reclassified back to the carrying value of the 2024 Notes. Refer to Note 2, “*Summary of Significant Accounting Policies and New Accounting Guidance*”, for further information regarding this adoption.

Madison Arrangement

In conjunction with the Technicolor Patent Acquisition, 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 years ended December 31, 2021, 2020, and 2019, gross revenues recorded related to the Madison Arrangement were \$26.1 million, \$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 years ended December 31, 2021, 2020, and 2019 were \$18.9 million, \$8.4 million and \$12.0 million, including \$11.9 million, \$2.5 million, and \$6.3 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, 2021 is disclosed within Note 6, “*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 years ended December 31, 2021, 2020 and 2019, we recognized \$2.9 million, \$3.1 million, and \$2.7 million, respectively, 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, 2021 and 2020, the Company had \$5.9 million and \$3.1 million, respectively, of restricted cash included within the consolidated balance sheet attributable to the Madison Arrangement. Refer to Note 5, “*Cash, Cash Equivalents, Restricted Cash and Marketable Securities*”, for a reconciliation of cash, cash equivalents and restricted cash within the consolidated balance sheets.

Technicolor Contingent Consideration

As part of the Technicolor Acquisitions, we entered into a revenue-sharing arrangement with Technicolor that created a contingent consideration liability, which is accounted for under ASC 450—*Contingencies* under the asset acquisition framework when the liability is deemed probable and estimable. Under the revenue-sharing arrangement, Technicolor receives 42.5% of future cash receipts from new licensing efforts from the Madison Arrangement only, subject to certain conditions and hurdles. As of December 31, 2021 and 2020, the contingent consideration liability from the revenue-sharing arrangement was deemed not probable and is therefore not reflected within the consolidated financial statements.

10. COMMITMENTS

Minimum future payments for accounts payable and other purchase commitments, excluding long-term operating leases for office space, as of December 31, 2021 were as follows (in thousands):

2022	\$12,700
2023	33
2024	25
2025	—
2026	—
Thereafter	—

Refer to Note 9, “*Obligations*,” for details of the Company’s long-term debt obligations and the revenue-sharing arrangement with Technicolor resulting from the Technicolor Patent Acquisition and the R&I Acquisition. Refer to Note 16, “*Leases*,” for maturities of the Company’s operating lease liabilities as of December 31, 2021.

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 part of the Company’s announced restructuring plan, as discussed below in Note 20, “*Restructuring Activities*”, the number of employees under the Company’s plan was significantly reduced. The Company revalued the projected benefit obligation and recognized a \$2.3 million gain on curtailment during 2021, which was included within “*Other income, net*” in the consolidated statement of income.

As of December 31, 2021 and 2020, the combined accumulated projected benefit obligation related to these plans totaled \$4.8 million and \$7.6 million, respectively. Service cost and interest cost for the combined plans totaled \$0.4 million, \$0.6 million and \$0.1 million for the years ended December 31, 2021, 2020 and 2019, respectively. The weighted average discount rate and assumed salary increase rate for these plans were 0.7% and 3.0%, respectively. These plans are not required to be funded and were not funded as of December 31, 2021.

Expected future benefit payments under these plans as of December 31, 2021 were as follows (in thousands):

2022	\$ 200
2023	225
2024	73
2025	110
2026	138
2027-2031	2,266

11. LITIGATION AND LEGAL PROCEEDINGS

COURT PROCEEDINGS

Lenovo

UK Proceeding

On August 27, 2019, the Company and certain of its subsidiaries filed a claim in the UK 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; 2,421,318; 2,485,558; 2,557,714; and 3,355,537. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents.

The UK High Court held case management conferences on October 6, 2020 and December 16, 2020, a 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 UK High Court entered a schedule for the technical and non-technical FRAND proceedings. Two technical trials were scheduled for March 2021 and June 2021, and the non-technical FRAND trial was scheduled for January 2022. There are three additional technical trials scheduled for the remaining patents following the FRAND trial. The first and second technical trials were completed, and on July 29, 2021, the UK High Court issued its decision regarding the first technical trial finding European Patent (UK) No. 2,485,558 valid, infringed, and essential to Release 8 of LTE. On January 6, 2022, the UK High Court issued its decision regarding the second technical trial finding European Patent (UK) No. 3,355,537 invalid. The Company plans on appealing the second technical trial decision. The FRAND trial commenced on January 11, 2022 concluded on February 11, 2022.

District of Delaware Patent Proceeding

On August 28, 2019, the Company 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; 8,199,726; 8,427,954; 8,619,747; 8,675,612; 8,797,873; 9,203,580; and 9,456,449—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 UK High Court in the separately filed UK 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 September 16, 2020, the Delaware District Court entered a schedule for the case, setting a patent jury trial. On March 8, 2021, the Delaware District Court held a claim construction hearing, and the court issued its order on May 10, 2021 construing various disputed terms. On March 24, 2021, the Delaware District Court consolidated the antitrust proceeding discussed below with this patent proceeding. Trial for the consolidated proceedings is scheduled for March 6, 2023.

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 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. Oral argument on the Company's motion to dismiss was held on October 27, 2020.

On March 24, 2021, the Delaware District Court ruled on the Company's motion to dismiss. The Delaware District Court dismissed the Sherman Act Section 1 claim without prejudice, denied the motion to dismiss the Sherman Act Section 2 claim, and consolidated the Section 2 and breach of contract claims with Company's Delaware patent proceeding discussed above.

China Proceedings

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 (Beijing IP Court) seeking a determination of the FRAND royalty rates payable for the Company's Chinese 3G, 4G and 5G SEPs. On February 20, 2021, the Company filed an application challenging the jurisdiction of the Beijing IP Court to take up Lenovo's complaint. On November 15, 2021, the Beijing IP Court denied the jurisdictional challenge, and the Company filed an appeal with the Supreme People's Court of the People's Republic of China (SPC) on December 14, 2021. The appeal remains pending.

On November 26, 2021, the Company was informed that Lenovo had purportedly filed an additional complaint against the Company in the Wuhan Intermediate People's Court seeking a determination of a global FRAND royalty rate for the period from 2024 to 2029 for the Company's 3G, 4G, and 5G SEPs. The Company has not yet been served with this complaint.

Oppo, OnePlus and realme

UK Proceeding

On December 20, 2021, the Company filed a patent infringement claim in the UK High Court against Guangdong Oppo Mobile Telecommunications Corp., Ltd. ("Oppo") and certain of its affiliates, OnePlus Technology (Shenzhen) Co., Ltd. ("OnePlus") and certain of its affiliates, and realme Mobile Telecommunications (Shenzhen) Co., Ltd. ("realme") and certain of its affiliates, alleging infringement of European Patent (UK) Nos. 2,127,420; 2,421,318; 2,485,558; and 3,355,537 relating to cellular 3G, 4G/LTE or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents.

India Proceeding

On December 20, 2021 and December 22, 2021, the Company and certain of its subsidiaries filed patent infringement claims in the Delhi High Court in New Delhi, India against Oppo and certain of its affiliates, OnePlus and certain of its affiliates, and realme Mobile Telecommunication (India) Private Limited, alleging infringement of Indian Patent Nos. 262910, 295912, 313036, 320182, 319673, 242248, 299448, and 308108 relating to cellular 3G, 4G/LTE, and/or 5G, and HEVC standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents.

Germany Proceeding

On December 20, 2021, a subsidiary of the Company filed three patent infringement claims, two in the Munich District Court and one in the Mannheim District Court, against Oppo and certain of its affiliates, OnePlus and certain of its affiliates, and realme and certain of its affiliates, alleging infringement of European Patent (DE) Nos. 2,485,558; 2,127,420; and 2,421,318 relating to cellular 3G, 4G/LTE and/or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents. The first hearing is scheduled for November 17, 2022, before the Munich District Court.

China Proceeding

On January 19, 2022, the Company was informed that Oppo had purportedly filed a complaint against the Company in the Guangzhou Intellectual Property Court seeking a determination of a global FRAND royalty rate for the Company's 3G, 4G, 5G, 802.11 and HEVC SEPs. The Company has not yet been served with this complaint.

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, 2021.

12. 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 RSU 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. Additionally, from time to time, executive officers are awarded long term incentives or new hire grants that may include time-based RSUs, performance-based RSUs or options. 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. The plan was amended in order to reserve an additional 1.8 million shares of our common stock for issuance under the 2017 Plan. Such amendment was adopted and approved by our shareholders on June 2, 2021.

From June 2009 through June 14, 2017, we granted equity 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, 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, as amended, is equal to 4.2 million 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 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 between 3 and 5 years. Milestone performance-based RSUs may vest at any time, upon achievement of the milestone goal, during the performance period, which is typically 5 years.

As of December 31, 2021, we had unrecognized compensation cost related to share-based awards of \$16.4 million, at current performance accrual rates. For time-based grants with graded vesting, we expect to amortize the associated unrecognized compensation cost using an accelerated method. For time-based grants that cliff vest, we expect to amortize the associated unrecognized compensation cost as of December 31, 2021, on a straight-line basis generally over the remaining vesting 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 3 times the target number of shares.

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

	<u>Number of Unvested RSUs</u>	<u>Weighted Average Per Share Grant Date Fair Value</u>
Balance at December 31, 2020	1,265	\$53.53
Granted*	491	68.44
Forfeited	(336)	53.46
Vested	<u>(361)</u>	<u>62.44</u>
Balance at December 31, 2021	<u>1,059</u>	<u>\$57.43</u>

* These numbers include fewer 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 2021, 2020 and 2019, we granted approximately 0.5 million, 0.4 million and 0.3 million RSUs under the Equity Plans, respectively, with weighted-average per share grant date fair values of \$68.44, \$46.18 and \$66.19, respectively, assuming target payout for the performance-based awards. The total vest date fair value of the RSUs that vested in 2021, 2020 and 2019 was \$22.6 million, \$6.7 million and \$12.7 million, respectively. The weighted average per share grant date fair value of the awards that vested in 2021, 2020 and 2019 was \$62.44, \$65.06 and \$58.84, respectively.

Other Equity Grants

We grant equity awards to non-management Board members and may grant equity awards 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 performance-

based options which vest, if at all, is anywhere from 0 to 3 times the target number of options subject to the attainment of performance goals measured either during or at the end of the performance period. Performance-based options typically have a vesting period between three and five years. Milestone performance options may vest at any time, upon achievement of the milestone goal, during the performance period, which is typically 5 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 do not expire.

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, 2021, 2020 and 2019 was \$23.04, \$11.46, and \$13.68, respectively, based upon the assumptions included in the table below:

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expected term (in years)	7.7	6.5	4.5
Expected volatility	35.7%	37.5%	25.8%
Risk-free interest rate	1.3%	0.6%	2.4%
Dividend yield	1.9%	3.1%	2.0%

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

	<u>Outstanding Options</u>	<u>Weighted Average Exercise Price</u>
Balance at December 31, 2020	711	\$50.85
Granted*	414	73.15
Forfeited	(360)	63.71
Exercised	<u>(194)</u>	<u>49.70</u>
Balance at December 31, 2021	<u>571</u>	<u>\$59.31</u>

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

The weighted average remaining contractual life of our outstanding options was 11.0 years as of December 31, 2021. 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, 2021 was \$7.7 million. Of the 0.6 million outstanding options as of December 31, 2021, 0.3 million were exercisable with a weighted-average exercise price of \$47.43. Options exercisable as of December 31, 2021, had total intrinsic value of \$7.7 million and a weighted average remaining contractual life of 12.4 years. The total intrinsic value of stock options exercised during the years ended December 31, 2021, 2020 and 2019 was \$3.6 million, \$1.1 million and \$0.1 million, respectively. In 2021, we recorded cash received from the exercise of options of \$8.0 million. Upon option exercise, we issued new shares of stock.

As of December 31, 2021, we had unrecognized compensation cost on our unvested stock options of \$1.3 million, at current performance accrual rates. As of December 31, 2021 and 2020, we had approximately 0.1 million and 0.5 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 \$3.5 million and \$16.9 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 \$1.3 million, \$1.1 million and \$1.1 million for 2021, 2020 and 2019, respectively. Additionally, the company contributed \$3.4 million, \$0.2 million and \$0.2 million in 2021, 2020 and 2019, respectively, to other defined contribution plans.

Under InterDigital’s Deferred Compensation Plan (“Deferred Plan”), eligible US employees may make tax-deferred contributions that cannot be made under the 401(k) Plan due to Internal Revenue Service limitations. We match 50% of a participant’s contributions up to 6% of the participants excess compensation pay. From time to time InterDigital makes discretionary company contributions to the Deferred Plan on behalf of a participant. The company contributed \$3.0 million to the Deferred Plan in 2021.

13. TAXES

Our income tax provision (benefit) consists of the following components for 2021, 2020 and 2019 (in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current			
Federal	\$ (291)	\$(26,092)	\$(11,436)
State	797	89	207
Foreign source withholding tax	22,415	26,229	19,850
	<u>22,921</u>	<u>226</u>	<u>8,621</u>
Deferred			
Federal	(43,250)	(28,692)	(21,735)
State	792	119	2,457
Foreign source withholding tax	34,905	21,699	21,648
	<u>(7,553)</u>	<u>(6,874)</u>	<u>2,370</u>
Total	<u>\$ 15,368</u>	<u>\$ (6,648)</u>	<u>\$ 10,991</u>

The deferred tax assets and liabilities were comprised of the following components at December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
	<u>Total</u>	<u>Total</u>
Net operating losses	\$ 143,275	\$ 140,940
Tax credit carryforward	32,692	27,813
Deferred revenue, net	22,875	26,213
Amortization and depreciation	19,810	19,086
Debt amortization	12,659	993
Other employee benefits	10,973	5,857
Stock compensation	4,774	4,082
Lease liability	4,773	5,382
Other	1,521	(1,225)
Right of use asset	<u>(3,763)</u>	<u>(4,684)</u>
	249,589	224,457
Less: valuation allowance	<u>(151,522)</u>	<u>(144,367)</u>
Net deferred tax asset	<u>\$ 98,067</u>	<u>\$ 80,090</u>

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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax at U.S. statutory rate	21.0%	21.0%	21.0%
Change in valuation allowance	10.3%	28.5%	23.3%
Non-deductible officers' compensation	8.4%	0.7%	1.2%
Uncertain tax positions	5.5%	(2.7)%	(0.8)%
Non-creditable withholding taxes	4.4%	—%	3.6%
State tax provision ^(b)	2.6%	0.6%	10.2%
Other permanent differences	1.9%	(1.9)%	1.1%
Other	—%	0.1%	(0.9)%
Stock compensation	(1.2)%	1.1%	(0.6)%
Research and development tax credits	(1.3)%	(1.6)%	(4.5)%
Effect of rates different than statutory	(2.2)%	(2.0)%	(2.8)%
Amended return benefit ^(a)	(7.7)%	(65.0)%	(8.4)%
Foreign derived intangible income deduction	<u>(14.7)%</u>	<u>—%</u>	<u>—%</u>
Total tax provision (benefit)	<u>27.0%</u>	<u>(21.2)%</u>	<u>42.4%</u>

- (a) In 2020, a net discrete benefit of \$20.9 million was recorded that primarily relates to the expected amendment of prior year returns to utilize a tax asset generated in the current year. In 2021, when the returns were filed, there was an additional benefit recorded.
- (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.

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, 2021. All other deferred tax assets are fully benefited.

Uncertain Income Tax Positions

As of December 31, 2021, 2020 and 2019, we had \$15.7 million, \$3.8 million and \$4.5 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 2021, after finalizing our amended return position we increased the reserve established in 2020 by \$12.8 million. We also reversed reserves of \$1.1 million previously established on 2017 research and development and manufacturing deduction credits as a result of the lapsing of statute of limitations for that tax year.

During 2020, we established reserves of \$1.1 million related to 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.

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 2021 through 2019 (in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 3,803	\$ 4,456	\$4,352
Tax positions related to current year:			
Additions	46	1,062	402
Reductions	—	—	—
Tax positions related to prior years:			
Additions	12,831	37	34
Reductions	(4)	—	—
Settlements	—	—	—
Lapses in statutes of limitations	<u>(982)</u>	<u>(1,752)</u>	<u>(332)</u>
Balance as of December 31	<u>\$15,694</u>	<u>\$ 3,803</u>	<u>\$4,456</u>

Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense.

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.

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 2021, 2020 and 2019, we paid \$21.7 million, \$25.9 million and \$18.8 million in foreign source withholding taxes, respectively, and applied these payments as credits against our United States federal tax obligation.

Between 2014 and 2021, we paid approximately \$134.6 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.

14. 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):

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net income applicable to common shareholders	\$55,295	\$44,801	\$20,928
Weighted-average shares outstanding:			
Basic	30,764	30,776	31,546
Dilutive effect of stock options, RSUs, convertible securities and warrants	489	282	239
Diluted	<u>31,253</u>	<u>31,058</u>	<u>31,785</u>
Earnings Per Share:			
Basic	1.80	1.46	0.66
Dilutive effect of stock options, RSUs, convertible securities and warrants	(0.03)	(0.02)	—
Diluted	<u>\$ 1.77</u>	<u>\$ 1.44</u>	<u>\$ 0.66</u>

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, 2021, 2020 and 2019, 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,		
	2021	2020	2019
Restricted stock units and stock options	322	146	128
Convertible securities	—	5,143	5,495
Warrants	4,921	5,662	5,495
Total	<u>5,243</u>	<u>10,951</u>	<u>11,118</u>

15. EQUITY TRANSACTIONS

Repurchase of Common Stock

In June 2014, our Board of Directors authorized a \$300 million share repurchase program (the “2014 Repurchase Program”). Subsequently 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, 2021, there was approximately \$41.5 million remaining under the share repurchase authorization.

	2014 Repurchase Program	
	# of Shares	Value
2021	458	\$ 30,000
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	<u>3,554</u>	<u>152,625</u>
Total	<u>11,705</u>	<u>\$658,536</u>

Dividends

Cash dividends on outstanding common stock declared in 2021 and 2020 were as follows (in thousands, except per share data):

	<u>Per Share</u>	<u>Total</u>	<u>Cumulative by Fiscal Year</u>
2021			
First quarter	\$0.35	\$10,766	\$10,766
Second quarter	0.35	10,794	21,560
Third quarter	0.35	10,740	32,300
Fourth quarter	0.35	10,741	43,041
	<u>\$1.40</u>	<u>\$43,041</u>	
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
	<u>\$1.40</u>	<u>\$43,111</u>	

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.

16. 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, 2021 and 2020 (in thousands):

	<u>Balance Sheet Classification</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets			
Operating lease receivable — current	Prepaid and other current assets	\$ 51	\$ 817
Operating lease right-of-use assets, net	Other non-current assets, net	<u>17,851</u>	<u>22,456</u>
Total Lease Assets		<u><u>\$17,902</u></u>	<u><u>\$23,273</u></u>
Liabilities			
Operating lease liabilities — Current	Other accrued expenses	\$ 3,844	\$ 3,170
Operating lease liabilities — Noncurrent	Other long-term liabilities	<u>17,780</u>	<u>23,043</u>
Total Lease Liabilities		<u><u>\$21,624</u></u>	<u><u>\$26,213</u></u>

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

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating lease cost	\$5,188	\$5,442	\$4,776
Short-term lease cost	442	726	925
Variable lease cost	1,625	1,764	1,502

For the years ended December 31, 2021 and 2020, sublease income was insignificant. Cash paid for amounts included in the measurement of operating lease liabilities for the year ended December 31, 2021 and 2020 was \$4.0 million and \$4.9 million, respectively, and was included in net cash provided by operating activities in our consolidated statement of cash flows. As of December 31, 2021, the weighted average remaining operating lease term was 6.2 years and the weighted average discount rate used to determine the operating lease liabilities was 5.4%. As of December 31, 2021, there have been no leases entered into that have not yet commenced.

The maturities of our operating lease liabilities as of December 31, 2021, excluding short-term leases with terms less than 12 months, were as follows (in thousands):

<u>Maturity of Operating Lease Liabilities</u>	
2022	\$ 4,843
2023	4,333
2024	4,125
2025	3,270
2026	2,996
Thereafter	<u>5,827</u>
Total lease payments	\$25,394
Less: Imputed interest	<u>(3,821)</u>
Present value of lease liabilities	<u>\$21,573</u>

17. OTHER INCOME, NET

The amounts included in “*Other income, net*” in the consolidated statements of income for the year ended December 31, 2021, 2020 and 2019 were as follows (in thousands):

	<u>For the Year Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest and investment income	\$ 1,690	\$ 5,661	\$13,458
Gain on asset acquisition and sale of business	—	—	22,690
Loss on extinguishment of long-term debt	—	—	(5,488)
Other	<u>9,885</u>	<u>11,263</u>	<u>(1,598)</u>
Other income, net	<u>\$11,575</u>	<u>\$16,924</u>	<u>\$29,062</u>

The decrease in interest and investment income during 2021 and 2020 was primarily due to reduced rates of return on our short-term investments. Refer to Note 9, “*Obligations*,” for further information on the \$5.5 million loss on extinguishment of long-term debt recognized during the year ended December 31, 2019.

Gain on asset acquisition and sale of business

On May 31, 2019, we completed the acquisition of the Research & Innovation unit of Technicolor SA (“Technicolor”), which we refer to as the R&I Acquisition. The R&I Acquisition unit met the definition of an asset acquisition and was accounted for using the cost accumulation and allocation model. 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 a contingent consideration liability, all of which is included within “*Other income, net*” in the consolidated statement of income for the year ended December 31, 2019.

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 proceeds of \$10.0 million and 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.

Other

Other included a \$3.0 million foreign currency translation loss in 2021, compared to \$4.6 million and \$4.2 million of gains in 2020 and 2019, respectively, arising from euro translation of our foreign subsidiaries.

Additionally, in 2021 we recognized a \$1.9 million gain on a contract termination and a \$2.3 million gain on the curtailment of our defined benefit plan, as discussed further in Note 10, “*Commitments*”. Lastly, during 2021 and 2020 we recognized \$7.6 million and \$5.6 million of gains, respectively, and in 2019 a loss of \$2.6 million resulting from observable price changes of our long-term strategic investments. All of these items are included in the “*Other*” caption in the table above.

18. VARIABLE INTEREST ENTITIES

As further discussed below, we are the primary beneficiary of three variable interest entities. As of December 31, 2021, the combined book values of the assets and liabilities associated with these variable interest entities included in our consolidated balance sheet were \$27.1 million and \$2.5 million, respectively. Assets included \$5.1 million of cash and cash equivalents, \$4.0 million of accounts receivable and prepaid assets, and \$18.0 million of patents, net. 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 \$35.2 million of patents, net.

Chordant

On January 31, 2019, we launched the Company’s Chordant™ business as a standalone company. 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, 2021, 2020 and 2019, we have allocated approximately \$2.3 million, \$1.1 million, and \$1.5 million, respectively, of Chordant’s net loss to noncontrolling interests held by other parties. During second quarter 2021, Chordant began the process of ceasing operations.

Convida Wireless

Convida Wireless was launched in 2013 and most recently renewed in 2021 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.

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, 2021, 2020 and 2019, we have allocated approximately \$10.8 million, \$5.7 million and \$4.5 million, respectively, of Convida Wireless’ net loss to noncontrolling interests held by other parties.

During 2021, we recognized a \$13.2 million impairment on the patents within the Convida portfolio, resulting from our restructuring activities as described in Note 20, “*Restructuring Activities*”, which is included within “*Restructuring activities*” expenses in the consolidated statement of income. The patents held for sale are recorded at fair value on December 31, 2021 and are included within “Prepaid and other current assets” in the consolidated balance sheet.

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 and LTE cellular infrastructure. During fourth quarter 2021, the Trust was fully dissolved and all remaining assets were transferred to us as majority beneficiary.

The Trust was accounted for as a variable interest entity. Based on the terms of the trust agreement, we determined that we were the primary beneficiary for accounting purposes and included the Trust in our

consolidated financial statements up to the date of dissolution. 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 wind down of the Trust.

19. OTHER ASSETS

The amounts included in “*Prepaid and other current assets*” in the consolidated balance sheet as of December 31, 2021 and 2020 were as follows (in thousands):

	<u>December 31, 2021</u>	<u>As Reported December 31, 2020</u>	<u>As Revised^(a) December 31, 2020</u>
Tax receivables	\$57,127	\$69,592	\$45,262
Prepaid assets	11,340	10,899	10,899
Patents held for sale	4,000	—	—
Other current assets	<u>5,078</u>	<u>3,733</u>	<u>3,733</u>
Total Prepaid and other current assets	<u>\$77,545</u>	<u>\$84,224</u>	<u>\$59,894</u>

The amounts included in “*Other non-current assets, net*” in the consolidated balance sheet as of December 31, 2021 and 2020 were as follows (in thousands):

	<u>December 31, 2021</u>	<u>As Reported December 31, 2020</u>	<u>As Revised^(a) December 31, 2020</u>
Tax receivables	\$ 30,026	\$ —	\$24,330
Goodwill	22,421	22,421	22,421
Right-of-use assets	17,851	22,456	22,456
Long-term investments	21,280	15,489	15,489
Other non-current assets	<u>10,923</u>	<u>13,677</u>	<u>13,677</u>
Total Other non-current assets, net	<u>\$102,501</u>	<u>\$74,043</u>	<u>\$98,373</u>

(a) As discussed in Note 1, we revised our prior period presentation of “*Prepaid and other current assets*” and “*Other non-current assets, net*”. This column represents the effect of the revision on the consolidated balance sheet.

20. RESTRUCTURING ACTIVITIES

During second quarter 2021, the Company began the process of a strategic review and undertook certain actions in order to increase focus on core technologies and markets.

On June 10, 2021, the Company announced that, as a result of a strategic review of its research and innovation priorities, it commenced the process of a collective economic layoff in which it proposed a reduction in force of 66 positions in its research and innovation unit, 60 of whom are based in France. The Company launched an information-consultation process with respect to the contemplated reorganization with the works council of certain of its French subsidiaries, as required by French law. On September 28, 2021, the Company finalized an agreement with the representative trade unions of certain of its French subsidiaries to commence the reorganization of the research and innovation unit located in France as part of the reduction in force. This agreement was validated by the Regional Director of Economy, Employment, Labor and Solidarity on October 25, 2021. The majority of termination notices were issued in fourth quarter 2021. This action resulted in a reduction of employees under the benefit plans, and as a result the Company recognized a \$2.3 million curtailment gain during 2021. This curtailment gain was included within “*Other income, net*” in the consolidated statement of income.

During June 2021, Chordant began the process of ceasing operations. The Company implemented a reduction in workforce action in second quarter 2021, consisting of 18 employees.

Additionally, in June 2021, a non-controlled subsidiary that we consolidate for financial statement purposes approved a plan to sell certain patents. The proceeds from the sale of these patents will contribute to funding Convida's operations. These assets were evaluated as a separate asset group and reclassified as assets held for sale. Upon the reclassification, the patents to be sold are recorded at fair value, which resulted in the Company recognizing a \$13.2 million impairment in 2021. We determined the fair value based upon evaluation of market conditions. The patents held for sale are included within "Prepaid and other current assets" in the consolidated balance sheet.

In October 2021, we expanded our restructuring efforts to include general and administrative functions largely centered in the U.S., which will result in a further reduction in force of approximately 8% of total headcount as well as cuts to our non-labor expenses. These employees were provided notification of termination during fourth quarter 2021.

Restructuring charges are estimated based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts incurred for such activities may differ from amounts initially estimated. The Company may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated with, the reduction in force or other restructuring activities.

The restructuring charges associated with the above activities totaling \$27.9 million in 2021 are presented net of any reimbursement arrangements and include \$1.7 million of outside services and other associated costs related to non-recurring consultant and legal fees. We expect additional charges to be recorded in 2022.

As of December 31, 2021, the Company's restructuring liability was \$18.3 million, of which \$12.5 million was included in "Other accrued expenses" and \$5.8 million was included in "Other long-term liabilities" on our condensed consolidated balance sheet. The following table presents the change in our restructuring liability during the period (in thousands):

Balance as of December 31, 2020	\$ —
Accrual	24,286
Cash payments	(5,212)
Other	\$ (793)
Balance as of December 31, 2021	<u>\$18,281</u>

The restructuring expenses included in "Restructuring activities" in the consolidated statements of income for the year December 31, 2021 were as follows (in thousands):

	<u>For the Year Ended December 31, 2021</u>
Patent impairment	\$13,228
Severance and other benefits	22,616
Outside services and other associated costs	1,671
Reimbursement arrangements	<u>(9,638)</u>
Total	<u>\$27,877</u>

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, 2021. 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, 2021. 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, 2021, the Company maintained effective internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 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 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

None.

Item 9C. DISCLOSURES REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

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 2022 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 of 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

	<u>Balance Beginning of Period</u>	<u>Increase/ (Decrease)</u>	<u>Reversal of Valuation Allowance</u>	<u>Balance End of Period</u>
2021 valuation allowance for deferred tax assets	\$144,367	\$ 7,155	\$—	\$151,522
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
2021 reserve for uncollectible accounts	\$ —	\$ 322	\$—	\$ 322
2020 reserve for uncollectible accounts	\$ 537	\$ (537)(b)	\$—	\$ —
2019 reserve for uncollectible accounts	\$ 693	\$ (156)(b)	\$—	\$ 537

(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)

<u>Exhibit Number</u>	<u>Exhibit Description</u>
*3.1	Amended and Restated Articles of Incorporation of InterDigital, Inc. (“InterDigital”) (Exhibit 3.1 to InterDigital’s Current Report on Form 8-K filed on June 7, 2011).
*3.2	Amended and Restated Bylaws of InterDigital (Exhibit 3.1 to InterDigital’s Current Report on Form 8-K filed on January 30, 2015).
4.1	Specimen Stock Certificate of InterDigital (Exhibit 4.3 to InterDigital’s Quarterly Report on Form 10-Q filed on April 28, 2011).
*4.2	Description of InterDigital’s Securities (Exhibit 4.2 to InterDigital’s Annual Report on Form 10-K for the year ended December 31, 2020).
*4.3	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 filed on May 29, 2019).
*4.4	Form of 2.00% Senior Convertible Note due 2024 (included in Exhibit 4.1 to InterDigital’s Current Report on Form 8-K filed on May 29, 2019).

Benefit Plans

†*10.1	Non-Qualified Stock Option Plan, as amended (Exhibit 10.4 to InterDigital’s Annual Report on Form 10-K for the year ended December 31, 1991).
†*10.2	Amendment to Non-Qualified Stock Option Plan (Exhibit 10.31 to InterDigital’s Quarterly Report on Form 10-Q filed on August 14, 2000).
†*10.3	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).

<u>Exhibit Number</u>	<u>Exhibit Description</u>
†*10.4	2009 Stock Incentive Plan (Exhibit 99.1 to InterDigital’s Registration Statement on Form S-8 filed on June 4, 2009 (File No. 333-159743)).
†*10.5	Amendment to 2009 Stock Incentive Plan, effective as of June 12, 2013 (Exhibit 10.1 to InterDigital’s Quarterly Report on Form 10-Q filed on July 26, 2013).
†*10.5	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 filed on July 30, 2015).
†*10.7	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 filed on January 28, 2013).
†*10.8	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 filed on April 29, 2015).
†*10.9	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 filed on April 29, 2015).
†*10.10	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 filed on April 29, 2015).
†*10.11	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 filed on July 26, 2013).
†*10.12	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 filed on July 26, 2013).
†*10.13	2017 Equity Incentive Plan (Exhibit 10.1 to InterDigital’s Registration Statement on Form S-8 filed on June 15, 2017 (File No. 333-218755)).
†*10.14	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 filed on June 16, 2017).
†*10.15	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 filed on June 16, 2017).
†*10.16	2017 Equity Incentive Plan, Form of Agreement for Option Awards (Exhibit 10.4 to InterDigital’s Current Report on Form 8-K filed on June 16, 2017).
†*10.17	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).
†*10.18	Compensation Program for Non-Management Directors (as amended March 2017) (Exhibit 10.1 to InterDigital’s Current Report on Form 8-K filed on April 3, 2017).
†*10.19	Compensation Program for Non-Management Directors (as amended June 2019) (Exhibit 10.20 to InterDigital’s Annual Report on Form 10-K for the year ended December 31, 2019).
†*10.20	Deferred Compensation Plan (Exhibit 10.1 to InterDigital’s Current Report on Form 8-K filed on June 18, 2013).
†*10.21	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 filed on July 9, 2018).
†*10.22	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 filed on July 9, 2018).

<u>Exhibit Number</u>	<u>Exhibit Description</u>
†*10.23	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 filed on November 1, 2018).
†*10.24	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 filed on November 1, 2018).
†*10.25	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 filed on November 1, 2018).
†*10.26	InterDigital Inc. Executive Severance and Change in Control Policy (Exhibit 10.6 to InterDigital’s Quarterly Report on Form 10-Q filed on November 1, 2018).
Employment-Related Agreements	
†10.27	Form of Indemnity Agreement between InterDigital and certain of its directors and executive officers.
†#10.28	Executive Agreement between InterDigital International, LLC and Eeva Hakoranta, dated June 2, 2020.
†*10.29	Offer Letter Between InterDigital and Liren Chen dated March 13, 2021 (Exhibit 10.2 to InterDigital’s Quarterly Report on Form 10-Q filed on May 6, 2021).
†*10.30	Retirement & Transition Agreement and Release, dated March 16, 2021, by and between InterDigital and William J. Merritt, (Exhibit 10.1 to InterDigital’s Quarterly Report on Form 10-Q filed on May 6, 2021).
†*10.31	Retirement & Transition Agreement and Release, dated October 19, 2021, by and between InterDigital and Richard L. Gulino.
Other Material Contracts	
*10.32	Form of Convertible Note Hedge Transaction Confirmation (Exhibit 10.2 to InterDigital’s Current Report on Form 8-K filed on June 3, 2019).
*10.33	Form of Warrant Transaction Confirmation (Exhibit 10.3 to InterDigital’s Current Report on Form 8-K filed on June 3, 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.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
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.
#	Certain personally identifiable information has been omitted from this exhibit pursuant to Item 601(a)(6) under Regulation S-K.
+	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 17, 2022

By: /s/ Liren Chen
Liren Chen
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 17, 2022

/s/ S. Douglas Hutcheson
S. Douglas Hutcheson, Chairman of the Board of Directors

Date: February 17, 2022

/s/ Joan H. Gillman
Joan H. Gillman, Director

Date: February 17, 2022

/s/ John A. Kritzmacher
John A. Kritzmacher, Director

Date: February 17, 2022

/s/ Pierre-Yves Lesaicherre
Pierre-Yves Lesaicherre, Director

Date: February 17, 2022

/s/ John D. Markley, Jr.
John D. Markley, Jr., Director

Date: February 17, 2022

/s/ Jean F. Rankin
Jean F. Rankin, Director

Date: February 17, 2022

/s/ Liren Chen
Liren Chen, Director, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 17, 2022

/s/ Richard J. Brezski
Richard J. Brezski, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)



InterDigital, Inc.

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held June 1, 2022**

TO THE SHAREHOLDERS OF INTERDIGITAL, INC.:

We are pleased to invite you to attend our 2022 annual meeting of shareholders, which will be held on Wednesday, June 1, 2022, 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/IDCC2022. 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. 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, 2022; 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 18, 2022, we began mailing our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our 2022 proxy statement and 2021 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 2022 proxy statement, 2021 annual report and proxy card.

All holders of record of shares of our common stock (Nasdaq: IDCC) at the close of business on March 30, 2022 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/IDCC2022. 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/IDCC2022 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,

A handwritten signature in black ink, appearing to read 'Joshua D. Schmidt', written over a light blue horizontal line.

JOSHUA D. SCHMIDT

Chief Legal Officer and Corporate Secretary

April 18, 2022
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 1, 2022, 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/IDCC2022. 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 18, 2022, 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 1, 2022:**
The Notice of Meeting and Proxy Statement and 2021 Annual Report are available at
<http://ir.interdigital.com/FinancialDocs>.

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 30, 2022 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/IDCC2022. 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/IDCC2022 and follow the instructions that are included in the Notice, on your proxy card or in the instructions accompanying your proxy materials. You will be required to complete an online check-in process, for which you will need the 16-digit control number provided on your Notice, your proxy card or the instructions accompanying your proxy materials. If you do not have your control number, you will not be able to join the annual meeting, vote at the annual meeting, ask questions or access the list of shareholders as of the record date at the annual meeting. 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/IDCC2022.

Who is entitled to vote at the annual meeting?

Only shareholders of record at the close of business on March 30, 2022, 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 of common stock that you held on that date at the annual meeting, or any postponements or adjournments of the annual meeting. There were 30,852,351 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 May 31, 2022. 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 26, 2022. 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*** the advisory resolution to approve executive compensation (see Proposal 2); and
- ***For*** ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2022 (see Proposal 3).

What vote is required to approve each proposal?

Election of directors. We have adopted majority voting in uncontested director elections. Accordingly, under our articles of incorporation and bylaws, director nominees must receive the affirmative vote of a majority of the votes cast in order to be elected. A majority of the votes cast means that the number of votes cast “for” a director nominee must exceed the number of votes cast “against” that nominee. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of director elections. Under Pennsylvania law and our articles of incorporation and bylaws, an incumbent director who does not receive the votes required to be re-elected remains in office until his or her successor is elected and qualified, thereby continuing as a “holdover” director. Under the director resignation policy in our corporate governance principles, a director who is not re-elected must tender his or her resignation to the Nominating and Corporate Governance Committee of the Board, which will make a recommendation to the Board as to whether or not the resignation offer should be accepted. In deciding whether to accept the resignation offer, the Board will consider the recommendation of the Nominating and Corporate Governance Committee as well as any additional information and factors that the Board believes to be relevant. The Board will act on the Nominating and Corporate Governance Committee’s recommendation within ninety (90) days following certification of the election results.

Advisory resolution to approve executive compensation. The affirmative vote of a majority of the votes cast is required for approval. Because the vote is advisory, it will not be binding on the Board or the company. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal.

Ratification of the appointment of PricewaterhouseCoopers LLP. The affirmative vote of a majority of the votes cast is required for ratification. Abstentions, while included for purposes of attaining a quorum, will have no effect on the outcome of the proposal. Ratification of the appointment of our independent registered public accounting firm is not legally required. The Board asks shareholders to ratify the appointment as a matter of good corporate governance. If shareholders do not ratify the appointment, the Audit Committee 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, or Proposal 2, the approval of the advisory resolution on executive compensation. If you do not provide specific voting instructions, your broker or nominee may exercise voting discretion with respect to Proposal 3, the ratification of the appointment of the company’s independent registered public accounting firm, and broker-non-votes will occur for Proposals 1 and 2. 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.

How do I ask questions at the annual meeting?

We have designed the virtual annual meeting to provide substantially the same opportunities to participate as shareholders would have at an in-person meeting. The virtual annual meeting format allows shareholders to communicate with the company during the annual meeting so they can ask questions of our management and Board, as appropriate. If you wish to submit a question during the annual meeting, you may do so by logging into the virtual meeting platform at www.virtualshareholdermeeting.com/IDCC2022, typing your question into the “Ask a Question” field and clicking “Submit.”

We reserve the right to exclude questions regarding topics that are not pertinent to meeting matters or company business or are inappropriate. If we receive substantially similar questions, we may group such

questions together and provide a single response to avoid repetition. Any questions that are appropriate and pertinent to the annual meeting will be answered in the live Q&A session during the annual meeting, subject to time constraints. Any such questions that cannot be answered during the annual meeting due to time constraints will be posted and answered on our Investor Relations website, <http://ir.interdigital.com>, as soon as practicable after the annual meeting.

Additional information regarding the ability of shareholders to ask questions during the annual meeting, related rules of conduct, and other materials for the annual meeting will be available during the annual meeting at www.virtualshareholdermeeting.com/IDCC2022.

How do I access technical support during the annual meeting?

If you encounter any difficulties accessing the virtual annual meeting during the check-in or meeting time, please call the technical support number that will be posted on the virtual meeting login page for assistance. Technical support will be available beginning approximately 15 minutes prior to the start of the annual meeting through its conclusion. Additional information regarding matters addressing technical and logistical issues, including technical support during the annual meeting, will be available at www.virtualshareholdermeeting.com/IDCC2022. The virtual annual meeting platform is fully supported across browsers (Edge, Firefox, Chrome, and Safari) and devices (desktops, laptops, tablets, and cell phones) running the most updated version of applicable software and plugins. You should ensure that you have a strong internet connection if you intend to attend and/or participate in the annual meeting.

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 “ESG – 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 and John D. Markley, Jr. and Dr. Pierre-Yves Lesaichere 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 of 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 Financial 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.

Building on last year's progress and our company-wide environmental, social and governance ("ESG") materiality assessment, this past year we: developed and implemented a corporate sustainability strategy focused on, among other things, reducing our carbon footprint; leveraged our Leadership Essentials behavioral-based competency model to formally launch development planning for all employees; expanded our employee assistance program to all locations globally to provide support for those seeking behavioral health care; implemented a comprehensive cybersecurity screening process for key vendors; and adopted a comprehensive supplier code of conduct.

We have also made a commitment to board diversity, as described further in "Board Structure and Committee Membership—Nominating and Corporate Governance Committee" below. Further, we believe that maintaining a diverse, equitable and inclusive workforce is critical to our ability to succeed in the global marketplace. In recent years we have invested in our talent acquisition, talent development, and succession planning efforts as a means to diversify our workforce. We have continually provided historically underrepresented and female leaders the opportunity to attend targeted world-class external development programs that speak to the unique experiences these employees can face in the workplace while investing in their continued growth both personally and professionally. In addition, core principles of our culture of inclusion are reflected in the all-employee training programs we offer on our policies against harassment and discrimination of any kind. We recognize that we are on a journey and there is more yet to be done. As such, we plan to formalize our diversity, equity and inclusion strategy in 2022 as part of our broader investment in culture and engagement. Through partnerships with thought leaders in diversity, equity and inclusion, we intend to continue the journey we have started by hosting inclusion training events for all employees, providing forums for feedback and engagement on inclusion and continuing to build on our talent processes that enable change.

We maintain a Sustainability webpage at <https://ir.interdigital.com/esg/overview/> and intend to regularly communicate our goals and progress on ESG matters. The information on our sustainability website is not incorporated by reference into, and does not form part of, this proxy statement.

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.

How often did the Board meet during 2021?

The Board met five times during 2021. 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 2021. 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 2021 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 2021.

<u>Name</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Nominating and Corporate Governance Committee</u>	<u>Finance Committee</u>
Joan H. Gillman	X			Chair
S. Douglas Hutcheson		X		X
John A. Kritzmacher	Chair		X	
Pierre-Yves Lesaichere	X			X
John D. Markley, Jr.		X	Chair	
Jean F. Rankin		Chair	X	
Number of Meetings in 2021	8	11	4	4

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 applicable requirements of the Public Company Accounting Oversight Board and the SEC;
- 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 three of its members (Messrs. Hutcheson, Kritzmacher and Markley), including one of the current members of the Audit Committee (Mr. Kritzmacher), qualify as “audit committee financial experts” within the meaning of applicable SEC regulations and thereby meet the “financial sophistication” requirements of the Nasdaq listing rules. Mr. Kritzmacher acquired his expertise primarily through his prior experience as a chief financial officer of a publicly traded company.

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; reviews and discusses 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

Mr. Hutcheson and Ms. Rankin served on the Compensation Committee during all of 2021. Mr. Markley and Philip Trahanas, our former director, each served on the Compensation Committee during a portion of 2021. No director serving on the Compensation Committee during any part of 2021 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;
- 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 LGBTQ+ or part of a historically underrepresented group. The Board currently includes three diverse directors, including two who self-identify as female and one who self-identifies as part of a historically underrepresented group. 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.

Succession Planning Committee

In January 2020, the Board established a Succession Planning Committee to develop and evaluate potential candidates to be considered as successors to Mr. Merritt as Chief Executive Officer. For more information, see “Executive Compensation – CEO Transition.”

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 2021, our non-employee directors were paid annual cash retainers for their Board and committee participation as follows:

	Chair	Member
<i>Board</i>	\$65,000*	\$55,000**
<i>Audit Committee</i>	\$30,000	\$12,000
<i>Compensation Committee</i>	\$20,000	\$10,000
<i>Nominating and Corporate Governance Committee</i>	\$15,000	\$ 7,500
<i>Finance Committee</i>	\$15,000	\$ 7,500

* The annual cash retainer paid to the Chairman of the Board is in addition to the annual cash retainer paid to all non-employee Board members.

** On June 2, 2021, the company’s compensation Program for Non-Management Directors was amended to increase the Board Chairman and Member retainers from \$50,000 to \$65,000 and \$50,000 to \$55,000, respectively, to be effective for the 2021-2022 Board term.

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 standing 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. Members of the Succession Planning Committee were paid \$1,000 for attendance at each meeting of that committee.

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 2021-2022 Board term, each non-employee director received a restricted stock unit (“RSU”) award in an amount approximately equal in value to \$187,500 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 for service on the Board 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, 2022, 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.”

2021 Director Compensation Table

The following table sets forth the compensation paid to each person who served as a director of the company in 2021 for their service in 2021. Directors who also serve as employees of the company do not receive any additional compensation for their services as a director. For Mr. Chen’s 2021 compensation, see “Executive Compensation – Summary Compensation Table.”

<u>Name</u>	<u>Fees Earned or Paid in Cash \$(1)</u>	<u>Stock Awards \$(2)</u>	<u>Total (\$)</u>
Joan H. Gillman	73,667	187,500	261,167
S. Douglas Hutcheson	133,167	187,500	330,667
John A. Kritzmacher	105,167	187,500	292,667
Pierre-Yves Lesaichere	24,833	337,500	362,333
John D. Markley, Jr.	94,000	187,500	281,500
Jean F. Rankin	98,167	187,500	285,667
Philip P. Trahanas	52,000	—	52,000

- (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 2021, plus 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 2021. The assumptions used in valuing these RSU awards are incorporated by reference to Notes 2 and 12 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2021. The following table sets forth the grant date fair value of each RSU award granted to our non-employee directors in 2021.

<u>Name</u>	<u>Grant Date</u>	<u>Number of Restricted Stock Units (a)</u>	<u>Grant Date Fair Value of Stock Awards (\$)</u>
Joan H. Gillman	6/02/2021	2,274	187,500
S. Douglas Hutcheson	6/02/2021	2,274	187,500
John A. Kritzmacher	6/02/2021	2,274	187,500
Pierre-Yves Lesaichere	6/02/2021	4,094	337,500
John D. Markley, Jr.	6/02/2021	2,274	187,500
Jean F. Rankin	6/02/2021	2,274	187,500
Philip P. Trahanas	N/A	—	—

As of December 31, 2021, each person who served as a non-employee director of the company in 2021 had the following aggregate amounts of unvested RSU awards (excluding accrued dividend equivalents) outstanding. None of our non-employee directors had any options outstanding as of December 31, 2021. This table does not include RSUs that, as of December 31, 2021, had vested according to their vesting schedule, but had been deferred.

<u>Name</u>	<u>Outstanding Restricted Stock Units (#)</u>
Joan H. Gillman	2,274
S. Douglas Hutcheson	2,274
John A. Kritzmacher	2,274
Pierre-Yves Lesaichere	4,094
John D. Markley, Jr.	2,274
Jean F. Rankin	2,274
Philip P. Trahanas	—

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 2022 annual meeting, each to serve a one-year term until our annual meeting in 2023 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. All of the nominees' current terms of office expire at the 2022 annual meeting.

What are their backgrounds?

Lawrence (Liren) Chen, 51, has been a director of the company since April 2021, when he was also appointed as our President and Chief Executive Officer. Mr. Chen joined InterDigital from Qualcomm Inc. 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, 58, 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., 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 was 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, 66, has been a director of the company since July 2014, and he assumed the role of Chairman of the Board in June 2015. Since 2019, Mr. Hutcheson has served as the Executive Chairman of Kymeta Corporation, an electronically steerable terminal manufacturer and provider of services for global connectivity. He has also served as the co-CEO of Kymeta since 2021. 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., 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. 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, 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, 61, has been a director of the company since June 2009. From 2013 to 2021, Mr. Kritzmacher 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, 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., 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 Lesaichere, 58, has been a director of the company since June 2021. Dr. Lesaichere was the President, Chief Executive Officer and Director of Nanometrics Incorporated from November 2017 to October 2019. From January 2012 to February 2017, Dr. Lesaichere was the CEO of Lumileds, an integrated manufacturer of LED components and Automotive Lighting Lamps. Prior to that, he held senior executive positions at NXP Semiconductors, from 2006 to 2012. Before NXP, Dr. Lesaichere was with Philips Semiconductors. Dr. Lesaichere 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. Lesaichere 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 the company has substantial operations.

John D. Markley, Jr., 56, 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 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, 63, has been a director of the company since June 2010. Ms. Rankin served as Executive Vice President, General Counsel and Secretary at LSI Corporation, 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., 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 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 and Experience

The following table summarizes the key qualifications, skills, and experience 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.

<u>Experience, expertise or attribute</u>	<u>Chen</u>	<u>Gillman</u>	<u>Hutcheson</u>	<u>Kritzmacher</u>	<u>Markley</u>	<u>Rankin</u>	<u>Lesaiherre</u>
IPR/IP licensing / patent acquisitions . . .	•					•	
Mobile industry	•		•	•	•	•	
OTT services/video		•	•		•		
CEO (current/former)	•		•				•
Finance / audit			•	•	•		•
Corporate strategy	•	•	•	•	•		•
High tech investment		•	•		•		
Industry connections	•	•	•		•	•	
High-tech operations	•	•	•	•			•

Board Diversity Matrix (as of April 18, 2022)

Based upon responses received from each of our directors with respect to diversity, the Board is currently comprised of individuals from the following diverse backgrounds:

<u>Total Number of Directors</u>	7			
<u>Part I: Gender Identity</u>	<u>Female</u>	<u>Male</u>	<u>Non-Binary</u>	<u>Did Not Disclose Gender</u>
Directors	2	5	—	—
<u>Part II: Demographic Background</u>	<u>Female</u>	<u>Male</u>	<u>Non-Binary</u>	<u>Did Not Disclose Gender</u>
African American or Black	—	—	—	—
Alaskan Native or Native American	—	—	—	—
Asian	—	1	—	—
Hispanic or Latinx	—	—	—	—
Native Hawaiian or Pacific Islander	—	—	—	—
White	2	4	—	—
Two or More Races or Ethnicities	—	—	—	—
LGBTQ+	—	—	—	—
Did Not Disclose Demographic Background	—	—	—	—

Vote Required and Board Recommendation

A director nominee receiving the affirmative vote of the majority of votes cast 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.

Advisory Resolution to Approve Executive Compensation (Proposal 2)

Description

We are asking shareholders to vote on an advisory resolution to approve the company's executive compensation as reported in this proxy statement. As described below in the "Compensation Discussion and Analysis" section of this proxy statement, the Compensation Committee has structured our executive compensation program 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 2022 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 2022 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 2023 annual meeting of shareholders.

Vote Required and Board Recommendation

The affirmative vote of the majority of votes cast is required to approve this advisory resolution.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR*
THE ADVISORY RESOLUTION TO APPROVE EXECUTIVE COMPENSATION.**

**Ratification of Appointment of
Independent Registered Public Accounting Firm
(Proposal 3)**

Description

The Audit Committee has appointed PricewaterhouseCoopers LLP (“PwC”) as the company’s independent registered public accounting firm for the year ending December 31, 2022. 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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Type of Fees		
Audit Fees(1)	\$1,214,995	\$1,224,975
Audit-Related Fees(2)	20,000	64,800
Tax Fees(3)	207,000	205,000
All Other Fees(4)	2,900	5,000
Total	<u>\$1,444,895</u>	<u>\$1,519,775</u>

- (1) *Audit Fees* consist of the aggregate fees billed by PwC 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, and several international statutory audits.
- (2) *Audit-Related Fees* consist of the aggregate fees billed by PwC 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 a supplemental schedule report, consultation concerning financial accounting and reporting standards and, for 2020 only, 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 and dissolved in 2021.
- (3) *Tax Fees* consist of the aggregate fees billed by PwC related to technical advice pertaining to foreign and domestic tax matters.

- (4) *All Other Fees* consist of the aggregate fees billed by PwC 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 of the proposed services are provided to the Audit Committee.

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, 2022.

**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, 2022.**

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, 2021, 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 requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC.

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, 2021, and the Audit Committee retained PwC as the company's independent registered public accounting firm for the year ending December 31, 2022.

AUDIT COMMITTEE:

John A. Kritzmacher, Chair
Joan H. Gillman
Pierre-Yves Lesaichere

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, 2022:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Liren Chen	51	President and Chief Executive Officer
Richard J. Brezski	49	Chief Financial Officer and Treasurer
Eric Cohen	64	Chief Strategy and Growth Officer
Eeva K. Hakoranta	57	Chief Licensing Officer
Joshua D. Schmidt	38	Chief Legal Officer and Corporate Secretary
Henry Tirri	65	Chief Technology Officer

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. Biographical information on Mr. Chen is discussed under the caption "Election of Directors" above.

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

Eric Cohen is InterDigital's Chief Strategy and Growth Officer, leading corporate and business development, new technology ventures and the company's strategy development. Mr. Cohen works to identify and nurture industry relationships to drive technology leadership and growth into new areas, as well as leading the development and management of the company's long-term strategy. Prior to joining the company in 2018, Mr. Cohen served as the Senior Vice President of Corporate Development at Dolby Laboratories Inc., where he oversaw corporate development, mergers and acquisitions and corporate strategy. Prior to Dolby, Mr. Cohen was a managing director at Cowen Group, Inc., and he previously held positions at J.P. Morgan and Credit Suisse First Boston. Mr. Cohen's deep background in investment banking includes strategic transactions and financings across a broad range of industries. He is an independent member of the Supervisory Board for the Creative Solutions Division of Vitec Group plc and previously served on the Boards of Directors of 7digital Group plc and DTS Inc. and as Chairman of the Board of Directors of Via Licensing Corporation. Mr. Cohen holds an MBA from Stanford University as well as a B.Sc. degree from Brown University.

Eeva K. Hakoranta is InterDigital's Chief Licensing Officer, responsible for overseeing the company's complete licensing portfolio and activities. Ms. Hakoranta joined InterDigital in 2020 and contributes more than 30 years of experience in the legal and licensing industry. Prior to joining InterDigital, Ms. Hakoranta served more than 13 years at Nokia, most recently as Senior Vice President and Head of IP and Litigation, as well as General Counsel for Nokia Technologies. Prior to leading Nokia's IP activities, she was influential in building the company's patent licensing team and significantly growing its licensing revenue. Before Nokia, Ms. Hakoranta served in private practice at Roschier Attorneys Ltd in Helsinki, Finland. Ms. Hakoranta holds an LLM from the University of Helsinki.

Joshua D. Schmidt is InterDigital's Chief Legal Officer and Corporate Secretary, responsible for managing the company's legal functions. Mr. Schmidt joined InterDigital in 2015 and previously served as Vice President,

Deputy General Counsel, with responsibility for the company's corporate, commercial, employment and compliance functions, as well as the company's ESG initiatives and was promoted to Chief Legal Officer and Corporate Secretary in October 2021. Prior to that role, Mr. Schmidt served in a variety of roles within InterDigital's legal department, with primary responsibility for the company's M&A, corporate governance, and commercial contracting functions. Before joining InterDigital, Mr. Schmidt was an associate at Dechert LLP, where he focused his practice on private and public company M&A, securities offerings, venture capital transactions and joint ventures. Mr. Schmidt holds a Juris Doctor degree from Duke University School of Law and a Bachelor of Science in Business Administration: Finance from the University of Pittsburgh.

Henry Tirri is InterDigital's Chief Technology Officer. In this role, he is responsible for leading the company's technology vision and strategy and advancing the company's technology roadmaps. Dr. Tirri works closely with other executives to partner with internal R&D efforts, external investments and corporate development in executing the company's technology vision. Dr. Tirri is a technology executive with deep experience in a variety of technology areas, including areas of increasing relevance to mobile such as artificial intelligence, automotive and data analytics, among others. He joined InterDigital in 2018 from Harman International Industries, Inc., where he had served as the Executive Vice President and Chief Technology Officer. Prior to Harman, Dr. Tirri served as the Executive Vice President and Head of Technologies Business at Nokia. During a decade at Nokia, he also served as the Chief Technology Officer and Head of the Nokia Research Center. Most recently, Dr. Tirri served in an advisory role with multinational banking corporation BBVA. He has held professorships at University of Helsinki, Stanford University, University of California at Berkeley, and Aalto University, and is a Fellow of the Helsinki Institute for Information Technology (HIIT). Dr. Tirri holds a PhD in Computer Science from the University of Helsinki, Finland and an Honorary Doctorate from the University of Tampere.

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 2021 and focuses on the principles underlying the company’s executive compensation policies and decisions.

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

<u>NEO</u>	<u>Position as of December 31, 2021</u>
Liren Chen	President and Chief Executive Officer (“CEO”)
Richard J. Brezski	Chief Financial Officer (“CFO”) and Treasurer
Eric Cohen	EVP, Chief Development Officer
Eeva K. Hakoranta	EVP, Chief Licensing Officer
Henry Tirri	EVP, Chief Technology Officer
William J. Merritt*	Former President and CEO

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

CEO Transition

As previously announced, Mr. Merritt, former President and CEO, retired effective April 5, 2021, after 25 years at InterDigital. The Board of Directors appointed Liren Chen as the company’s next President and CEO effective April 5, 2021. Mr. Chen, an industry veteran, had a long and successful career at one of the world’s most innovative technology companies, Qualcomm. His experience in IP licensing, global business expertise and technical capabilities are a unique combination that aligns perfectly with InterDigital’s opportunities, as his seamless transition to the CEO role and the company’s strong 2021 performance demonstrates.

Recruiting Mr. Chen to InterDigital. In addition to offering Mr. Chen a competitive annual compensation package, which is consistent with the approach for all our NEOs, to incentivize him to accept our offer, we provided him with one-time awards that would offset the value of unvested equity upon his departure from his previous employer. The company developed an offer that would persuade him to join InterDigital from his well-established leadership position at his former employer, while simultaneously balancing the company’s goal of creating long-term shareholder value through performance-based grants.

- The Compensation Committee designed Mr. Chen’s new hire package to be consistent with CEO new hire pay packages of other companies with whom we compete for leadership talent. This includes a one-time equity award comprised of performance-based RSUs and performance-based options, with rigorous performance hurdles tied to driving revenue and ultimately value creation for our shareholders.
- *One time, sign-on cash bonus.* Mr. Chen received a one-time, cash payment of \$1,500,000, payable in three (3) equal installments: 1/3 upon Mr. Chen’s start date (with first paycheck); 1/3 payable upon the six-month anniversary of Mr. Chen’s start date; and 1/3 payable upon the one-year anniversary of Mr. Chen’s start date.
- *New hire equity award:* Mr. Chen received a one-time new hire equity award pursuant to the terms and conditions of the InterDigital, Inc. 2017 Equity Plan, as amended (“2017 Equity Plan”), with a value of \$7,500,000, allocated as follows:
 - \$3,500,000 in time-based RSUs that vest in three equal installments on the first three anniversaries of Mr. Chen’s start date, subject to continued employment through the applicable vest date;

- \$2,000,000 in performance-based RSUs that vest, if at all, based on achievement of specified revenue platform milestone performance goals through December 31, 2025 and continued employment through the applicable vest date; and
- \$2,000,000 in performance-based options with a 10-year term that vest, if at all, based on the achievement of specified revenue platform milestone performance goals through December 31, 2025 and continued employment through the vest date; additionally, shares acquired upon exercise must be held for a period of two years following date of vesting.
- *InterDigital Deferred Compensation Plan*: Mr. Chen received a one-time discretionary contribution to the InterDigital, Inc. Deferred Compensation Plan in the amount of \$3,000,000, which vested \$1,500,000 on his start date, and \$500,000 on each of January 1, 2022, January 1, 2023, and January 1, 2024, subject to accelerated vesting as described in “Potential Payments upon Termination or Change in Control.”

Succession Planning Committee. In January 2020, the Board established a Succession Planning Committee to develop and evaluate potential candidates to be considered as successors to Mr. Merritt as President & CEO. Messrs. Hutcheson, Kritzmacher and Markley and Ms. Rankin served as members. The company retained the services of an executive search firm to assist, along with our leadership team, with the identification and evaluation of CEO candidates. While the committee reviewed many candidates with a diverse set of backgrounds, very few had skills as relevant to InterDigital as Mr. Chen’s deep understanding of the legal, business and industry environments that affect the development of technology and IP licensing worldwide. The Succession Planning Committee held 16 meetings during the course of the search. The Succession Planning Committee worked with our Compensation Committee and our compensation consultant, Pearl Meyer & Partners (“Pearl Meyer”), to design a competitive compensation package to incentivize Mr. Chen to join InterDigital from his well-established leadership position at Qualcomm.

Executive Summary

2021 Business Highlights and COVID-19 Impacts

Despite the challenges posed by the ongoing 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. During 2021, with the majority of our workforce still working remotely, our business activities operated with minimal interruption, and we experienced limited impact on our operations and financial position. We resumed work-related travel on a limited basis and have successfully conducted the majority of our licensing negotiations, investor presentations and participation in standards organizations and industry events virtually, resulting in very strong business performance for 2021. Key financial and strategic achievements are highlighted below:

- **Delivered very strong financial performance.**
 - Total revenue increased 19% in 2021 over 2020, while operating income grew 29% and earnings per share grew by 23% year over year.
 - In 2021, 2020, and 2019, our total revenues were \$425.4 million, \$359.0 million, and \$318.9 million, respectively.
 - Our recurring revenues in 2021, 2020 and 2019 were \$351.7 million, \$336.8 million, and \$298.2 million, respectively.
 - In 2021, 2020, and 2019, we recognized \$73.7 million, \$21.6 million and \$19.8 million, respectively, of non-current patent royalties.

- In 2021, fixed-fee royalties accounted for approximately 89% of our recurring revenues.
- **Refocused on foundational technologies.** In 2021, we refocused on the foundational technologies that enable the connected world, in particular 5G, by almost doubling our contributions to the 5G standard and increasing our 5G disclosures by more than 50%.
- **Continued to adapt.** The company continued to adapt to the changing way we work to keep its innovation engine running smoothly. We successfully negotiated 13 new license agreements in 2021 despite the challenges of the COVID-19 pandemic, most notably with one of the leading smartphone manufacturers Xiaomi and our deal with a top ten TV manufacturer. This is twice the number of licenses signed in 2020 and the highest number of new license agreements signed in any given year for the past two decades.

2021 Compensation Decisions and Actions

The following are highlights of the key compensation decisions made by the Compensation Committee for 2021:

- **Limited Increases to Base Salaries:** The CFO base salary remained flat for 2021 because the market data showed that his salary was within the median range for his position. Base salary increases for other NEOs were a result of increased responsibility (Chief Strategy & Growth Officer) and criticality of roles (Chief Licensing Officer and Chief Technology Officer). Please see “2021 Executive Compensation in Detail – Base Salaries” below for details.
- **Short Term Incentive Program Payouts Aligned with Performance.** Our short-term incentives for fiscal 2021 performance paid between 103% and 168% of target to our NEOs. Please see “2021 Executive Compensation in Detail – Short-Term Incentive Plan” below for details.
- **Our executive compensation program is tied to the long-term shareholder value creation.** Approximately 72% of our target annual CEO compensation and, on average, 60% of the compensation for our other NEOs was delivered in a mix of performance-based RSUs, performance-based stock options and time-based RSUs. Please see “2021 Executive Compensation in Detail – Long-Term Compensation Program” below for details.
- **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 RSUs covering the 2019 – 2023 performance period were adjusted to reflect the impact of our acquisitions and dispositions over the last three-year period on our business projections, to ensure the incentive program remained meaningful, simplify goals and ensure past sales revenue was appropriately considered.
- **Retirement & Transition Agreement with former CEO.** Mr. Merritt, our former CEO, did not receive excessive payments in connection with his retirement. In exchange for the transition services, the company provided the pro-rata vesting of Mr. Merritt’s unvested time-based RSUs. Please see “Potential Payments upon Termination or Change in Control” below for details.

What Guides Our Program

Compensation Objectives and Philosophy

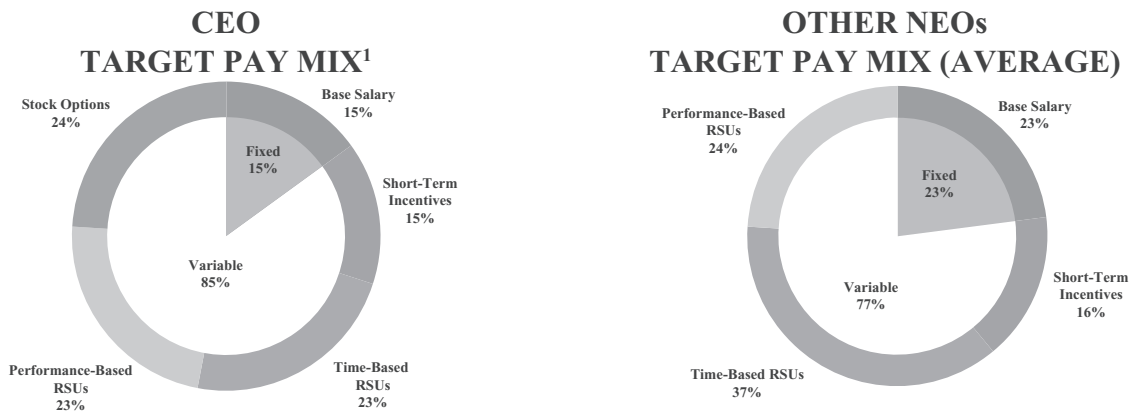
The primary purpose of our executive compensation program is to attract, retain and motivate talented individuals who will drive the successful execution of the company’s strategic plan. Specifically, we aim to:

- 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 compensate 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’ 2021 total compensation is comprised of a mix of base salary, short-term incentive plan (“STIP”) and long-term compensation plan (“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 2021, approximately 85% of our CEO’s annual target compensation, and on average, 77% of the target compensation of our other NEOs, was comprised of STIP and LTCP awards and thus variable based on the company’s performance.



¹ CEO Target Pay Mix excludes sign-on awards.

2021 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 2021 were based on consideration of each NEO’s position, scope of responsibility and importance to the company and performance during 2021, 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 CFO for 2021 because the market data showed that his salary was within the median range for his respective position. Mr. Cohen received a 10%

increase as a result of increased responsibilities in role, and Mr. Tirri and Ms. Hakoranta received more modest increases in order to remain competitive with their peers and due to the criticality of their positions. Set forth below are the 2020 and 2021 base salaries for our NEOs:

<u>NEO</u>	<u>2020</u>	<u>2021</u>	<u>% Increase</u>
Liren Chen	NA	\$690,000	NA
Richard J. Brezski	\$402,500	\$402,500	0%
Eric Cohen	\$371,280	\$408,408	10%
Eeva K. Hakoranta ⁽¹⁾	€325,000	€338,000	4%
Henry Tirri	\$406,980	\$423,259	4%
William J. Merritt	\$690,000	\$690,000	0%

(1) Ms. Hakoranta receives her salary and other cash compensation in euros.

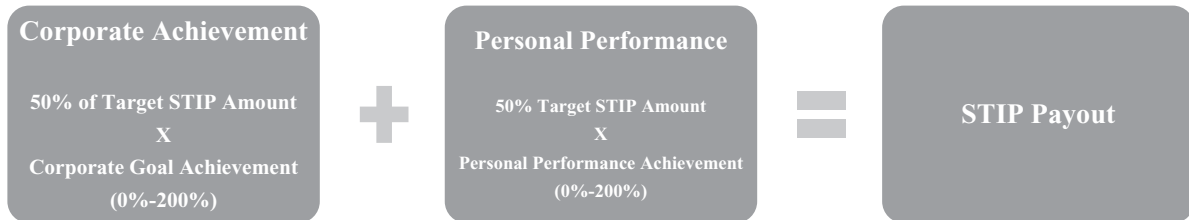
Short-Term Incentive Plan

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 strategic corporate goals and individual performance.

In first quarter 2021, the Compensation Committee approved target STIP levels for each of the NEOs other than Mr. Merritt. The 2021 target STIP levels, set as a percentage of annual base salary, for the NEOs were as follows:

<u>NEO</u>	<u>2021 Target STIP Level</u>
Liren Chen	100%
Richard J. Brezski	75%
Eric Cohen	75%
Eeva K. Hakoranta	60%
Henry Tirri	75%

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 10% 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 Performance Goals. For 2021, the corporate performance goals for the company’s executives and the relative weights assigned to each were as follows:

2021 STIP Corporate Performance Goals:

<u>Performance Measure (relative weight)</u>	<u>Description</u>	<u>Goal/Objectives</u>	<u>Determination of Payout Level</u>
Total Revenue (40%)	Achieve specified amount of recognized revenue as reported in our financial statements and pre-set targets of specified amounts of specific categories of revenue	<p><i>Target is estimated recognized revenue as reported in 2021 financial statements</i></p> <p><i>Threshold \$350M</i></p> <p><i>Target \$370M</i></p>	<p><i>Minimum threshold set, below which would yield 0% achievement</i></p> <p><i>Threshold set just below previous year actual achievement</i></p> <p><i>Payout increases at rate of 3 percent for each percentage point above \$390M up to maximum achievement of 200% of the applicable performance measure</i></p>
	Patent filings and contributions to 5G, video and other standards	<p><i>Standards participation – meet or exceed specified targets for wireless and video standards contributions and related patent applications</i></p> <p><i>Patent filings – meet or exceed specified number of patent filings – of which specified percentage are standards related</i></p> <p><i>5G innovation</i></p>	<p><i>Bonus element pays out if specific pre-defined strategic accomplishments are achieved</i></p> <p><i>A scorecard approach was adopted for this metric, with each component equally weighted but individually evaluated at the end of the performance period</i></p>

<u>Performance Measure (relative weight)</u>	<u>Description</u>	<u>Goal/Objectives</u>	<u>Determination of Payout Level</u>
Evolution (25%)	Successfully execute investment in new business initiatives, launch and execute ESG program and continued execution of culture and engagement projects	<p><i>Launch one or more new business initiatives</i></p> <p><i>Continued culture development with focus on integrating engagement and talent initiatives</i></p>	<p><i>Bonus element pays out if specific pre-defined strategic accomplishments are achieved</i></p> <p><i>A scorecard approach was adopted for this metric with each individually evaluated at the end of the performance period</i></p>
Compensation Committee Discretion (10%)	Allow Compensation Committee to adjust performance upward or downward as a result of unexpected outcomes or circumstances	<i>Bonus component pays out based on overall subjective evaluation of company performance</i>	

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. The goals further our long-term strategy by continuing to grow our worldwide patent portfolio, increase patent-based revenue by expanding our patent licensing activities into new product categories and encouraging investment in new business initiatives that both grow our patent portfolio and help expand our licensing activities.

On January 26, 2022, 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 individual named executive officers' 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:

<u>Goal (Target metric weight)</u>	<u>Corporate Strategic Performance Goals: Outcomes</u>			<u>Achievement</u>	<u>Component Payout</u>
	<u>Threshold Payout</u>	<u>Target Payout</u>	<u>Maximum Payout⁽¹⁾</u>		
Total Revenue (40%)	\$350M	\$370M	\$506M	<i>Total Revenue achievement approximately 34% above target; payout increased at rate of 3 percent for each percentage point above \$390M</i>	53.7%
Total Revenue (70%)	0%	28%	56%		
CE Revenue (20%)	<\$40M	\$40M	\$80M		
Government Services Revenue (10%)	<0%	4%	8%		
Innovation (25%)	0%	25%	50%	<i>Achievement on each goal is provided in parenthesis following the goal description:</i>	38.8%
				<ul style="list-style-type: none"> • Standards contributions (achieved at 169% of target) • Patent filings (achieved at 122% of target) • 5G innovation (achieved at 128% of target) 	
Evolution (25%)	0%	25%	50%	<i>Achievement on each goal is provided in parenthesis following the goal description:</i>	30%
				<ul style="list-style-type: none"> • Investment in new business initiatives (meet) • Company addressed each of 40+ topics identified as compulsory in Prioritization Matrix for ESG (exceeds) • Culture development with focus on integrating engagement and talent initiatives (exceeds) 	

<u>Goal (Target metric weight)</u>	<u>Corporate Strategic Performance Goals: Outcomes</u>			<u>Achievement</u>	<u>Component Payout</u>
	<u>Threshold Payout</u>	<u>Target Payout</u>	<u>Maximum Payout⁽¹⁾</u>		
Compensation Committee Discretion (10%)	0%	10%	20%	<p><i>New CEO transition, including multi-faceted hiring onboarding & assimilation efforts</i></p> <p><i>Revamped 5-year corporate strategy with comprehensive targets, detailed execution plans and critical capability enhancement areas</i></p> <p><i>Initiated and partially completed company-wide cost reduction projects</i></p>	12.5%
Overall Corporate Achievement	0%	100%	200%		135%

(1) Maximum payout assumes 200% achievement on each component.

The Compensation Committee did not use its discretion to modify performance metrics under the STIP in light of the COVID-19 pandemic; however, it did determine that the company performed successfully in a year of transition with a new CEO, successfully achieved significant cost cutting projects and achieved groundbreaking litigation outcomes and determined that the company achieved 12.5% for the Compensation Committee Discretion metric.

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 his performance, as reflected in the assessment of the non-executive Chairman of the Board. For 2021, Mr. Chen was further assessed on performance of the strategic corporate goals as his personal achievement of the following:

<u>Goal</u>	<u>Achievements</u>
Revenue	Despite the changed business environment as the result of the COVID-19 pandemic and joining InterDigital as its new CEO, InterDigital was able to successfully execute on its strategy to increase revenue to \$425.4 million, the highest amount since 2017. The increase in revenue was a result of the completion of 13 new license agreements. Mr. Chen played a critical role in closing those transactions.
Innovation	Mr. Chen drove refocus of resources to core technology.
Evolution	<p>Mr. Chen led the design and execution of two phases of cost-reductions in the U.S., France and rest of the world.</p> <p>Mr. Chen executed organizational changes including merging Public Policy and Marketing teams and IP and enforcement teams, driving organizational transformation through requiring more collaboration and faster paced decision-making, improved execution, and increased accountability at senior management levels.</p>

For the other NEOs, the Compensation Committee reviewed the performance assessments provided by Mr. Chen 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 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:

<u>NEO</u>	<u>Personal Performance Factor (0%-200%)</u>
Liren Chen	140%
Richard J. Brezski	120%
Eric Cohen	120%
Eeva K. Hakoranta	200%
Henry Tirri	70%

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 NEO for 2021:

<u>NEO</u>	<u>2021 Base Salary (\$)</u>	<u>Target bonus as percentage of base salary</u>	<u>Corporate Achievement (applies to 50% of target award)</u>	<u>Personal Performance (applies to 50% of target award)</u>	<u>Overall achievement as % of target</u>	<u>Target bonus (\$)</u>	<u>Actual Bonus (\$)</u>
Liren Chen	690,000	100%	135%	140%	138%	690,000	948,751
Richard J. Brezski	402,500	75%	135%	120%	128%	301,875	384,891
Eric Cohen	408,408	75%	135%	120%	128%	306,306	390,540
Eeva K. Hakoranta ⁽¹⁾	399,527	60%	135%	200%	168%	239,716	401,525
Henry Tirri	423,259	75%	135%	70%	103%	317,444	325,380

⁽¹⁾ Ms. Hakoranta receives her salary and other compensation in euros. Amounts were converted to USD using an average exchange rate for 2021 of 1.182.

The 2021 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 2021, and the Summary Compensation Table below reports the amounts actually earned by each NEO for 2021 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:

<u>Equity Vehicle</u>	<u>What it Does</u>	<u>Vesting Requirements</u>
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 ⁽¹⁾ .
Performance-based stock options	Rewards for stock price appreciation and achievement of underlying goals.	Performance-based options' exercise term typically 7 to 10 years.
Time-based RSUs	Focuses our executives on long-term share ownership and sustained value.	Three-year cliff or ratable vesting of shares.

⁽¹⁾ Mr. Chen's new hire performance-based RSUs and options were capped at 300% of target.

2021 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 30, 2021 that were comprised of the following equity vehicles:

NEO	2021 LTCP Grant: Equity Mix		
	Performance-Based RSUs	Performance Based Stock Options	Time-Based RSUs
Liren Chen	33%	33%	33%
Richard J. Brezski	40%	0%	60%
Eric Cohen	40%	0%	60%
Eeva K. Hakoranta	40%	0%	60%
Henry Tirri	40%	0%	60%

The table below shows the target award values for the 2021 LTCP grant for each of the NEOs and includes the New Hire equity awards for Mr. Chen:

	Performance-Based RSUs (\$) (1)	Performance-Based Stock Options (\$) (2)	Time-Based RSUs (\$) (1)	Total Value (\$)
Liren Chen New Hire:	2,324,655	2,324,655	3,971,679	8,565,959
LTCP:	1,248,305	1,289,088	1,248,305	3,785,698
Richard J. Brezski	440,000	—	660,000	1,100,000
Eric Cohen	440,000	—	660,000	1,100,000
Eeva K. Hakoranta	360,000	—	540,000	900,000
Henry Tirri	480,000	—	720,000	1,200,000

(1) Award amounts for performance-based and time-based RSUs for Mr. Chen were determined based on the average closing price of InterDigital's common stock for the ten-day period ended on the last trading day before the date of the Chen Offer Letter; the award amounts for performance-based and time-based RSUs for all other NEOs were determined based on the closing price of InterDigital's common stock on March 31, 2021, the date of grant.

(2) Individual award amounts for options were calculated based on Black-Scholes values; additional information can be found in footnote 5 to the Summary Compensation Table below.

A Closer Look at 2021 LTCP Performance-Based RSUs and Options. The actual number of performance-based RSUs and performance-based options (the "Performance Awards") from the 2021 LTCP that may vest is based on the achievement of goal(s) set by the Compensation Committee. The goals employed for the 2021 LTCP are pro forma EBITDA and Consumer Electronics Revenue Platform. Pro forma EBITDA measures overall profitability of the company and Consumer Electronics Revenue Platform is an important measure of the company's growth of its consumer electronics licensing business. If specified performance goals are not met, no payout will occur. The achievement from the pro forma EBITDA goal cannot exceed 120% of target, and achievement from the Consumer Electronics Revenue milestone goals cannot exceed 80% of target.

60% of the Performance Awards may vest at the end of the three-year performance period (January 1, 2021 through December 31, 2023) based on specified threshold, target, and maximum levels of pro forma EBITDA measured quarterly, on a trailing four quarter basis during the last two (2) years of the performance-period. The highest quarter determines goal achievement. 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 linear straight-line interpolation between the target achievement

level and the actual achievement level. Achievement of the threshold performance level will result in a 50% payout.

The remaining portion of the Performance Awards granted under the 2021 LTCP may vest based on the performance metric of Consumer Electronic Revenue Platform. Growth in our Consumer Electronic Revenue is much less predictable due to regulatory issues and the general business climate. As a result of these factors and to motivate our executives to grow our Consumer Electronic Revenue stream, we have structured 40% of the 2021 LTCP as a set of milestones towards achieving our five-year goal for our Consumer Electronic Revenue Platform (such awards, “Milestone Awards”). For each of the four milestones that is achieved, 25% of the executives’ target Milestone Awards will vest. The Milestone Awards may vest at any time during the five-year performance period (January 1, 2021 through December 31, 2025), to the extent that one or more of the milestones are achieved. Licensing agreements completed in the first three years of the performance period receive 150% revenue credit. The first of these milestones was achieved in January 2022, resulting in the vesting of 25% of target Milestone Awards, or 10% of the total 2021 Performance Awards. The company’s revenue model relies on challenging, high-stakes, often multi-year negotiations of licensing agreements, therefore, disclosure of specific revenue related metrics could adversely affect negotiating leverage, in particular, with milestone awards. Therefore, the company does not disclose performance targets and actual performance of each milestone.

Status of Prior LTCP Grants:

2017 LTCP Grant Measurement: The 2017 LTCP performance-based RSUs had a five-year performance period (January 1, 2017 – December 31, 2021). No RSUs vested as of the December 31, 2021 measurement date. The performance goals associated with the 2017 LTCP performance-based RSUs required a threshold achievement of \$150 million pro forma EBITDA, defined by adjusting GAAP EBITDA to eliminate stock based compensation, litigation costs and other non-recurring and non-operating items after adjustments to bring revenue in line with Revenue Platform. If the pro forma EBITDA threshold is met, Revenue Platform is measured. In January 2022, the Chief Executive Officer reported to the Compensation Committee that the company had not achieved the threshold pro forma EBITDA, as defined in the performance goals for the 2017 LTCP Grants. After reviewing the company’s achievement of the applicable goals as of December 31, 2021, the Compensation Committee determined that the company’s goal achievement for the 2017 cycle was below the threshold required for the vesting of any portion of the performance-based RSU awards. As a result, all performance-based RSUs granted under the 2017 LTCP were forfeited.

2019 LTCP Grant – Goals: In 2019, as part of the 2019 LTCP, the company granted performance-based RSUs with vesting based on the achievement of Revenue Platform and pro forma EBITDA goals. Subsequent strategic decisions by the company, specifically acquisitions and divestitures since the award issuance, impacted relevance and appropriateness of these goals. As a result, and in order to ensure that the outstanding performance-based awards continued to align management’s interest with those of the company’s shareholders and incentivize management and employees toward continued goal achievement during the CEO transition, in 2021, the Board of Directors approved the adjustment of the 2019 LTCP goal, applicable for the interim measurement period, to include a scalable performance metric for both pro forma EBITDA and Revenue Platform; meeting either of which would result in vesting of PSUs. This adjustment was applicable to all participants in the 2019 LTCP, not just the management team.

Revenue Platform is a forward-looking measurement and fails to take into account past sales that are collected as part of licensing agreements. Adjusted pro forma EBITDA, unlike the pro forma EBITDA applied to the 2017 LTCP goal, did not further adjust revenue to bring it in line with Revenue Platform as of the measurement date. Instead, pro forma EBITDA was adjusted to be a scalable performance metric measured on a rolling four quarter basis, instead of a single measure at the end of the performance period, with the highest quarter during the performance period determining achievement level.

2019 LTCP Grant – Interim Measurement: The 2019 LTCP performance-based RSUs have a five-year performance period (January 1, 2019 – December 31, 2023), with an interim measurement date on December 31,

2021. The Chief Executive Officer reported to the Compensation Committee on the achievement of the performance goals, as modified in 2021. The Compensation Committee reviewed the company's achievement of these goals during the first three years and determined that the company's goal achievement through the interim measurement date was 93% of target. Pursuant to the goals, as modified in 2021, the company has achieved a level of pro forma EBITDA that is 93% of the target pro forma EBITDA; as a result, 93% of the 2019 performance-based awards vested in March 2022.

2020 LTCP Grant: As previously described in the company's 2021 proxy statement, performance-based awards granted under the 2020 LTCP may vest based on the achievement of either a China Revenue Platform Milestone goal or a normalized cash flow goal. The China Revenue Platform goal provided for partial vesting (20% of target) upon meeting each of five milestones, with each being set at a specified amount of China Revenue Platform, the amount of revenue from existing contracts for the next 12-month period. As reported in the 2021 proxy statement, the first China Revenue Platform milestone goal was achieved in June 2020. The second and third China Revenue Platform milestone goals were met with the execution of certain license agreements in 2021, and as a result, 40% of the Milestone Awards vested on October 15, 2021. All NEOs were participants in the 2020 LTCP and benefited from the vesting of these awards, other than Mr. Chen, who had not yet joined the company at the time of grant, and Mr. Merritt, who had already left the company at the time the goals were satisfied.

CEO New Hire Awards

The Compensation Committee approved the award of performance-based RSUs and performance-based options as part of Mr. Chen's compensation package. The actual number of new hire performance-based RSUs and stock options that may vest is determined by the achievement of one or more diversified revenue platform milestone goals. The diversified revenue platform milestone goals measure achievement of specified amounts of revenue platform using forecasted revenue for a 12 month look-forward period multiplied by a "Revenue Value Credits" multiplier. The Compensation Committee incorporated a Revenue Value Credits multiplier that assigns greater value for signing license agreements earlier and for longer terms to drive revenue achievement and ultimately create long term shareholder value.

The size of the company's license agreements completed in 2021, combined with the speed of signing such agreements and their long-term nature, resulted in the application of the Revenue Value Credit multiplier to the diversified revenue platform goal, which drove a 150% payout of Mr. Chen's new hire performance-based RSUs and stock options. Additional milestones remain eligible to vest through 2026. The company's revenue model relies on challenging, high-stakes, often multi-year negotiations of licensing agreements, therefore, disclosure of specific revenue-related metrics could adversely affect negotiating leverage, in particular, with milestone awards. Therefore, the company does not disclose performance targets and actual performance of each milestone. Total payout on the new hire performance-based awards cannot exceed 300% of target.

Shareholder Engagement and Results from 2021 Shareholder Advisory Vote on Executive Compensation

At the 2021 annual meeting of shareholders, we held an advisory vote on executive compensation. Approximately 95% 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 fall of 2021, the Chairperson of the Compensation Committee, our investor relations team, and as appropriate, members of senior management reached out to 25 of our largest investors, which collectively own about two-thirds of our outstanding shares, and ultimately engaged with investors that own more than 20% of our outstanding shares 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 2021, our investor relations team participated in 20 investor conferences and six non-deal roadshow events and engaged with our investors on a regular basis to keep an open dialog about our business and performance, including over 80 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, ESG 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 <i>balanced compensation program</i> through a mix of fixed and variable short- and long-term incentives.	<input checked="" type="checkbox"/> We do not have employment agreements with any NEO, except as required by local (non-U.S.) law.
✓ We <i>cap</i> payouts under our annual 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.	<input checked="" type="checkbox"/> We do not have single-trigger payout provisions in our equity award agreements.
✓ We have <i>double-trigger</i> 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).	<input checked="" type="checkbox"/> We do not provide golden parachute tax gross-ups.
✓ We have a <i>clawback policy</i> under which the company may recover excess cash incentive or performance-based equity 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.	<input checked="" type="checkbox"/> We do not guarantee minimum STIP payouts.
✓ We have robust target <i>stock ownership</i> levels for our executive officers and directors. Each NEO has met the applicable stock ownership requirements	<input checked="" type="checkbox"/> We do not provide excessive perquisites to executive officers that other employees at or above the senior director level do not receive.
✓ We <i>review compensation-related risk</i> 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.	<input checked="" type="checkbox"/> We do not permit the hedging of InterDigital stock by any employee, including executive officers.
	<input checked="" type="checkbox"/> 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.

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 at least three independent 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, 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 https://ir.interdigital.com/files/doc_downloads/governance/compensationCommittee.pdf.

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 2020, Pearl Meyer assisted the Compensation Committee with its process of identifying peer group companies for 2021 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 a number of changes to the compensation peer group for 2021 from 2020, which included the removal of TiVo Corporation due to M&A activity and the removal of Plantronics, Inc. and CalAmp Corp. as a result of sustained poor financial performance. The following new companies were added to replace the removed peers and were chosen based on revenue size, industry fit and financial performance: Aviat Networks, Comtech Telecommunications, Digi International and Inseego.

The companies comprising the 2021 compensation peer group were as follows:

ADTRAN Inc.	Infinera Corporation	Ubiquiti Networks
Ansys, Inc.	Inovalon Holdings	Universal Display Corp.
Aspen Technology	Inseego Corp.	Universal Electronics, Inc.
Aviat Networks	Manhattan Associates	Xperi, Inc.
Comtech Telecommunications	Rambus Inc.	
Digi International	Silicon Laboratories, Inc.	
Dolby Laboratories, Inc.	Synaptics 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.

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 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.

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 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 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, 2021, 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 cash-based incentive or performance-based equity 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 2021, 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. 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 and Change in Control Policy (the "Executive Severance Policy"), which had 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)). The policy applies to all NEOs except for Ms. Hakoranta, whose severance arrangements, in compliance with local law, are set forth in her employment agreement and Mr. Chen, whose severance arrangements are modified by his offer letter related to his employment (the "Chen Offer Letter"). 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, each as defined in the Executive Severance Policy. Ms. Hakoranta's employment agreement provides similar payments and benefits. For more information regarding the provisions governing these termination scenarios, please see "Potential Payments upon Termination or Change in Control."

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 the 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
John D. Markley, Jr.

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) Liren Chen, our President and CEO; (ii) Richard J. Brezski, our CFO and Treasurer; (iii) Eric Cohen, our Chief Strategy and Growth Officer; (iv) Eeva K. Hakoranta, our Chief Licensing Officer; (v) Henry Tirri, our Chief Technology Officer; and (vi) William J. Merritt, our former President and CEO who ceased to be an executive officer of the company effective April 5, 2021. 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 (\$)
Liren Chen (8) President and Chief Executive Officer	2021	504,231	1,000,000	5,219,984	—	948,750	3,151,873	10,824,838
Richard J. Brezski Chief Financial Officer and Treasurer	2021	402,500		660,000	—	384,891	26,121	1,473,512
	2020	402,500		300,000	—	351,684	23,325	1,077,509
	2019	400,783		250,000	—	243,009	23,094	916,886
Eric Cohen (8) Chief Strategy and Growth Officer	2021	401,982		660,006	—	390,540	28,538	1,481,066
Eeva K. Hakoranta (8)(9) . . . Chief Licensing Officer	2021	397,025		510,022	—	401,525	998	1,339,547
Henry Tirri (8) Chief Technology Officer	2021	420,441		720,030	—	325,380	14,385	1,480,236
William J. Merritt Former President and Chief Executive Officer	2021	188,423		—	—	—	1,382,017	1,570,440
	2020	690,000		1,083,348	—	855,600	13,556	2,642,504
	2019	681,346		1,083,383	1,083,383	555,450	13,406	3,416,967

- (1) Base salary increases, as applicable, for 2021, 2020, and 2019 became effective on April 1 each year. Amounts reported reflect the value of base salary earned by each NEO during such years.
- (2) In connection with his hiring as CEO in April 2021, Mr. Chen received a sign-on cash bonus, two-thirds of which was paid in 2021; the other third will be paid in 2022.
- (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 12 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2021. 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 12 to our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2021.

On March 31, 2021, the company granted performance-based RSU awards to its NEOs, including Milestone Awards. Additionally, on April 15, 2021, the company granted a performance-based RSU award to Mr. Chen under the 2021 LTCP, as well as a performance-based RSU award as part of his new hire package.

As of such dates, consistent with the estimates determined as of the respective grant dates 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 fair value was \$0. The following table sets forth the grant date fair value of the performance-based RSUs granted to the NEOs in 2021 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% for the 2021 LTCP and 300% for Mr. Chen's new hire PSUs:

<u>NEO</u>	<u>Maximum Value Performance-Based RSU Awards 2021 LTCP (\$)</u>	<u>Maximum Value New Hire PSUs (\$)</u>
Liren Chen	2,496,610	6,808,875
Richard J. Brezski	880,052	
Eric Cohen	880,052	
Eeva K. Hakoranta	720,031	
Henry Tirri	960,125	

- (5) Amounts reported reflect the value recognized for financial reporting purposes in accordance with FASB ASC Topic 718. During 2021, the company granted performance-based options to Mr. Chen, including Milestone Awards, as part of the 2021 LTCP, as well as a performance-based option award as part of his new hire. As of the grant date, consistent with the estimates determined as of the respective grant dates 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. Chen in 2021 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level of 200% for the 2021 LTCP and 300% for Mr. Chen's new hire performance-based options.

<u>NEO</u>	<u>Maximum Value Performance- Based Stock Option Awards – 2021 LTCP (\$ (a))</u>	<u>Maximum Value Performance- Based Stock Option Awards – New Hire Award (\$ (b))</u>
Liren Chen	2,578,176	6,973,964
Richard J. Brezski	—	
Eric Cohen	—	
Eeva K. Hakoranta	—	
Henry Tirri	—	

- (a) The weighted-average assumptions underlying the above valuations under the Black-Scholes option pricing model are as follows: expected term of 7.46 years; volatility of 35.54%; a risk-free interest rate of 1.3%; and a dividend yield of 2.172%.
- (b) The weighted-average assumptions underlying the above valuation under the Black Scholes option pricing model are as follows: expected term of 7.75 years; volatility of 36.33%; a risk-free interest rate of 1.3%; and a dividend yield of 2.172%.
- (6) Amounts reported include the value of payouts earned under the company's 2021 STIP.

- (7) The following table details each component of the “All Other Compensation” column in the Summary Compensation Table for fiscal year 2021:

NEO	401(k) Plan Matching Contributions (\$)(a)	Supplemental LTD (\$)(b)	Deferred Compensation Plan Matching Contributions (\$)(c)	Deferred Compensation Contribution or Distribution (\$)(d)	Relocation Expense (\$)(e)	PTO Payout (\$)(f)	Value Realized on Pro-Rata vesting of RSUs	Total (\$)
Liren Chen . . .	8,598	4,199	6,427	3,000,000	132,649			3,151,873
Richard J. Brezski	8,700	3,495	13,926					26,121
Eric Cohen . . .	8,700	6,120	13,718					28,538
Eeva K. Hakoranta . .		998						998
Henry Tirri . . .	8,700	5,685						14,385
William J. Merritt	8,700	1,251				103,580	1,268,486	1,382,017

- (a) Amounts represent company matching contributions to all employees, including the NEOs, on 50% of the first 6% of the employee’s eligible salary and annual bonus contributed to the 401(k) Plan, up to the maximum amount permitted by the Internal Revenue Service.
- (b) Amounts represent premium amounts paid by the company for supplemental executive long-term disability insurance for the benefit of such NEO.
- (c) Amounts represent company matching contributions made pursuant to the company’s nonqualified deferred compensation plan for NEO contributions. For more information, see “Nonqualified Deferred Compensation.”
- (d) Amount represents a one-time discretionary contribution made by InterDigital as part of Mr. Chen’s new hire package.
- (e) Amount represents a taxable reimbursement to compensate Mr. Chen for expenses related to his relocation from California to Wilmington, Delaware. Amount includes \$39,561 in additional payment for tax assistance, eligible to all InterDigital employees who receive relocation benefits.
- (f) Amount represents paid time off accrued but not taken, which, pursuant to company policy and applicable to all U.S. employees upon employment termination, was paid to Mr. Merritt.
- (8) Messrs. Chen, Cohen and Tirri and Ms. Hakoranta were not among the company’s NEOs for 2019 or 2020.
- (9) Ms. Hakoranta receives her salary and other cash compensation in euros. Amounts were converted to USD using an average exchange rate for 2021 of 1.182.

Grants of Plan-Based Awards in 2021

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, 2021. Each of these types of awards is discussed in “Compensation Discussion and Analysis” above.

Name	Type of Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Liren Chen	STIP		0	690,000	1,380,000							
	OPT	4/15/21							156,842	\$73.15	0	
	TRSU	4/15/21						17,065			1,248,305	
	TRSU (New Hire)	4/15/21						54,295			3,971,679	
	PSU	4/15/21				8,533	17,065	34,130				0
	PSU (New Hire)	4/15/21				15,514	31,027	62,054				0
Richard J. Brezski	STIP		0	301,875	603,750							
	TRSU	3/31/21						10,402			660,007	
	PSU	3/31/21				3,468	6,935	13,870			0	
Eric Cohen	STIP		0	306,306	612,612							
	TRSU	3/31/21						10,402			660,007	
	PSU	3/31/21				3,468	6,935	13,870			0	
Eeva K. Hakoranta(5)	STIP		0	239,716	479,432							
	TRSU	3/31/21						8,511			540,023	
	PSU	3/31/21				2,837	5,674	11,348			0	
Henry Tirri	STIP		0	317,444	634,889							
	TRSU	3/31/21						11,348			720,031	
	PSU	3/31/21				3,783	7,566	15,132			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 2021. 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 2021, which is reported in the Summary Compensation Table above, was based on the company’s achievement of the 2021 strategic corporate goals established by the Compensation Committee and individual performance of the NEO during 2021.
- (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 2021 LTCP and for Mr. Chen, pursuant to his performance-based RSU award granted as part of his new hire compensation package. 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 straight-line 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; Mr. Chen’s new hire performance-based RSUs have a maximum payout of 300% of target. In October 2021, (a) 40% of the performance-based RSUs constituting Milestone Awards of each NEO other than Mr. Chen vested upon achievement of two milestones under the respective awards, and (b) Mr. Chen’s new hire performance-based RSUs constituting Milestone Awards vested at 150% of target based upon achievement of multiple milestones.

- (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 straight-line 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; Mr. Chen's new hire performance-based options have a maximum payout of 300% of target. In October 2021, Mr. Chen's performance-based stock options constituting Milestone Awards vested at 150% of target upon satisfaction of multiple milestones.
- (4) Grant date fair value of RSU awards is determined in accordance with FASB ASC Topic 718. The TRSU awards granted in 2021 are scheduled to vest ratably over a three year period. 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 2021 LTCP and Mr. Chen's new hire performance-based RSUs 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 2021. Amounts reported also reflect the value at the grant date of the performance-based stock options granted in 2021 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. Chen in 2021. See footnote 4 to the Summary Compensation Table above for the grant date fair value of the performance-based stock options granted to Mr. Chen in 2021 assuming that the highest level of performance conditions will be achieved and the grants vest at their maximum level of 200% or 300%.
- (5) Ms. Hakoranta receives her salary and other cash compensation in euros. Amounts were converted to USD using an average exchange rate for 2021 of 1.182.

Outstanding Equity Awards at 2021 Fiscal Year End

The following table sets forth information concerning outstanding option and stock awards of the NEOs as of December 31, 2021.

Name	Grant Date	Option Awards					Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (2)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)(5)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(6)
Liren Chen	4/15/21	—	—	56,299	73.15	4/15/31				
	4/15/21 (new hire)	150,815	—	150,815	73.15	4/15/31	71,360	5,111,517	32,578	2,333,562
	4/15/21									
	4/15/21(7)									
Richard J. Brezski	3/15/15	10,796	—	—	52.85	3/15/22				
	3/30/16	12,518	—	—	54.93	3/30/23				
	3/30/17(8)							6,116	438,089	
	7/16/18(9)							8,999	644,598	
	3/15/19						3,698	264,888		
	3/15/19(10)							11,094	794,663	
	3/31/20						6,722	481,497		
	3/31/20(11)							7,839	561,511	
	3/31/21						10,402	745,095		
	3/31/21(12)							6,935	496,754	
Eric Cohen	7/16/18(9)							6,299	451,197	
	3/15/19						2,589	185,450		
	3/15/19(10)							7,766	556,279	
	3/31/20						6,162	441,384		
	3/31/20(11)							7,185	514,719	
	3/31/21						10,402	745,095		
	3/31/21(12)							6,935	496,754	
Eeva K. Hakoranta	8/17/20						3,568	255,576		
	8/17/20(11)							2,387	170,963	
	3/31/21						8,511	609,643		
	3/31/21(12)							5,674	406,429	
Henry Tirri	7/16/18(9)							9,899	709,065	
	3/15/19						4,068	291,391		
	3/15/19(10)							12,203	874,101	
	3/31/20						8,403	601,907		
	3/31/20(11)							9,799	701,889	
	3/31/21						11,348	812,857		
	3/31/21(12)							7,566	541,953	
William J. Merritt(13)										

(1) Amounts reported represent (a) for Mr. Chen, awards of options as part of his new hire compensation package which vest upon the achievement of specified pre-approved milestones, when and if achieved, and

not on pre-determined dates and (b) for Mr. Brezski, awards of options under the LTCP, which vested annually in three equal installments, beginning on the first anniversary of the grant.

- (2) Includes (a) performance-based options granted for the 2021 LTCP, a portion of which is eligible to vest on March 15, 2024, subject to the achievement of pre-approved goals established by the Compensation Committee, and a portion of which is eligible to vest upon the achievement of specified pre-approved milestones, when and if achieved, and on the 15th of the month following certification by the Compensation Committee that the milestone goal was achieved, prior to December 31, 2025 and (b) performance-based new hire options that remain eligible to vest if additional milestone goals are achieved.
- (3) All awards granted are time-based RSUs granted under the LTCP or as part of Mr. Chen's new hire compensation package. Awards granted on March 15, 2019 vested on March 15, 2022. Awards granted on March 31, 2020 fully vest on March 15, 2023. Awards granted on August 17, 2020 fully vest on August 17, 2023. Awards granted on March 31, 2021 vest one-third each year on March 15, 2022, 2023 and 2024. Awards granted on April 15, 2021 vest one-third each year on April 15, 2022, 2023 and 2024.
- (4) Values reported were determined by multiplying the number of unvested time-based RSUs by \$71.63, the closing price of our common stock on December 31, 2021.
- (5) Amounts reported were based on target performance measures and represent awards of performance-based RSUs made under the LTCP.
- (6) Values reported were based on target performance measures and determined by multiplying the number of unvested performance-based RSUs by \$71.63, the closing price of our common stock on December 31, 2021.
- (7) Performance-based RSU award granted for the 2021 LTCP, a portion of which is eligible to vest on March 15, 2024, subject to the achievement of pre-approved goals established by the Compensation Committee, and a portion of which is eligible to vest upon the achievement of specified pre-approved milestones, when and if achieved, and on the 15th of the month following certification by the Compensation Committee that the milestone goal was achieved, prior to December 31, 2025.
- (8) Performance-based RSU award granted for the 2017 LTCP. The award did not vest on March 15, 2022, as the company failed to meet the threshold performance level of pre-approved performance goals established by the Compensation Committee measured as of December 31, 2021.
- (9) 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.
- (10) Performance-based RSU award granted for the 2019 LTCP. A portion of the award vested on March 15, 2022 based on the achievement of pre-approved goals established by the Compensation Committee, and the remaining unvested portion, will remain eligible to vest on March 15, 2024, subject to the achievement of the performance goals measured as of December 31, 2023.
- (11) 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 on the 15th of the month following certification by the Compensation Committee that the milestone goal was achieved, prior to December 31, 2024.
- (12) Performance-based RSU award granted for the 2021 LTCP a portion of which is eligible to vest on March 15, 2024, subject to the achievement of pre-approved goals established by the Compensation Committee, and a portion of which is eligible to vest upon the achievement of specified pre-approved milestones, when and if achieved, and on the 15th of the month following certification by the Compensation Committee that the milestone goal was achieved, prior to December 31, 2025.
- (13) Mr. Merritt forfeited all of his unvested options and RSUs in connection with his April 2021 retirement.

Option Exercises and Stock Vested in 2021

The following table sets forth information, on an aggregated basis, concerning stock options exercised and stock awards vested during 2021 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)
Liren Chen	—	—	46,790	3,202,171
Richard J. Brezski	16,737	597,172	11,466	780,312
Eric Cohen	—	—	10,891	744,974
Eeva K. Hakoranta	—	—	4,516	315,602
William J. Merritt	161,002	2,654,579	41,176	2,733,410
Henry Tirri	—	—	14,925	1,028,853

- (1) Amounts reported represent the total number of shares underlying exercised options, before deductions for tax withholdings and exercise price.
- (2) Amounts reported represent the number of options exercised multiplied by 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 multiplied by the closing price of our common stock on the vesting date.

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 2021 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, 2020. For 2021, 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 investment alternatives elected by the NEO that are similar to those available to participants in the 401(k) Plan. Matching contributions are made once annually after the end of the year. 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. Of the participating NEOs, only Mr. Chen has not yet met the three (3) years of service requirement for full vesting; however, per the terms of the Chen Offer Letter, one-half of the discretionary contribution vested immediately with the remaining amount vesting in three equal installments in each of January 2022, 2023, and 2024. Additionally, per the terms of the Chen Offer Letter, if Mr. Chen is terminated without Cause, due to death or disability or resigns for Good Reason, as defined in the Chen Offer Letter, the discretionary company contribution will immediately vest upon such termination.

The following table sets forth the relevant NEO information regarding the deferred compensation plan for 2021.

Name	Executive Contributions in Last FY (\$)(1)	Registrant Contributions in Last FY (\$)(2)	Aggregate Earnings in Last FY (\$)(3)	Aggregate Withdrawals/ Distributions (\$)(4)	Aggregate Balance at Last FYE (\$)(5)
Liren Chen	191,077	2,957,696	228,523	—	3,377,296
Richard J. Brezski	38,702	13,926	67,316	—	565,304
Eric Cohen	23,048	13,718	23,065	—	167,659
Eeva K. Hakoranta	—	—	—	—	—
William J. Merritt	—	—	209,080	207,173	2,623,458
Henry Tirri	—	—	—	—	—

- (1) Contributions include deferred 2021 salary amounts and deferred 2020 STIP amounts (corresponding to the portion of the 2020 STIP amount paid in 2021). The payouts of the 2021 STIP were not made until 2022. As a result, any deferrals of the 2021 STIP are not reflected in this column. For Messrs. Chen, Brezski and Cohen, \$191,077, \$38,702 and \$23,048, respectively, was included in the “Salary” column of the Summary Compensation Table.
- (2) For the 2021 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 2021 calendar year. The amounts disclosed in this column reflect matching contributions (made by the company in 2022) for 2021 NEO deferral contributions and the new hire discretionary employer contribution made on behalf of Mr. Chen. Amounts are included in the “All Other Compensation” column of the Summary Compensation Table for fiscal year 2021.
- (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 2021, company matching contributions for 2013 through 2021 and notional investment earnings through 2021.

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 2020, in the aggregate:

<u>Name</u>	<u>Salary (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>All Other Compensation (\$)</u>
Liren Chen	0	0	0
Richard J. Brezski	231,017	50,192	75,734
Eric Cohen	0	0	0
Eeva K. Hakoranta	0	0	0
William J. Merritt	401,347	1,205,746	191,656
Henry Tirri	0	0	0

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.

Pursuant to the terms of the Executive Severance Policy, in the event of a termination other than for Cause, death or disability, and 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 during his first year of employment, three times base salary then in effect) paid over a period of 18 months (or, in the case of our Chief Executive Officer, 30 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, 18 months) commencing upon the date of termination; (iii) outplacement services in an amount not to exceed \$10,000, paid by the company directly to the entity providing such services and (iv) pro-rata vesting of outstanding equity awards pursuant to the terms of the applicable award agreements.

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 (in the case of our Chief Executive Officer, two years) following a Change in Control of the company and provided that he or she executes a Separation Agreement, pursuant to the terms of the Executive Severance Policy, 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, in the amount set forth in the table below) 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 24 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 NDAIA.

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 Equity 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.

Under the Executive Severance Policy, Change in Control has the same meaning as set forth in the company's 2017 Equity Plan.

Payments upon Retirement - William J. Merritt

Mr. Merritt retired from the company on April 5, 2021. Therefore, no payments would have been made to him upon termination or Change in Control at December 31, 2021. In connection with his retirement, Mr. Merritt and the company entered into a Retirement & Transition Agreement and Release 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 cash severance.

The following table summarizes the benefits that become payable to an NEO at, or following, retirement, resignation, Change in Control, qualifying termination after Change in Control, termination with Cause, resignation with Good Reason, and termination due to death or disability, including severance payments payable pursuant to the Executive Severance Policy as well as the vesting of outstanding equity awards:

	<u>Resignation/ Retirement</u> ⁽¹⁾	<u>Resignation for Good Reason</u> ⁽²⁾	<u>Death or Disability</u>	<u>Involuntary Termination w/o Cause</u> ⁽³⁾	<u>Change in Control (CIC)</u>	<u>Qualified Termination following CIC</u> ⁽⁴⁾
Severance/Cash ⁽⁵⁾	NA	CEO and Chief Licensing Officer	NA	per Executive Severance Policy	NA	per Executive Severance Policy
Life, health & other benefits	NA	18 mths COBRA	Life Insurance/ Disability	CEO - 18 mths COBRA NEOs - 12 mths COBRA	NA	24 mths COBRA
STIP	NA	Chief Licensing Officer - Pro-rata vesting	NA	NA	NA	100% STIP
Deferred Compensation Plan ⁽⁶⁾	As elected by Employee		Immediate lump sum payment	As elected by Employee	Immediate lump sum payment	NA
LTCP						
Time-based RSUs ⁽⁷⁾	Forfeit unvested awards		Pro-rata vesting		Awards must be assumed or substituted by successor or vest in full	Vest in Full
PSUs ⁽⁸⁾	Forfeit unvested awards		Pro-rata vesting of performance-based equity that is in their last year of applicable performance period		Awards must be assumed or substituted by successor or vest in full	CEO - vest at greater of target or performance; NEOs vest at target

	<u>Resignation/ Retirement</u> ⁽¹⁾	<u>Resignation for Good Reason</u> ⁽²⁾	<u>Death or Disability</u>	<u>Involuntary Termination w/o Cause</u> ⁽³⁾	<u>Change in Control (CIC)</u>	<u>Qualified Termination following CIC</u> ⁽⁴⁾
Performance-based options ⁽⁸⁾	Forfeit unvested awards		Pro-rata vesting of performance-based equity that is in their last year of applicable performance period		Awards must be assumed or substituted by successor or vest in full	CEO - vest at greater of target or performance; NEOs vest at target
CEO - New Hire Equity Award						
Time-based RSUs	Forfeit unvested awards		Vest in full		Awards must be assumed or substituted by successor or vest in full	Vest in full
PSUs	Forfeit unvested awards		Pro-rata vesting of performance-based equity that is in the last year of applicable performance period		Awards must be assumed or substituted by successor or vest in full	Vest at target if term within 2 years of Change in Control
Performance-based options	Forfeit unvested awards		Pro-rata vesting of performance-based equity that is in the last year of applicable performance period		Awards must be assumed or substituted by successor or vest in full	Vest at target if term within 2 years of Change in Control

- (1) 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.
- (2) If Mr. Chen resigns for Good Reason (outside a Change in Control period), as defined in the Chen Offer Letter, he is eligible for severance and benefits per the Executive Severance Policy and is also eligible for accelerated vesting pursuant to the terms of his equity award agreements. Ms. Hakoranta, pursuant to the terms of her employment agreement, is eligible for severance in the amount of 150% of base salary & pro-rata portion of STIP if she resigns for Good Reason, as defined in the 2017 Equity Plan.
- (3) Pursuant to the terms of the Chen Offer Letter and as applicable to the Executive Severance Policy, new hire equity award agreements and 2021 LTCP equity agreements, Cause is defined as follows: (i) acts or omissions constituting gross negligence, recklessness or willful misconduct with respect to Mr. Chen's obligations to the company, in each case which results in material harm to the business or reputation of the company; (ii) willful and material breach of his Nondisclosure and Assignment of Ideas Agreement ("NDAIA"); (iii) a conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, any felony, or any crime of moral turpitude; or (iv) the willful neglect of duties as determined in the sole and exclusive discretion of the Board of Directors.
- (4) Qualified Termination following Change in Control occurs if terminated without Cause or for Good Reason within 24 months post Change in Control for Mr. Chen or within 12 months post Change in Control for other NEOs. Under the Executive Severance Policy, Change in Control has the same meaning as set forth in the company's 2017 Equity Plan. 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 NDAIA. Under the Executive Severance Policy, Change in Control has the same meaning as set forth in the company's 2017 Equity Plan.

- (5) For a Qualified Termination of Mr. Chen - within first 12 months of employment, 300% of base salary plus STIP Target, 18 months COBRA; between first and second anniversary of hire date, 200% of base salary plus STIP Target, 18 months COBRA; after second anniversary of hire date, 200% of base salary and 18 months COBRA. For Ms. Hakoranta – if terminated for any reason other than summary dismissal, including resignation for Good Reason, eligible for severance in the amount of 150% of base salary & pro-rata portion of STIP. For other NEOs – per terms of Executive Severance Policy, 150% of base salary.
- (6) See “Aggregate Balance at Last FYE” column in “Nonqualified Deferred Compensation Table” for amounts payable for all NEOs, except Mr. Chen. In the event Mr. Chen voluntarily resigns or retires prior to January 2023, the discretionary contributions would not be fully vested nor would any company match contributions be fully vested per the terms of the Chen Offer Letter. 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. However, 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 for Cause, 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.
- (7) If an NEO's employment terminates due to death or disability or the NEO is terminated by the company without Cause, the NEO would be entitled to pro-rata vesting of all time-based RSUs. 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 or most recent vest 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. 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.
- (8) If an NEO's employment is terminated by the company without Cause or by reason of the NEO's death or disability during the last year of a Performance Period for performance-based RSUs or performance-based options, the performance-based RSUs or options will vest as to a prorated portion (based on the number of days the NEO was employed during the applicable performance period) of the number of RSUs or options that would have otherwise 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.

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 table reflects the potential payments and benefits that would be provided to each NEO upon: (i) Resignation or Retirement; (ii) resignation by Mr. Chen or Ms. Hakoranta for Good Reason unrelated to a Change in Control; (iii) termination due to disability or death; (iv) termination without Cause; (v) termination by the company without Cause or by Mr. Chen within two years of a Change in Control or by an NEO for Good Reason within one year of a change in control of the company; and (vi) 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, 2021, and the price per share used to calculate the value of the company's stock awards was \$71.63, the per share closing market price of our common stock on December 31, 2021. 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, 2021. Amounts are presented in U.S. dollars. 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.

	<u>Voluntary Termination / Retirement</u>	<u>Resignation for Good Reason</u>	<u>Termination w/o Cause</u>	<u>Death or Disability</u>	<u>Change in Control (w/o Termination)</u>	<u>Change in Control (termination or resignation for Good Reason)</u>
Lawrence Chen						
Severance	—	4,140,000 ⁽¹⁾	4,140,000 ⁽¹⁾	—	—	2,070,000 ⁽²⁾
STIP	—	—	—	—	—	690,000 ⁽³⁾
Life, Health & Other				750,000/		
Benefits	—	20,424 ⁽⁴⁾	20,424	20,000 ⁽⁵⁾	—	27,232 ⁽⁶⁾
New Hire Equity	—	3,930,594 ⁽⁷⁾	3,930,594	3,930,594	—	3,930,594
LTCP	—	314,567 ⁽⁸⁾	314,567	314,567	—	2,470,783 ⁽⁹⁾
Deferred Compensation						
Plan	1,589,870 ⁽¹⁰⁾	3,377,296 ⁽¹¹⁾	3,377,296	3,377,296	3,377,296	
Richard Brezski						
Severance	—	—	603,750 ⁽¹²⁾	—	—	1,106,875 ⁽¹³⁾
STIP	—	—	—	—	—	301,875 ⁽³⁾
Life, Health & Other				603,750/		
Benefits	—	—	23,121 ⁽¹⁴⁾	20,000 ⁽⁵⁾	—	46,243 ⁽⁶⁾
LTCP	—	—	2,003,467 ⁽¹⁵⁾	2,003,467	—	5,108,463 ⁽¹⁶⁾
Deferred Compensation						
Plan	565,304 ⁽¹⁷⁾	565,304	565,304	565,304	565,304	
Eric Cohen						
Severance	—	—	602,973 ⁽¹²⁾	—	—	1,105,451 ⁽¹³⁾
STIP	—	—	—	—	—	301,486 ⁽³⁾
Life, Health & Other				602,973 /		
Benefits	—	—	23,121 ⁽¹⁴⁾	20,000 ⁽⁵⁾	—	46,243 ⁽⁶⁾
LTCP	—	—	1,199,820 ⁽¹⁵⁾	1,199,820	—	2,804,443 ⁽¹⁶⁾
Deferred Compensation						
Plan	167,569 ⁽¹⁷⁾	167,569	167,569	167,569	167,569	
Eeva K. Hakoranta ⁽²⁰⁾						
Severance	—	833,753	833,753	—	—	1,032,265
STIP	—	238,215 ⁽³⁾	238,215 ⁽³⁾	—	—	238,215 ⁽³⁾
Life, Health & Other						
Benefits	—	4,545 ⁽¹⁸⁾	4,545 ⁽¹⁸⁾	9,350 ⁽¹⁹⁾	—	9,090
LTCP	—	246,344	246,344	246,344	—	1,608,463
Deferred Compensation						
Plan	—	—	—	—	—	—

	<u>Voluntary Termination / Retirement</u>	<u>Resignation for Good Reason</u>	<u>Termination w/o Cause</u>	<u>Death or Disability</u>	<u>Change in Control (w/o Termination)</u>	<u>Change in Control (termination or resignation for Good Reason)</u>
Henry Tirri						
Severance	—	—	634,889 ⁽¹²⁾	—	—	1,163,962 ⁽¹³⁾
STIP	—	—	—	—	—	317,444 ⁽³⁾
Life, Health & Other				638,888/		
Benefits	—	—	17,540 ⁽¹⁴⁾	20,000 ⁽⁵⁾	—	35,081 ⁽⁶⁾
LTCP	—	—	1,736,566 ⁽¹⁵⁾	1,736,566	—	5,307,797 ⁽¹⁶⁾
Deferred Compensation Plan	—	—	—	—	—	—

- (1) The amount represents a cash severance payment equal to three (3) times the sum of Mr. Chen's base salary plus STIP target in the case of resignation for Good Reason or termination without Cause, per the Terms of the Chen Offer Letter.
- (2) The amount represents a cash severance payment equal to 300% of Mr. Chen's base salary per the terms of the Chen Offer Letter.
- (3) The amount represents the NEO's STIP paid out at target for resignation for Good Reason or termination without Cause within 12 months of a Change in Control (or in the case of Mr. Chen, 24 months).
- (4) The 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. Chen as of December 31, 2021 pursuant to the Executive Severance Policy.
- (5) The 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 and the monthly benefit that would become payable to Mr. Chen under our executive long term disability plan in the event of his termination due to disability on December 31, 2021, 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.
- (6) The 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 the NEO as of December 31, 2021 pursuant to the Executive Severance Policy.
- (7) The amount represents a full vesting of Mr. Chen's time-based new hire equity awards, pro-rata vesting of his new hire performance-based RSU and new hire options per the terms of the Chen Offer Letter and award agreements. 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.
- (8) The amount represents pro-rata vesting of Mr. Chen's 2021 LTCP Awards (time-based RSUs, performance-based RSUs and performance based options).
- (9) The amount represents the vesting of Mr. Chen's 2021 LTCP Awards upon resignation for Good Reason or termination without Cause within 24 months of a Change in Control.
- (10) The amount represents the vested portion of Mr. Chen's deferred compensation plan account which is payable upon retirement or voluntary termination.
- (11) The amount represents the balance of Mr. Chen's deferred compensation plan account at December 31, 2021, which would be 100% vested upon termination without Cause or resignation for Good Reason.
- (12) The amount represents cash payments under our Executive Severance Policy equal to 1.5 times an NEO's base salary.
- (13) The amount represents cash payments under our Executive Severance Policy equal to two times an NEO's base salary.

- (14) The amount represents the value of health coverage pursuant to COBRA for a period of 12 months after termination on terms and conditions comparable to those most recently provided to NEO as of December 31, 2021 pursuant to the Executive Severance Policy.
- (15) This amount represents the value, at December 31, 2021, of the NEO's outstanding performance-based RSUs granted for the 2017 and 2018 LTCP cycles and time-based and performance-based RSUs granted for the 2019, 2020 and 2021 LTCP cycles that would vest upon termination due to disability, death or termination by the company without Cause. Pursuant to the terms of the awards, the NEO would forfeit eligibility to receive any payout of performance-based RSUs granted for the 2018, 2020 and 2021 LTCP since a termination on December 31, 2021, 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 2017 and 2019 LTCP (the performance period for which ended December 31, 2021), the amount reflects the actual payout of 0% of target for 2017 LTCP and 93% of target for the 2019 LTCP (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.
- (16) This amount represents the value, at December 31, 2021, of the NEO's time-based RSUs and performance-based RSUs awards granted for the 2017, 2018, 2019, 2020 and 2021 LTCPs that would vest upon termination (by us without Cause or by the NEO 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.
- (17) This amount represents the balance, at December 31, 2021, of the NEOs 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 pursuant to the NEO'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.
- (18) This amount represents the annual cost of business travel insurance, health insurance and statutory group insurances which would be paid for 12 months upon termination without Cause or for 24 months upon termination without Cause or resignation for Good Reason within 12 months after a Change in Control.
- (19) This amount represents the statutory group life insurance benefit for which employees in Finland are entitled.
- (20) Ms. Hakoranta receives her salary and other cash compensation in euros. Amounts were converted to USD using an average exchange rate for 2021 of 1.182.

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 2021 to that of the median of all other employees for that same period.

There were no significant changes to our global employee population in 2021 that would result in a significant change to our pay ratio disclosure, therefore, we are using the same median employee to calculate this year's ratio.

Our Chief Executive Officer's total 2021 compensation, as set forth in the Summary Compensation Table above, was approximately \$10,824,838, and includes substantial one-time new hire compensation items. Our median employee's total 2021 compensation was approximately \$118,366, making our Chief Executive Officer's pay in 2021 approximately 91 times the pay of our median employee. Removing the value of the one-time new hire equity and one-time discretionary deferred compensation contribution, our Chief Executive Officer's 2021 compensation is \$3,854,703, which is 33 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 in 2020 by determining the compensation for each employee using the following consistently applied compensation measures:

- Annual Salary for fiscal year 2021;
- 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 2021.

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, 2021:

<u>Plan Category</u>	<u>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)</u>	<u>(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(2)</u>
Equity compensation plans approved by InterDigital shareholders	1,642,043	\$59.31	2,511,961
Equity compensation plans not approved by InterDigital shareholders(3)	—	—	—
Total	1,642,043	\$59.31	2,511,961

- (1) Column (a) includes 392,061 shares of common stock underlying outstanding time-based RSU awards, 661,741 shares of common stock underlying outstanding performance-based RSU awards, 570,588 shares of common stock underlying outstanding stock options, and 17,653 dividend equivalents credited in respect of unvested RSU awards. For Mr. Chen's new hire performance-based RSUs and performance-based stock options, these amounts assume a maximum payout of 300% of target; all other performance-based RSUs and performance-based stock options assume a maximum payout of 200% of target. Because there is no exercise price associated with RSUs, these 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 17, 2017, the company's shareholders adopted and approved the 2017 Equity Plan. On June 2, 2021, the company's shareholders adopted and approved an amendment to the 2017 Equity Plan approving an additional 1,780,000 shares available under the plan. The 2017 Equity Plan 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 Equity Plan, as amended.
- (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 30,852,351 shares of our common stock outstanding as of March 30, 2022, 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 of the date of this proxy statement 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 30, 2022, 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 27, 2022.

<u>Name</u>	<u>Common Stock</u>	
	<u>Shares</u>	<u>Percent of Class</u>
<i>Directors:</i>		
Joan H. Gillman(1)	10,505	*
S. Douglas Hutcheson(2)	17,451	*
John A. Kritzmacher	16,160	*
Pierre-Yves Lesaichere	—	—
John D. Markley, Jr.(3)	9,628	*
Jean F. Rankin	24,054	*
<i>Named Executive Officers:</i>		
Richard J. Brezski(4)	78,222	*
Liren Chen(5)	184,225	*
Eric Cohen	19,613	*
Eeva K. Hakoranta	324	*
William J. Merritt(6)	92,632	*
Henry Tirri	17,280	*
All directors and executive officers as a group (12 persons)(7)	379,650	1.2%
<i>Greater Than 5% Shareholders:</i>		
BlackRock, Inc.(8)	5,028,343	16.3%
55 East 52nd Street		
New York, New York 10055		
The Vanguard Group(9)	3,362,527	10.9%
100 Vanguard Boulevard		
Malvern, Pennsylvania 19355		

* Represents less than 1% of our outstanding common stock.

- (1) Includes 8,164 shares of common stock that have vested but have been deferred by Ms. Gillman. Does not include dividend equivalents that have accrued on vested but deferred shares.
- (2) Includes 9,053 shares of common stock that have vested but have been deferred by Mr. Hutcheson. Does not include dividend equivalents that have accrued on vested but deferred shares.
- (3) Includes 1,945 shares of common stock that have vested but have been deferred by Mr. Markley. Does not include dividend equivalents that have accrued on vested but deferred shares.

- (4) Includes 12,518 shares of common stock that Mr. Brezski has the right to acquire through the exercise of stock options and 1,912 shares of common stock beneficially owned by Mr. Brezski through participation in the 401(k) Plan.
- (5) Includes 156,345 shares of common stock that Mr. Chen has the right to acquire through the exercise of stock options.
- (6) Includes 3,489 shares of common stock beneficially owned by Mr. Merritt through participation in the 401(k) Plan.
- (7) Includes: 168,863 shares of common stock that all directors and executive officers as a group have the right to acquire through the exercise of stock options; 19,162 shares of common stock that have vested but have been deferred by all directors and executive officers as a group; and 1,912 shares of common stock beneficially owned by all directors and executive officers as a group through participation in the 401(k) Plan.
- (8) As of December 31, 2021, based on information contained in the Schedule 13G/A filed on January 27, 2022 by BlackRock, Inc. With respect to the shares beneficially owned, BlackRock, Inc. reported that it has sole voting power with respect to 4,972,620 shares and sole dispositive power with respect to 5,028,343 shares.
- (9) As of December 31, 2021, based on information contained in the Schedule 13G/A filed on February 10, 2022 by The Vanguard Group. With respect to the shares beneficially owned, the Vanguard Group reported that it has shared voting power with respect to 38,802 shares, sole dispositive power with respect to 3,296,044 shares and shared dispositive power with respect to 66,483 shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Person Transaction Procedures

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.

Transactions Involving Related Persons

Retirement and Transition Agreement and Release with Richard L. Gulino

On October 15, 2021, Richard L. Gulino, the company’s former Chief Legal Officer, General Counsel and Corporate Secretary notified the Board of Directors of his intent to retire. In connection with his retirement, the company entered into a Retirement & Transition Agreement and Release with Mr. Gulino (the “Gulino Retirement Agreement”) on October 19, 2021. Under the Gulino Retirement Agreement, Mr. Gulino agreed to provide limited transition services on a part-time basis for a period of 100 calendar days following the retirement date in exchange for a pro-rata portion of his 2021 Short-Term Incentive Plan award, based upon actual performance, to which he would not otherwise have been entitled. This cash payment, which was made in 2022, was in the amount of approximately \$235,000.

Indemnification of Directors and Officers; Director Indemnity Agreements

We have Indemnification Agreements with certain of our directors and officers. Each Indemnification Agreement provides, among other things, that the company will, to the extent permitted by applicable law,

indemnify each indemnitee if, by reason of such indemnitee's status as a director or officer of the company, such indemnitee was, is or is threatened to be made a party to any proceeding, whether of a civil, criminal, arbitrational, administrative or investigative nature, against all expenses related thereto, including judgments, fines, penalties, excise taxes, interest and amounts paid in settlement and incurred by such indemnitee in connection with such proceeding, including attorneys' fees). In addition, each of the Indemnification Agreements provides for the advancement of expenses incurred by the indemnitee in connection with any proceeding covered by the agreement, subject to certain exceptions. None of the Indemnification Agreements precludes any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including but not limited to, any rights arising under our governing documents, any agreement, board action or applicable law.

OTHER MATTERS

During 2021, 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 2021, 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 2023 annual meeting?

Shareholders interested in submitting a proposal for inclusion in our proxy statement for the 2023 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 2023 annual meeting, shareholder proposals must be received no later than December 16, 2022, 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 2023 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 3, 2023, and no later than April 2, 2023. However, if the date of our 2023 annual meeting is more than 30 days before or more than 60 days after the anniversary of our 2022 annual meeting, the submission and the required information must be received by us no earlier than the 90th day prior to the 2023 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 2023 annual meeting. Proposals or nominations that do not comply with the advance notice requirements in our bylaws will not be entertained at the 2023 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.

Additionally, to comply with the SEC's universal proxy rules (once effective), stockholders who intend to solicit proxies in support of director nominees other than the company's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than April 2, 2023.

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 2022, 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 \$15,000.

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 2021 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 2021 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.

board of directors

S. DOUGLAS HUTCHESON

Chairman of the Board; Executive Chairman & Co-CEO of Kymeta Corporation

LIREN CHEN

President & Chief Executive Officer

JOAN H. GILLMAN

Former Executive Vice President, Time Warner Cable, Inc.

JOHN A. KRITZMACHER

Former Executive Vice President & Chief Financial Officer, John Wiley & Sons, Inc.

PIERRE-YVES LESAICHERRE

Former President, CEO and Director of Nanometrics Incorporated

JOHN D. MARKLEY, JR.

Managing Partner, New Amsterdam Growth Capital

JEAN F. RANKIN

Former Executive Vice President, General Counsel and Secretary, LSI Corporation

executive officers

LIREN CHEN

President & Chief Executive Officer

RICHARD J. BREZSKI

Chief Financial Officer & Treasurer

ERIC COHEN

Chief Strategy and Growth Officer

EEVA K. HAKORANTA

Chief Licensing Officer

JOSHUA D. SCHMIDT

Chief Legal Officer and Corporate Secretary

HENRY TIRRI

Chief Technology Officer

Corporate Information is as of April 15, 2022. 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.

shareholder information

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, June 1, 2022

2:00 PM Eastern Time

virtualshareholdermeeting.com/IDCC2022

COMMON STOCK INFORMATION

The primary market for InterDigital's common stock is the Nasdaq Global Select Market®. InterDigital trades under the ticker "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
Brooklyn, New York 11219
+1 800-937-5449
<http://www.astfinancial.com>

INDEPENDENT REGISTERED PUBLIC ACCOUNT FIRM

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania

INVESTOR RELATIONS

+1 302-300-1857

investor.relations@interdigital.com

locations

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+1 302-281-3600

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Conshohocken, Pennsylvania
Espoo, Finland
Hicksville, New York
Indianapolis, Indiana
Issy-les-Moulineaux, France
London, England
Los Altos, California
Montreal, Canada
New York, New York
Princeton, New Jersey
Washington, D.C.

interdigital.com



interdigital™

we invent the
technologies
that make life
boundless

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