TESSERA TECHNOLOGIES INC

FORM 10-K
(Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2012

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: 000-50460

Tessera Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**16-1620029**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3025 Orchard Parkway **San Jose, California 95134**	**(408) 321-6000**
(Address of principal executive offices, including zip code)	**(Registrant's telephone number, including area code)**

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

Title of each class	**Name of each exchange on which registered**
Common stock, par value $0.001 per share	**The NASDAQ Global Select Market**

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 Securities Exchange Act. Yes ☐ No ☒

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

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

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2012 was $772,550,804 (based on the closing sale price of the registrant's common stock as reported on The NASDAQ Global Select Market).

The number of shares outstanding of the registrant's common stock as of January 31, 2013 was 52,324,821.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement for the registrant's 2013 Annual Meeting of Stockholders will be filed with the Commission within 120 days after the close of the registrant's 2012 fiscal year and are incorporated by reference in Part III.

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ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2012

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Cautionary Statement Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "plans," "believes," "seeks," "estimates," "could," "would," "may," "intends," "targets" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Annual Report on Form 10-K (the "Annual Report"). The identification of certain statements as "forward-looking" is not intended to mean that other statements not specifically identified are not forward-looking. All statements other than statements about historical facts are statements that could be deemed forward-looking statements, including, but not limited to, statements that relate to our future revenues, product development, demand, acceptance and market share, growth rate, competitiveness, gross margins, levels of research, development and other related costs, expenditures, the outcome or effects of and expenses related to litigation and administrative proceedings related to our patents, our intent to enforce our intellectual property, our ability to license our intellectual property, our ability to become a leading supplier of camera modules in the mobile phone market, our aim to begin manufacturing our mems|cam products at our manufacturing facility in Zhuhai, China, tax expenses, cash flows, our ability to liquidate and recover the carrying value of our investments, our management's plans and objectives for our current and future operations, management's plans for repurchasing our common stock pursuant to the authorization of our Board of Directors, the levels of customer spending or research and development activities, general economic conditions, and the sufficiency of financial resources to support future operations and capital expenditures.

Although forward-looking statements in this Annual Report 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 are inherently subject to risks, uncertainties, and changes in condition, significance, value and effect, including those discussed below under the heading "Risk Factors" within Item 1A of this Annual Report and other documents we file from time to time with the Securities and Exchange Commission (the "SEC"), such as our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report and are based on information currently and reasonably known to us. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

PART I

Item 1. *Business*

Corporate Information

Tessera Technologies, Inc. (together with its subsidiaries, the "Company") was founded and incorporated in the state of Delaware in 1990. Our principal executive offices are located at 3025 Orchard Parkway, San Jose, California 95134. Our telephone number is (408) 321-6000. Tessera, the Tessera logo, µBGA, OptiML, DOC, the DOC logo, the mems|cam logo, FaceTools, Invensas, the Invensas logo and SHELLCASE are trademarks or registered trademarks of the Company or its affiliated companies in the United States ("U.S.") and other countries. All other company, brand and product names may be trademarks or registered trademarks of their respective companies.

In this Annual Report, the "Company," "we," "us" and "our" refer to Tessera Technologies, Inc. and its subsidiaries on a consolidated basis.

Overview

Tessera Technologies, Inc. is a holding company with operating subsidiaries in two segments: Intellectual Property and DigitalOptics.

Our Intellectual Property segment managed by Tessera Intellectual Property Corp., generates revenue from manufacturers and other implementers that use our technology. The segment includes our subsidiaries, Tessera, Inc. and Invensas Corporation ("Invensas"). Tessera, Inc. pioneered chip-scale packaging solutions, which it licenses to companies in the semiconductor industry. Invensas develops and acquires interconnect solutions and intellectual property in areas such as mobile computing and communications, memory and data storage, and 3-D Integrated Circuit (3DIC) technologies.

DigitalOptics Corporation and its subsidiaries ("DOC") operate our DigitalOptics business. DOC designs and manufactures imaging systems for smartphones, generating revenue through product sales and software license fees and royalties. DOC's expertise in optics, camera modules, Micro Electro Mechanical Systems ("MEMS"), and image processing enable it to deliver products that expand the boundaries of smartphone photography. DOC also offers customized micro-optic lenses which may include Diffractive Optical Elements ("DOEs"), Refractive Optical Elements ("ROEs") and/or Integrated Micro-Optical Subassemblies ("IMOS"). On November 14, 2012 we announced our plans to focus on our core MEMS autofocus product opportunity and our intention to pursue a possible sale of, or other strategic alternatives for, our facility in Charlotte North Carolina that develops and manufactures our micro-optic products, which we believe are not central to our core opportunity.

Our segments were determined based upon the manner in which our management viewed and evaluated our operations for the period reported. As our business grows and evolves, our management may change their views of our business operations. Segment information in Part II, Item 7— *Management's Discussion and Analysis of Financial Condition and Results of Operations* and in Note 16— "*Segment and Geographic Information* " in the Notes to Consolidated Financial Statements is incorporated herein by reference and is presented per the authoritative guidance for segment reporting. At the end of 2011, we renamed our segments and also recast our results to reflect the inclusion of our silent air cooling program in our DigitalOptics segment. Prior to that time, that program was included in our Intellectual Property segment.

Intellectual Property Segment

Research and development by our Tessera, Inc. subsidiary led to significant innovations in semiconductor packaging technology. Semiconductor packaging creates the mechanical and electrical connection between semiconductor chips and systems such as computers and communication equipment, often via connection to printed circuit boards. We patented these innovations, often referred to as chip-scale packaging, which were widely adopted in the industry. The wave of adoption was initially led by Intel Corporation, and over time, many semiconductor companies and outsourced assembly and test companies adopted the technology and entered into license agreements with Tessera, Inc. We have developed significant capabilities in licensing, technical analysis, reverse engineering, license administration and litigation as we have sought reasonable royalties from companies that adopted our technologies.

In 2012, we gained initial original equipment manufacturer (OEM) adoption of one of the technologies Invensas launched in 2011—xFD “DIMM-in-a-Package™” memory technology. xFD is a patented semiconductor packaging technology that reduces packaging costs, improves the performance of memory packages containing multiple face down die, and more importantly, enables system manufacturers to use a lower cost printed circuit board. In January 2013 we announced our first xFD licensee and we continue to work with system manufacturers, memory chip manufacturers and assembly and test companies to expand the adoption of xFD technology.

Customers:

Our semiconductor packaging technologies have been licensed to more than 70 companies. These customers include SK hynix, Intel, Motorola Mobility, Samsung and Texas Instruments, among others. More than 60 billion semiconductor chips have shipped with Tessera IP.

Research & Development:

As of December 31, 2012, Tessera, Inc. and Invensas employed 44 engineers and technologists devoted to semiconductor packaging and other semiconductor technologies. Research and development and other related costs for the Intellectual Property segment were approximately $32.8 million, $28.8 million and $24.0 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Intellectual Property Portfolio:

As of December 31, 2012, our subsidiaries comprising the Intellectual Property segment owned approximately 1,135 United States patents and patent applications, as well as approximately 713 foreign patents and patent applications. The last to expire of those issued patents expires in 2031.

Tessera Intellectual Property Corp. evaluates portfolios in fields beyond semiconductor packaging technologies. Our evaluation criteria for patent acquisitions include, for example: the size of the portfolio, the profitability of the infringing products, our view of the prospects of the market for infringing products, legal criteria and our assessment of the likelihood of obtaining negotiated licenses. See Part I, Item 1A— *Risk Factors* .

Strategy:

We expect our Intellectual Property revenues to primarily come from:

- Continuing business with our existing licensees;
- New licensees of our semiconductor technology; and
- Partnering with patent holders or purchasing patent portfolios in fields beyond semiconductor packaging and then leveraging our core competencies in reverse engineering, licensing and litigation to realize the value of those portfolios.

Our longer-term semiconductor packaging technology strategy may focus on developing partnerships with companies that operate leading edge production facilities. We believe convergence of semiconductor design and manufacturing with assembly and test services is inevitable in the industry. Research and development partnerships will enable our existing team to bring to market three-dimensional packaging solutions and other advancements in semiconductor packaging.

Competition:

We compete with other firms in acquiring patent portfolios or partnering with owners of patent portfolios. The key competitive factors include financial resources and willingness to pay, experience in patent licensing, reputation as a licensor, litigation history, and licensing strategy for the subject portfolio. We also face a form of competition known as royalty stacking. Royalty stacking refers to situations in which a single product potentially infringes on many patents, and thus may bear multiple royalty burdens. Our customers' willingness and ability to pay reasonable royalties is, in part, affected by the number of patents infringed by a particular customer product, the concentration of the holders of those patents, the customer's cost of licensing those patents, and the profitability of the infringing product. We also compete with internal design groups at semiconductor manufacturers, assemblers, and electronic component and system manufacturers, who may create their own packaging solutions that compete with our technologies that we license.

Reasonable royalties for our patented inventions are best secured through negotiated license agreements thereby avoiding the uncertainties of litigation. See Part I, Item 1A— *Risk Factors* . Obtaining reasonable royalties for use of our patents is generally dependent on:

- Reverse engineering products and demonstrating infringement of the claimed inventions;
- Defeating arguments that our patents are invalid or unenforceable; and
- Providing technical and market data supporting the royalties we are seeking.

Although our Tessera Intellectual Property Corp. licensing team is engaged with many semiconductor manufacturers and assembly and test companies and Tessera, Inc. has licensed many semiconductor companies, some of the companies that use our patented technology have not voluntarily entered into license agreements. As a result, we have developed significant abilities to plan, execute and sustain litigation campaigns. We believe that holding a significant cash and cash equivalents position is essential to maintaining the credibility of our litigation capabilities. Some of Tessera, Inc.'s extensively litigated patents expired in 2010, but Tessera, Inc. continues to maintain legal actions seeking damages for past infringement of these expired patents, as well as legal actions related to unexpired patents. See Part 1, Item 3 —*Legal Proceedings* .

DigitalOptics Segment

DigitalOptics offers imaging systems for smartphones that include DOC's MEMS autofocus camera modules, lens barrels and embedded image processing software. Through its innovative products and technologies, DOC helps smartphone vendors deliver improved camera performance and functionality to consumers.

mems/cam Products:

DOC's mems|cam family of products includes autofocus camera modules and lens barrels for smartphones. By leveraging DOC's proprietary MEMS designs and processes, DOC's mems|cam products provide superior focusing speed, lower power usage, and greater precision advantages over incumbent autofocus technologies such as mechanical voicecoil motors (VCMs).

Embedded Image Processing Solutions:

DOC's software solutions for mobile imaging include its FaceTools™, face beautification, red-eye removal, HDR, panorama, and image stabilization products.

- FaceTools, which provide face-oriented imaging technology such as face tracking/detection, smile/blink detection, red-eye removal, face recognition and face beautification. When combined with our hardware acceleration technology, the performance of these applications for both video and still images is enhanced.

- Face Beautification, which allows users to automatically enhance portraits (still and video) with features such as skin toning, face slimming, eye brightening, and teeth whitening.
- HDR, or High Dynamic Range which enables users to capture quality images even in the presence of a wide range of lighting conditions (e.g., bright lights or sun).
- Panorama, which enables users to easily and automatically create panoramic images in a single step without a PC or editing software.
- Image Stabilization, which corrects for motion blur and shake induced during video capture.

Micro-Optics:

DOC uses the latest semiconductor manufacturing techniques to deliver its micro-optic lenses, including DOEs, ROEs and IMOS. The products are manufactured in DOC's state-of-the-art ISO-registered facility in Charlotte, North Carolina. On November 14, 2012, we announced we intended to pursue a possible sale of, or other strategic alternatives for, this facility, as we believe that it is not central to DOC's core product opportunity in the MEMS autofocus area.

Fixed Focus Camera Modules:

DOC produces fixed focus camera modules at its camera module assembly facility located in Zhuhai, China. Fixed focus camera modules have lens systems where the distances between the lenses are constant. In contrast, our mems|cam products use MEMS technology to mechanically adjust the distances, enabling autofocus. In 2012, we began to transition production capacity of our Zhuhai facility towards our new mems|cam products.

Customers:

Certain of our DOC technologies are currently licensed to companies such as Guangdong Oppo Mobile Telecommunications Corp, LTD, Nikon Corporation, Samsung Electronics Co., Ltd., and Toshiba Corporation, among others, in markets such as digital still cameras and smartphones. Our micro-optic lenses are sold into many markets, including semiconductor lithography, high-end communication routers, military and defense, and barcode scanners. We are primarily targeting OEMs of smartphones for our mems|cam family of products.

Sales and Marketing:

Our sales activities focus primarily on developing direct relationships at the technical, marketing and executive management levels with companies in the camera module and smartphone industry to license our technologies and sell our products. Product marketing focuses on identifying the needs and product requirements of our customers. Product marketing also manages the development of all of our technologies throughout the development cycle and creates the required marketing materials to assist with the adoption of the technologies.

Research & Development:

Our research and development groups work closely with our sales and marketing groups, as well as our customers and partners, to bring new products incorporating our technologies to market in a timely, high quality and cost-efficient manner. As of December 31, 2012, DOC employed 327 engineers and technologists devoted to consumer optics. Research and development and other related costs for the DigitalOptics segment were approximately $67.9 million, $47.2 million and $50.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Intellectual Property Portfolio:

As of December 31, 2012, our subsidiaries comprising the DigitalOptics segment owned approximately 798 United States patents and patent applications, as well as approximately 680 foreign patents and patent applications. The last to expire of those issued patents expires in 2031.

Strategy:

Our overall goal is to disrupt today's conventional camera module market by delivering our mems|cam products combined with innovative image processing features. We aim to do this primarily by manufacturing and delivering MEMS autofocus products, which we anticipate will take market share from the current incumbent VCM technology due to the speed, power, and precision advantages the MEMS autofocus products offer relative to existing VCM camera modules. We primarily plan to target the $4.5 billion smartphone camera module market. We also plan to license our image processing software to additional major OEMs in the smartphone market and, in the long-term, to integrate this software into our mems|cam products.

Competition:

Our MEMS-based autofocus technology competes with autofocus technologies including traditional lens-motion-type autofocus, emerging lens-modification-type autofocus, solutions using voice coil motor technology, and also other computational-type autofocus solutions and other solutions and technologies provided by companies such as DxO Labs. Our Micro-optics products such as the diffractive optical elements used in off-axis illumination for lithography, face competition from products offered by other Micro-optics manufacturers such as JenOptik A.G. as well as emerging technologies such as ASML's FlexRay technology. Our wafer-level camera solution competes with both the traditional lens vendors who enjoy an established supply chain, as well as other wafer-level optics technologies offered by companies such as Heptagon Oy and Anteryon B.V. For the embedded image processing technologies such as Face Detection and our other FaceTools products, our offerings compete with other image processing software vendors such as ArcSoft, Inc. as well as internal design groups of our customers providing similar technologies by employing different approaches. We also expect to see other competing technologies emerge. Competitors in the lens actuator field include VCM manufacturers such as Mitsumi Electric Co., Ltd, Shikoh, and TDK Corporation. We also compete with internal design groups at image sensor and lens manufacturers and camera module companies such as Omnivision Technologies, Inc., Aptina Imaging Corporation, STMicroelectronics, Inc., Samsung Electronics Co, Ltd., and Toshiba Corporation. The internal design groups of these companies may create imaging and optics solutions that compete with our own.

Employees

As of December 31, 2012, we had 1,085 employees, with 528 in manufacturing, 373 in research and development (including employees who perform engineering, assembly, design and infrastructure services under our service agreements with third parties) and 146 in general administration, including general management, legal, human resources, information technology, finance and accounting, and 38 in sales, marketing and licensing. We have never had a work stoppage among our employees and no personnel are represented under collective bargaining agreements other than certain ordinary course agreements of an employer's collective which may bind our Israeli subsidiaries under Israel law. We consider our relations with our employees to be good.

Customer Concentration

All of our revenues are denominated in U.S. dollars. The following table sets forth revenues generated from customers, all of which are in the Intellectual Property segment, comprising 10% or more of total revenues for the periods indicated:

	Years Ended December 31,		
	2012	2011	2010
Micron Technology, Inc.	13%	19%	13%
Spansion Inc.	11	*	*
Powertech Technology Inc.	10	25	21

* denotes less than 10% of total revenues.

A significant portion of our revenues are derived from customers headquartered outside of the U.S., principally in Asia, and we expect these revenues will continue to account for a significant portion of total revenues in future periods. The table below lists the geographic regions of the headquarters of our customers and the percentage of revenues derived from each region for the periods indicated:

	Years Ended December 31,		
	2012	2011	2010
U.S.	45%	29%	29%
Korea	17%	17%	13%
Taiwan	12%	29%	27%
Japan	11%	13%	15%
China	8%	3%	2%
Other Asia	4%	4%	8%
Europe and other	3%	5%	6%

See Note 16— "*Segment and Geographic Information* " in the Notes to Consolidated Financial Statements for additional geographic information about our revenues and long-lived assets.

The international nature of our business exposes us to a number of risks, including, but not limited to:

- laws and business practices favoring local companies;
- increased tax rates and withholding tax obligations on license revenues that we may not be able to offset fully against our U.S. tax obligations;
- difficulties in enforcing U.S. judgments and orders against foreign persons and products made overseas;
- less effective protection of intellectual property than is afforded in the U.S. or other developed countries; and
- international terrorism, particularly in emerging markets.

Available Information

Our internet address is www.tessera.com. We make available on our internet website, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our SEC reports can be accessed through the investor relations section of our website. The information found on our website is not incorporated into this or any other report we file with or furnish to the SEC.

Item 1A. *Risk Factors*

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

Our revenues are concentrated in a few customers and if we lose any of these customers our revenues could decrease substantially.

We earn a significant amount of our revenues from a limited number of customers. For the years ended December 31, 2012, 2011 and 2010, there were three, two and two customers, respectively, that each accounted for 10% or more of total revenues. We expect that a significant portion of our revenues will continue to come from a limited number of customers for the foreseeable future. If we lose any of these customers, our revenues could decrease substantially. Powertech Technology Inc. ("PTI"), one of our customers that accounted for 10% or more of revenue for the year ended December 31, 2012, filed a complaint against Tessera, Inc. in December 2011, seeking a declaratory judgment that PTI had the right to terminate its license agreement due to a breach of contract by Tessera, Inc., and subsequently notified Tessera, Inc. in June 2012 of its purported termination of its license agreement. See Part I, Item 3— *Legal Proceedings* for additional detail. PTI also notified Tessera, Inc. in its June 2012 letter that PTI would make a final payment under the license agreement in July 2012, which Tessera, Inc. received and is included in our operating results for the year ended December 31, 2012. If we are not able to replace the revenue from PTI or if we receive an adverse determination in the litigation with PTI, it could have a substantial adverse impact on our royalty revenue in the near term. In addition, our license agreement with Micron Technology, Inc., another customer that accounted for 10% or more of revenue for the year ended December 31, 2012, expired in May 2012. If we are not able to enter into a new license agreement with Micron Technology, Inc., it would have a substantial adverse impact on our royalty revenue in the near term.

We expect to continue to be involved in material legal proceedings in the future to enforce or protect our intellectual property rights, including material litigation with existing licensees or strategic partners, which could harm either of our business segments, or both.

From time to time, our efforts to obtain a reasonable royalty through our sales effort does not result in the prospective customer agreeing to license our patents. In those cases, we generally will use litigation in order to secure payment for past infringement and as means of securing future royalties for the use of our patents in the customer's products. We also litigate to enforce our other intellectual property rights, to enforce the terms of our license agreements, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others and to defend against claims of infringement or invalidity. Our current legal actions, as described in Part I, Item 3 —*Legal Proceedings* , are examples of disputes and litigation that impact our business. We expect to be involved in similar legal proceedings in the future, including proceedings to ensure proper and full payment of royalties by licensees under the terms of their license agreements.

These existing and any future legal actions may harm either or both of our business segments, and may hinder our ability to independently optimize each of them. For example, they could cause an existing licensee or strategic partner to cease making royalty or other payments to us, or to challenge the validity and enforceability of our patents or the scope of our license agreements, and could significantly damage our relationship with such licensee or strategic partner and, as a result, prevent the adoption of our other Intellectual Property or DigitalOptics technologies by such licensee or strategic partner. Litigation could also severely disrupt or shut down the business operations of our licensees or strategic partners, which in turn would significantly harm our ongoing relations with them and cause us to lose royalty revenues. Moreover, the timing and results of any of our legal proceedings are not predictable and may vary in any individual proceeding.

From time to time we identify products that we believe to infringe our patents. We seek to license the manufacturer of those products but often the manufacturer is unwilling to enter into a license agreement and then we may elect to enforce our patent rights against those products. Litigation stemming from these or other disputes could also harm our relationships with other licensees or our ability to gain new customers, who may postpone licensing decisions pending the outcome of the litigation or dispute, or who may, as a result of such litigation, choose not to adopt our technologies. In addition, these legal proceedings could be very expensive and may reduce or eliminate our profits.

The costs associated with legal proceedings are typically high, relatively unpredictable and not completely within our control. These costs may be materially higher than expected, which could adversely affect our operating results and lead to volatility in the price of our common stock. Whether or not determined in our favor or ultimately settled, litigation diverts our managerial, technical, legal and financial resources from our business operations. Furthermore, an adverse decision in any of these legal actions could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses from others, limit the value of our licensed technology or otherwise negatively impact our stock price or our business and consolidated financial position, results of operations and cash flows.

Even if we prevail in our legal actions, significant contingencies will exist to their settlement and final resolution, including the scope of the liability of each party, our ability to enforce judgments against the parties, the ability and willingness of the parties to make any payments owed or agreed upon and the dismissal of the legal action by the relevant court, none of which are completely within our control. Parties that may be obligated to pay us royalties could be insolvent or decide to alter their business activities or corporate structure, which could affect our ability to collect royalties from such parties.

Our business could be negatively affected as a result of a proxy fight and the actions of activist stockholders.

We recently received a notice from Starboard Value and Opportunity Master Fund Ltd (“Starboard”) to nominate seven individuals for election to our Board of Directors, although Starboard has not yet announced how many nominees it will actually seek to elect. If a proxy contest results from this notice or proposal or if other activist activities continue, our business could be adversely affected because:

- Responding to proxy contests and other actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees;
- Perceived uncertainties as to our future direction may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and
- If individuals are elected to our Board of Directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plans or to realize value from our acquired or intangible assets, and this could in turn have a material adverse effect on our business prospects and on our results of operations and financial condition.

A proxy contest could also cause our stock price to experience periods of volatility.

From time to time we enter into license agreements that have fixed expiration dates and if, upon expiration or termination, we are unable to renew or relicense such license agreements on terms favorable to us, our results of operations could be harmed.

From time to time we enter into license agreements that have fixed expiration dates. Upon expiration of such agreements we need to renew or replace these agreements in order to maintain our revenue base. For example, our license agreement with Micron Technology, Inc. expired in May 2012. Micron Technology, Inc. accounted for 10% or more of revenue for the year ended December 31, 2012 and has since entered into a definitive sponsor agreement to acquire and support Elpida Memory, Inc., a leading dynamic random access memory ("DRAM") manufacturer, which is expected to close in the first half of 2013 subject to numerous closing conditions and approvals. If we fail to replace the expired Micron Technology, Inc. license agreement, it will have a negative impact on our revenue and our results of operations.

Furthermore, we may not be able to continue licensing customers on terms favorable to us, under the existing terms or at all, which would harm our results of operations. While we have expanded our licensable technology portfolio through internal development and patents purchased from third parties, there is no guarantee that these measures will lead to continued royalties. If we fail to continue to do business with our current licensees, our business would be materially adversely affected.

The success of our licensing business is dependent on the quality of our patent portfolios and our ability to create and implement new technologies or expand our licensable technology portfolio through acquisitions.

We derive a significant portion of our revenues from licenses and royalties. The success of our licensing business depends on our ability to continue to acquire and develop high quality patent portfolios. We devote significant resources to sourcing and acquiring patent portfolios and to developing new technologies to address the evolving needs of the semiconductor and the consumer and communication electronics industries and we must continue to do so in the future to remain competitive. The competition for acquiring high quality patent portfolios is intense and there is no assurance that we can continue to acquire such patent portfolios on favorable terms. Moreover, developments in our technologies are inherently complex, and require long development cycles and a substantial investment before we can determine their commercial viability. We may not be able to develop and market new or improved technologies in a timely or commercially acceptable fashion. Furthermore, our acquired and developed patents will expire in the future. Our current U.S. issued patents expire at various times from 2013 through 2031. We need to develop or acquire successful innovations and obtain revenue-generating patents on those innovations before our current patents expire, and our failure to do so would significantly harm our business, financial position, results of operations and cash flows.

We are currently involved in litigation and administrative proceedings involving some of our key patents; any invalidation or limitation of the scope of our key patents could significantly harm our business.

As more fully described in Part I, Item 3— *Legal Proceedings* , we are currently involved in litigation involving some of our patents. The parties in these legal actions have challenged the validity, scope, enforceability and ownership of our patents. In addition, reexamination requests have been filed in the U.S. Patent and Trademark Office ("PTO") with respect to patent claims at issue in one or more of our litigation proceedings, and oppositions have been filed against us with respect to our patents in the European Patent Office. Under a reexamination proceeding and upon completion of the proceeding, the PTO may leave a patent in its present form, narrow the scope of the patent or cancel some or all of the claims of the patent. The PTO issued several Official Actions rejecting or maintaining earlier rejections of many of the claims in some of our patents. We are currently asserting these patents and patent claims in litigation and administrative proceedings. If the PTO's adverse rulings are upheld on appeal and some or all of the claims of the patents that are subject to reexamination are canceled, our business may be significantly harmed. In addition, counterparties to our litigation and administrative proceedings may seek and obtain orders to stay these proceedings based on rejections of claims in the PTO reexaminations, and other courts or tribunals reviewing our legal actions could make findings adverse to our interests, even if the PTO actions are not final.

We cannot predict the outcome of any of these proceedings or the myriad procedural and substantive motions in these proceedings. If there is an adverse ruling in any legal or administrative proceeding relating to the infringement, validity, enforceability or ownership of any of our patents, or if a court or an administrative body such as the PTO limits the scope of the claims of any of our patents, we could be prevented from enforcing or earning future revenues from those patents, and the likelihood that customers will take new licenses and that current licensees will continue to agree to pay under their existing licenses could be significantly reduced. The resulting reduction in license fees and royalties could significantly harm our business, consolidated financial position, results of operations and cash flows, or the trading price of our common stock.

Furthermore, regardless of the merits of any claim, the continued maintenance of these legal and administrative proceedings may result in substantial legal expenses and diverts our management’s time and attention away from our other business operations, which could significantly harm our business. Our enforcement proceedings historically have been protracted and complex. The time to resolution and complexity of our litigation, their disproportionate importance to our business compared to other companies, the propensity for delay in patent litigation, and the potential that we may lose particular motions as well as the overall litigation all could cause significant volatility in our stock price and materially adversely affect our business and consolidated financial position, results of operations and cash flows.

The timing of payments under our license agreements may cause fluctuations in our quarterly or annual results of operations.

From time to time we enter into license agreements that include pricing or payment terms that result in quarter-to-quarter or year-over-year fluctuations in our revenues, such as volume pricing adjustments. The effect of these terms may also cause our aggregate annual royalty revenues to grow less rapidly than annual growth in overall unit shipments in the applicable end market. Additionally, our licensees may fail to pay, delay payment of or underpay what they owe to us under our license agreements, which may in turn require us to enforce our contractual rights through litigation, resulting in payment amounts and timing different than expected based on the terms of our license agreements. This also may cause our licensing revenues to fluctuate on a quarter-to-quarter or year-over-year basis.

Recent changes to U.S. patent laws and proposed changes to the rules of the U.S. Patent and Trademark Office may adversely impact our business.

Our business relies in part on the uniform and historically consistent application of U.S. patent laws and regulations. There are numerous recent changes and proposed changes to the patent laws and proposed changes to the rules of the PTO, which may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. For example, on September 16, 2011, President Obama signed the Leahy-Smith America Invents Act which codifies significant changes to the U.S. patent laws, including, among other things, changing from a “first to invent” to a “first inventor to file” system, limiting where a patentee may file a patent suit, requiring the apportionment of patent damages, replacing interference proceedings with derivation actions and creating a post-grant opposition process to challenge patents after they have been issued. The effects of these changes on our patent portfolio and business have yet to be determined, as the PTO is still in the process of implementing regulations relating to these changes and the courts have yet to address many of the new provisions. In addition, in recent years, the courts have interpreted U.S. patent laws and regulations differently, and in particular the U.S. Supreme Court has decided a number of patent cases and continues to actively review more patent cases than it has in the past. Some of these changes or potential changes may not be advantageous for us, and may make it more difficult to obtain adequate patent protection or to enforce our patents against parties using them without a license or payment of royalties. These changes or potential changes could increase the costs and uncertainties surrounding the prosecution of our patent applications and the enforcement or defense of our patent rights, and could have a deleterious effect on our licensing program and, therefore, the royalties we can collect.

Some of our license agreements may convert to fully paid-up licenses at the expiration of their terms, and we may not receive royalties after that time.

Tessera, Inc.’s license agreement with Texas Instruments, Inc. automatically converts to a fully paid-up license on December 31, 2013, assuming that Texas Instruments complies with all terms and conditions of the license agreement up through its expiration. In addition, Tessera, Inc.’s license agreement with Samsung Electronics Co, Ltd converts to a fully paid-up license after the expiration of its extended term in May 2017. We may not receive further royalties from licensees for any licensed technology under those agreements if they convert to fully paid-up licenses because such licensees will be entitled to continue using some, if not all, of

Tessera, Inc.'s relevant intellectual property under the terms of the license agreements without further payment, even if relevant patents are still in effect. If we cannot find another source of revenue to replace the revenues from these license agreements converting to fully paid-up licenses, our results of operations following such conversion would be materially adversely affected.

The current DRAM market conditions are challenging, and if such conditions do not improve, it may have a material adverse effect on our business.

Current conditions in the DRAM market are challenging. From time to time prices for DRAM chips are less than our licensees' or potential licensees' variable costs of making that chip. The DRAM market has gone through many cycles of unprofitability, resulting in the bankruptcy, consolidation or discontinuation of DRAM production by many semiconductor companies. For example, Elpida Memory Inc. filed for bankruptcy protection in 2012, and Micron Technology, Inc. has subsequently entered into a definitive sponsor agreement to acquire and support Elpida Memory Inc., which is expected to close in the first half of 2013 subject to numerous closing conditions and approvals. We are unable to predict the effect of the current market conditions on our licensees or potential licensees. The poor profitability, bankruptcy, consolidation or discontinuation of DRAM production by any of these companies could have a material adverse effect on our business.

A significant amount of our royalty revenues comes from a few end markets and products, and our business could be harmed if demand for these market segments or products declines.

A significant portion of our royalty revenues comes from the manufacture and sale of packaged semiconductor chips for dynamic random memories, digital signal processors, application-specific standard product semiconductors, application-specific integrated circuits and memory. In addition, we derive substantial revenues from the incorporation of our technology into mobile devices. If demand for semiconductors in any one or a combination of these market segments or products declines, our royalty revenues will be reduced significantly and our business would be harmed.

The long-term success of our Intellectual Property business is dependent on a royalty-based business model, which is inherently risky.

The long-term success of our Intellectual Property business is dependent on future royalties paid to us by licensees. Royalty payments under our licenses are primarily based upon the number of electrical connections to the semiconductor chip in a package covered by our licensed technology. We also have royalty arrangements in which royalties are paid based on a percent of net sales, a per package, or a per unit sold basis. We are dependent upon our ability to structure, negotiate and enforce agreements for the determination and payment of royalties, as well as upon our licensees' compliance with their agreements. We face risks inherent in a royalty-based business model, many of which are outside of our control, such as the following:

- the rate of adoption and incorporation of our technology by semiconductor manufacturers and assemblers;
- the willingness and ability of materials and equipment suppliers to produce materials and equipment that support our licensed technology, in a quantity sufficient to enable volume manufacturing;
- the ability of our licensees to purchase such materials and equipment on a cost-effective and timely basis;
- the demand for products incorporating semiconductors that use our licensed technology;
- the cyclicality of supply and demand for products using our licensed technology;
- the impact of economic downturns; and
- the timing of receipt of royalty reports may not meet our revenue recognition criteria resulting in fluctuation in our results of operations.

It is difficult for us to verify royalty amounts owed to us under our licensing agreements, and this may cause us to lose revenues.

The terms of our license agreements generally require our licensees to document their use of our technology and report related data to us on a quarterly basis. Although our license terms generally give us the right to audit books and records of our licensees to verify this information, audits can be expensive, time consuming, and may not be cost justified based on our understanding of our licensees' businesses. Our license compliance program audits certain licensees to review 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 such audits will be effective to that end.

The future success of our DigitalOptics business depends on our ability to become a vertically integrated camera module supplier.

As part of our DigitalOptics business, we currently derive revenues from licenses to and royalties from our DigitalOptics technologies in consumer electronics, such as mobile phones, digital still cameras, wireless devices, personal computers and other consumer electronics. Our future success depends upon transitioning our image enhancement solutions into the mobile imaging market through delivering revolutionary MEMS-based camera modules and becoming a vertically integrated camera module supplier. Any of the following factors could limit the growth of our DigitalOptics technology, and therefore could have an adverse effect on our business and results of operations:

- our ability to innovate and provide solutions at lower costs, with improved performance, or with more enhanced features than our competitors;
- the relevant markets' rate of adoption of our DigitalOptics technologies;
- our ability to build a robust supply chain to support product ramp plans;
- our ability to raise or generate sufficient capital to execute product ramp plans; and
- our competitors who may have superior products or solutions which take away market share or design wins from us.

The markets for semiconductors and related products and camera modules are highly concentrated, and we may have limited opportunities to license our technologies or sell our products.

The semiconductor industry is highly concentrated in that a small number of semiconductor designers and manufacturers account for a substantial portion of the purchases of semiconductor products generally, including our products and products incorporating our technologies. Consolidation in the semiconductor industry may increase this concentration. For example, Micron Technology, Inc. entered into a definitive sponsor agreement to acquire and support Elpida Memory Inc., which is expected to close in the first half of 2013 subject to numerous closing conditions and approvals. Accordingly, we expect that licenses of our technologies and sales of our products will be concentrated with a limited number of customers for the foreseeable future. As we acquire new technologies and integrate them into our product line, we will need to establish new relationships to sell these products. Our financial results depend in significant part on our success in establishing and maintaining relationships with, and effecting substantial sales to, these customers. Even if we are successful in establishing and maintaining such relationships, our financial results will be dependent in large part on these customers' sales and business results. This is also true for the camera module market which is the target market for our DigitalOptics business. In this market, a small number of OEMs account for a substantial portion of purchases of camera-enabled cell phones and other mobile devices. We have been promoting the adoption of our technologies in this market through the supply chain infrastructure by signing licenses with the sensor, lens and camera manufacturers and assemblers. Consolidation of the OEMs may affect our licensees' ability to maintain or establish relationships with these OEMs through which they sell products incorporating our DigitalOptics technologies. As a result, our financial results could be materially adversely affected.

We make significant investments in new products and services that may not achieve technological feasibility or profitability or that may limit our revenue growth.

We have made and will continue to make significant investments in research, development, and marketing of new technologies, products and services, including MEMS-based autofocus technologies. Investments in new technologies are speculative and technological feasibility may not be achieved. Commercial success depends on many factors including innovativeness and demand for the technology, availability of materials and equipment, selling price the market is willing to bear, competition and effective licensing or product sales. We may not achieve significant revenues from new product and service investments for a number of years, if at all. Moreover, new technologies, products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced historically or originally anticipated.

We are unable to predict when we will begin to generate meaningful revenue from our MEMS-based technology, if we are able to do so at all.

We have invested a significant amount of our resources into acquiring and developing our MEMS-based technology. We do not yet have meaningful revenues from those technologies, whether through licensing arrangements or product sales. We are in the process of converting the manufacturing facility in Zhuhai, China that we acquired in June 2012, from fixed focus camera modules manufacturing, to the production of our MEMS-based camera modules. However, we do not currently have a customer base for MEMS-based camera modules, and we cannot be certain whether and when these and our other efforts will lead to the generation of meaningful revenue from our MEMS-based camera modules. If we are unable to do so in a timely fashion, or at all, our business prospects will be significantly impacted and our results of operations and financial condition may be materially and adversely affected.

Competing technologies may harm our business.

We expect that our technologies will continue to compete with technologies of internal design groups at semiconductor manufacturers, assemblers, electronic component and system manufacturers, image sensor and lens manufacturers and camera module companies such as Omnivision Technologies, Inc., Aptina Imaging Corporation, STMicroelectronics, Inc., Samsung Electronics Co, Ltd., and Toshiba Corporation. The internal design groups of these companies create their own packaging, imaging and optics solutions. If these internal design groups design around our patents or introduce unique solutions superior to our technology, they may not need to license our technology. These groups may design technology that is less expensive to implement or that enables products with higher performance or additional features. Many of these groups have substantially greater resources, greater financial strength and lower cost structures which may allow them to undercut our price. They also have the inherent advantage of access to internal corporate strategies, technology roadmaps and technical information. As a result, they may be able to bring alternative solutions to market more easily and quickly.

For our DigitalOptics technologies, our MEMS-based autofocus technology enables high-precision control of a moving lens for autofocus functionality with a small form factor. This technology compete with autofocus technologies including traditional lens-motion-type autofocus, emerging lens-modification-type autofocus, solutions using voice coil motor technology, and also other computational-type autofocus solutions and other solutions and technologies provided by companies such as DxO Labs. Our Micro-optics products such as the diffractive optical elements used in off-axis illumination for lithography, face competition from products offered by other Micro-optics manufacturers such as JenOptik A.G. as well as emerging technologies such as ASML’s FlexRay technology. Our wafer-level camera solution competes with both the traditional lens vendors who enjoy an established supply chain, as well as other wafer-level optics technologies offered by companies such as Heptagon Oy and Anteryon B.V. For the embedded image processing technologies such as Face Detection and our other FaceTools products, our offerings compete with other image processing software vendors such as ArcSoft, Inc. as well as internal design groups of our customers providing similar technologies by employing different approaches. Our competitors in the lens actuator field include VCM manufacturers such as Mitsumi Electric Co., Ltd, Shikoh, and TDK Corporation. We also expect to see other competing technologies emerge.

In the future, our licensed technologies may also compete with other technologies that emerge. These technologies may be less expensive and provide higher or additional performance. Companies with these competing technologies may also have greater resources. Technological change could render our technologies obsolete, and new, competitive technologies could emerge that achieve broad adoption and adversely affect the use of our technologies and intellectual property.

If we do not successfully further develop and commercialize the technologies we acquire, or cultivate strategic relationships that expand our licensable technology portfolio, our competitive position could be harmed and our operating results adversely affected.

We also attempt to expand our licensable technology portfolio and technical expertise by acquiring and further developing new technologies or developing strategic relationships with others. These strategic relationships may include the right for us to sublicense technology and intellectual property to others. However, we may not be able to acquire or obtain rights to licensable technology and intellectual property in a timely manner or upon commercially reasonable terms. Even if we do acquire such rights, some of the technologies we invest in may be commercially unproven and may not be adopted or accepted by the industry. Moreover, our research and development efforts, and acquisitions and strategic relationships, may be futile if we do not accurately predict the future needs of the semiconductor, consumer and communication electronics, and consumer imaging industries. Our failure to acquire new technologies that are commercially viable in the semiconductor, consumer and communication electronics, and consumer imaging industries could significantly harm our business, financial position, results of operations and cash flows.

The way we integrate internally developed and acquired technologies into our products and licensing programs may not be accepted by customers.

We have devoted, and expect to continue to devote, considerable time and resources to developing, acquiring and integrating new and existing technologies into our products and licensing programs. However, if customers do not accept the way we have integrated our technologies, they may adopt competing solutions. In addition, as we introduce new products or licensing programs, we cannot predict with certainty if and when our customers will transition to those new products or licensing programs. If customers fail to accept new or upgraded products or licensing programs incorporating our technologies, our financial position, results of operations and cash flows could be adversely impacted.

If we fail to protect and enforce our intellectual property rights and our confidential information, our business will suffer.

We rely primarily on a combination of license, development and nondisclosure agreements and other contractual provisions and patent, trademark, trade secret and copyright laws to protect our technology and intellectual property. If we fail to protect our technology and intellectual property, our licensees and others may seek to use our technology and intellectual property without the payment of license fees and royalties, which could weaken our competitive position, reduce our operating results and increase the likelihood of costly litigation. The growth of our business depends in large part on our ability to obtain intellectual property rights in a timely manner, our ability to convince third parties of the applicability of our intellectual property rights to their products, and our ability to enforce our intellectual property rights against them.

In certain instances, we attempt to obtain patent protection for portions of our technology, and our license agreements typically include both issued patents and pending patent applications. If we fail to obtain patents in a timely manner or if the patents issued to us do not cover all of the inventions disclosed in our patent applications, others could use portions of our technology and intellectual property without the payment of license fees and royalties. For example, our business may suffer if we are unable to obtain patent protection in a timely manner from the PTO due to processing delays resulting from examiner turnover and a continuing backlog of patent applications.

We also rely on trade secret laws rather than patent laws to protect other portions of our proprietary technology. However, trade secrets can be difficult to protect. The misappropriation of our trade secrets or other proprietary information could seriously harm our business. We protect our proprietary technology and processes, in part, through confidentiality agreements with our employees, consultants, suppliers and customers. We cannot be certain that these contracts have not been and will not be breached, that we will be able to timely detect unauthorized use or transfer of our technology and intellectual property, that we will have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by competitors. If we fail to use these mechanisms to protect our technology and intellectual property, or if a court fails to enforce our intellectual property rights, our business will suffer. We cannot be certain that these protection mechanisms can be successfully asserted in the future or will not be invalidated or challenged.

Further, the laws and enforcement regimes of certain countries do not protect our technology and intellectual property to the same extent as do the laws and enforcement regimes of the U.S. For example, it may be particularly difficult to protect our DigitalOptics technology and intellectual property in the manufacturing facility in Zhuhai, China that we acquired in June 2012. Therefore, in certain jurisdictions, including China, we may be unable to protect our technology and intellectual property adequately against unauthorized use, which could adversely affect our business.

Our business may suffer if third parties assert that we violate their intellectual property rights.

Third parties may claim that we or our customers are infringing upon their intellectual property rights. Even if we believe that such claims are without merit, they can be time-consuming and costly to defend against and will divert management's attention and resources away from our business. Furthermore, third parties making such claims may be able to obtain injunctive or other equitable relief that could block our ability to further develop or commercialize some or all of our products or services in the U.S. and abroad. Claims of intellectual property infringement also might require us to enter into costly settlement or license agreements or pay costly damage awards. Even if we have an agreement that provides for a third party to indemnify us against such costs, the indemnifying party may be unable to perform its contractual obligations under the agreement. If we cannot or do not license the infringed intellectual property at all or on reasonable terms, or substitute similar technology from another source, our business, financial position, results of operations and cash flows could suffer.

Failure by the semiconductor industry to adopt our packaging technology for the next generation high performance DRAM chips would significantly harm our business.

To date, our packaging technology has been used by several companies for high performance DRAM chips. For example, packaging using our technology is used for DDR2 and DDR3 DRAM and we currently have licensees, including SK hynix Inc. and Samsung Electronics, Co., Ltd., who are paying royalties for DRAM chips in advanced packages.

DRAM manufacturers are also currently developing next generation high performance DRAM chips, including next generation of DDR referred to as DDR4, to meet increasing speed and performance requirements of electronic products. We believe that these next-generation, high performance DRAM chips will require advanced packaging technologies such as CSP.

We anticipate that royalties from shipments of these next-generation, high performance DRAM chips packaged using our technology may account for a significant percentage of our future revenues. If semiconductor manufacturers do not continue to use packages employing our technology for the next generation of high performance DRAM chips and find a viable alternative packaging technology for use with next generation high performance DRAM chips, or if we do not receive royalties from next generation, high performance DRAM chips that use our technology, our future revenues could be adversely affected.

Our technology may be too expensive for certain next generation high performance DRAM manufacturers, which could significantly reduce the adoption rate of our packaging technology in next generation high performance DRAM chips. Even if our package technology is selected for at least some of these next generation high performance DRAM chips, there could be delays in the introduction of products utilizing these chips that could materially affect the amount and timing of any royalty payments that we receive. Other factors that could affect adoption of our technology for next generation high performance DRAM products include delays or shortages of materials and equipment and the availability of testing services.

Our licensing cycle is lengthy and costly, and our marketing, legal and sales efforts may be unsuccessful.

We generally incur significant marketing, legal and sales expenses prior to entering into our license agreements, generating a license fee and establishing a royalty stream from each licensee. The length of time it takes to establish a new licensing relationship can take 18 months or longer for an Intellectual Property license and 24 months or longer for some DigitalOptics licenses. As such, we may incur significant losses in any particular period before any associated revenue stream begins.

Tessera Intellectual Property Corp. incurs significant reverse engineering expenditures on products of potential licensees in order to prepare sales and marketing collateral. We employ intensive marketing and sales efforts to educate licensees, potential licensees and original equipment manufacturers about the benefits of our technologies. In addition, even if these companies adopt our technologies, they must devote significant resources to integrate fully our technologies into their operations. If our marketing and sales efforts are unsuccessful, then we will not be able to achieve widespread acceptance of our technology. In addition, ongoing litigation could impact our ability to gain new licensees which could have an adverse effect on our financial condition, results of operations and cash flows.

If our licensees delay or are unable to make payments to us due to financial difficulties, or shift their licensed products to other companies to lower their royalties to us, our operating results and cash flows could be adversely affected.

A number of companies in the semiconductor and consumer electronics industries are facing severe financial difficulties. As a result, there have been recent bankruptcies and restructuring of companies in these industries. Our licensees may face similar financial difficulties which may result in their inability to make payments to us in a timely manner or if at all. In addition, our licensees may merge with or may shift the manufacture of licensed products to companies that are not currently licensees to us. This could make the collection process complex and difficult which could adversely impact our business, financial condition, results of operations and cash flows.

The success of our recently acquired manufacturing facility in Zhuhai, China will depend on our ability to realize the anticipated benefits from integrating the acquired business and assets into our operations.

We may fail to realize the anticipated benefits from our integration of the manufacturing facility and related assets that we acquired in Zhuhai, China from Flextronics International, Ltd. in June 2012 (the “Zhuhai Transaction”) on a timely basis, or at all, for a variety of reasons, including the following:

- difficulties operating in the People’s Republic of China, where the Company has limited direct prior experience;
- difficulties integrating the relatively large number of personnel from the acquired business into our human resource processes and programs;

- failure to maintain relationships with existing suppliers of the acquired business or to obtain alternate sources of supply for such business; and
- failure to integrate our existing DigitalOptics technologies, such as our MEMS solutions, with the manufacturing capabilities of the acquired business.

Our failure to successfully integrate the acquired business and assets may delay or undermine our ability to execute on our business plan for the DigitalOptics business, which would adversely affect our business and operations.

We do not have extensive experience in manufacturing and marketing products, and as a result, may be unable to successfully execute on our business plan for the DigitalOptics segment.

We acquired our first large-scale manufacturing operation in the Zhuhai Transaction, and are in the process of transforming that manufacturing operation away from the production of fixed focus camera modules toward camera modules based on our MEMS technology. We are also investing in lens design and manufacturing capability in our factory in Taiwan. While we have hired personnel with manufacturing and product marketing experience, we do not, as a company, have extensive experience in these areas. We have a development group in Arcadia, California, that must successfully transfer new product programs to mass production, but we do not have any proven experience in this transfer process. Therefore, our relative lack of experience may make it difficult for us to manufacture DigitalOptics products in commercial quantities while meeting the quality, price, engineering, design, and production standards required to profitably market those products. Even if we are successful in integrating and developing our manufacturing capabilities and processes, we do not know whether we will do so in time to satisfy the requirements of customers. Failure to meet the manufacturing requirements of customers, including Tier One OEMs, and the failure to successfully market our products to such customers, would adversely affect our business and results of operations.

Our manufacturing operations could expose us to liabilities and claims that we have not previously experienced, and such operations, as well as our entire DigitalOptics business, could be subject to litigation risks arising from our Intellectual Property business.

Our commencement of large-scale manufacturing operations resulting from the completion of the Zhuhai Transaction and completion of our Taiwan factory could significantly increase the risk that our DigitalOptics business becomes subject to claims of infringement of third-party intellectual property rights. We do not have prior experience in such manufacturing for markets in which third parties may hold a substantial body of patents and other intellectual property rights. Moreover, the risks of third-party infringement claims could be heightened by our need to engage in enforcement activities in our Intellectual Property business, as existing or potential customers of our Intellectual Property business may seek to assert infringement claims against our DigitalOptics business in response to our enforcement activities in our Intellectual Property business. Competitors of our DigitalOptics business would not be subject to such heightened risk of third-party claims, and such claims could adversely affect our DigitalOptics business as well as impair our enforcement ability and results in our Intellectual Property business. Although a separation of our DigitalOptics business might partially abate our heightened vulnerability in this regard, such a separation remains speculative, and there can be no assurance that we ultimately will determine to separate or to be successful in separating such business.

As a larger portion of our revenues is generated from product sales, we may rely on outsourced high volume manufacturing, which is inherently risky.

As we integrate internally developed technologies into products, we may rely on outsourced high volume manufacturing by utilizing third party wafer foundry, camera lens, packaging, assembly and test capabilities. Doing so could present risks to our operations, including:

- reduced control over delivery schedules, yields, capacity and quality assurance;
- limited number of vendors capable of manufacturing our high technology products;

- limited availability of vendor capacity for our products which may delay time to market;
- failure of vendors to meet our technical requirements;
- difficulty in determining target inventory levels based on forecasted demand, which may not be reliable;
- infringement or misappropriation of other third parties' or our intellectual property;
- limited warranties on products and services supplied to us; and
- overhead costs of developing and maintaining a global supply chain.

If any vendor in the supply chain materially fails to perform, or if we are required to find an alternate vendor and are not able to do so on a timely basis, or if these vendors materially increase their prices, our business strategy could be harmed and our results of operations could be adversely affected.

We could experience losses due to product liability claims which could result in substantial costs to us.

We sell products and provide services that may subject us to product liability claims in the future. Although we carry liability insurance in amounts that we believe are appropriate, product liability claims can be costly and any future product liability claim made against us may exceed the coverage limits of our insurance policies, be excluded from coverage under the terms of our policies or cause us to record a self-insured loss. A product liability claim in excess of our insurance policies could have a material adverse effect on our business, financial condition and results of operations. Even if a product liability loss is covered by our insurance policies, such policies contain substantial retentions and deductibles that we would be required to pay. Our existing insurance may not be renewed at a cost and level of coverage comparable to that presently in effect, or at all. The payment of retentions or deductibles for a significant amount of claims could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our DigitalOptics solutions currently rely on the use of certain materials and proprietary equipment from a single supplier or a limited number of suppliers. The lack of availability of these materials or proprietary equipment could delay the execution of our business strategy and adversely affect our revenues.

We currently rely on the use of certain materials available from a single supplier or a limited number of suppliers for the manufacturing of our small form factor micro-optics. In addition, we utilize proprietary assembly equipment for certain critical steps of the lens barrel assembly process. If any or some of these materials or proprietary equipment become unavailable, or, if any of these suppliers cease operations and we cannot find an alternative source, our development efforts could be delayed and our revenues from our DigitalOptics business could be adversely affected.

Our financial and operating results may vary, which may cause the price of our common stock to decline.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future. Because our operating results are difficult to predict, you should not rely on quarterly or annual comparisons of our results of operations as an indication of our future performance. Factors that could cause our operating results to fluctuate during any period or that could adversely affect our ability to achieve our strategic objectives include those listed in this " *Risk Factors* "section of this report and the following:

- the timing of and compliance with license or service agreements and the terms and conditions for payment to us of license or service fees under these agreements;
- fluctuations in our royalties caused by the pricing terms of certain of our license agreements;
- changes in our royalties caused by changes in demand for products incorporating semiconductors that use our licensed technology;

- decrease in our revenues caused by price erosion on high performance camera modules incorporating our DigitalOptics technologies;
- the amount of our product and service revenues;
- the timing of obtaining product orders and executing our manufacturing plan for our MEMS solutions;
- changes in the level of our operating expenses;
- delays in our introduction of new technologies or market acceptance of these new technologies through new license agreements;
- our ability to protect or enforce our intellectual property rights or the terms of our agreements;
- legal proceedings affecting our patents, patent applications or license agreements;
- the timing of the introduction by others of competing technologies;
- changes in demand for semiconductor chips in the specific end markets in which we concentrate;
- changes in demand for semiconductor capital equipment, digital still cameras and other camera-enabled devices including cell phones, security systems and personal computers;
- the timing of the conclusion of license agreements;
- the time it takes to establish new licensing arrangements could be lengthy;
- the timing of meeting the requirements for revenue recognition under accounting principles;
- changes in accounting principles; and
- cyclical fluctuations in semiconductor markets generally.

Due to fluctuations in our operating results, reports from market and security analysts, litigation-related developments, and other factors, the price at which our common stock will trade is likely to continue to be highly volatile. In future periods, if our revenues or operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. In the past, securities class action litigation has often been brought against companies following a decline in the market price of their securities. If our stock price is volatile, we may become involved in this type of litigation in the future. Any litigation could result in substantial costs and a diversion of management's attention and resources that are needed to successfully run our business.

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

Our initial dividend policy, adopted and announced in March 2012, contemplates the payment of a regular quarterly cash dividend of $0.10 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 of future cash dividends under the policy are subject to the final determination each quarter by our Board of Directors that 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, economic condition 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 suspend or discontinue the payment of cash dividends in the future. Any decrease in the amount of the dividend, or suspension or discontinuance of payment of a dividend, could cause our stock price to decline.

The investment of our cash, cash equivalents and investments in marketable debt securities are subject to risks which may cause losses and affect the liquidity of these investments.

At December 31, 2012, we held approximately $103.8 million in cash and cash equivalents and $338.8 million in short-term investments. These investments include various financial securities such as municipal bonds and notes, corporate bonds and notes, commercial paper, treasury and agency notes and bills, and money market funds. The weakened financial markets, originally caused by the sub-prime mortgage crisis in the U.S., has at times adversely impacted the general credit, liquidity, market and interest rates for these and other types of debt securities. Additionally, changes in monetary policy by the Federal Open Market Committee and recent concerns about the rising U.S. government debt level may cause a decrease in the purchasing power of the U.S. dollar and adversely affect our investment portfolio. The financial market and monetary risks associated with our investment portfolio may have a material adverse effect on our financial condition, results of operations and cash flows.

We operate in a highly cyclical semiconductor industry, which is subject to significant downturns.

The semiconductor industry has historically been cyclical and is characterized by wide fluctuations in product supply and demand. From time to time, this industry has experienced significant downturns, often in connection with, or in anticipation of, declining economic conditions, maturing product and technology cycles, and excess inventories. This cyclicality could cause our operating results to decline dramatically from one period to the next. Our business depends heavily upon the volume of production by our licensees, which, in turn, depends upon the current and anticipated market demand for semiconductors and products that use semiconductors. Similarly, our product revenues rely at least in part upon the demand of the semiconductor equipment market. Semiconductor manufacturers and package assembly companies generally sharply curtail their spending during industry downturns, such as in the recent global economic downturn, and historically have lowered their spending more than the decline in their revenues. As a result, our businesses results have been, and will be in the future, significantly impacted by the cyclicality of the semiconductor industry. If we are unable to control our expenses adequately in response to lower revenues from our licensees and service customers in such downturns, our results of operations and cash flows will be materially and adversely impacted.

Changes in financial accounting or existing taxation standards, rules, practices or interpretation may cause adverse unexpected revenue and expense fluctuations which may impact our reported results of operations.

We prepare our consolidated financial statements in accordance with U.S. GAAP. These principles are subject to interpretations by the SEC and various accounting bodies. In addition, we are subject to various taxation rules in many jurisdictions. The existing taxation rules are generally complex, frequently changing and often ambiguous. Changes to existing taxation rules, changes to the financial accounting standards such as the proposed convergence to international financial reporting standards, or any changes to the interpretations of these standards or rules may adversely affect our reported financial results or the way we conduct our business. Recent accounting pronouncements and their estimated potential impact on our business are addressed in Note 3— "*Recent Accounting Pronouncements* " in the Notes to Consolidated Financial Statements.

The international nature of our business exposes us to financial and regulatory risks that may have a negative impact on our consolidated financial position, results of operations and cash flows, and we may have difficulty protecting our intellectual property in some foreign countries.

We derive a significant portion of our revenues from licensees headquartered outside of the U.S. We have also expanded our operations outside of the U.S., including manufacturing operations in China and Taiwan, and our research and development facilities in Ireland, Japan, Romania and Taiwan to design, develop, test or market certain technologies. International operations are subject to a number of risks, including but not limited to the following:

- fluctuations in exchange rates between the U.S. dollar and foreign currencies as our revenues are denominated principally in U.S. dollars and a portion of our costs are based in local currencies where we operate;
- changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment;
- regulatory requirements and prohibitions that differ between jurisdictions;
- laws and business practices favoring local companies;
- withholding tax obligations on license revenues that we may not be able to offset fully against our U.S. tax obligations, including the further risk that foreign tax authorities may re-characterize license fees or increase tax rates, which could result in increased tax withholdings and penalties;
- security concerns, including crime, political instability, terrorist activity, armed conflict and civil or military unrest;
- differing employment practices, labor issues and business and cultural factors;
- less effective protection of intellectual property than is afforded to us in the U.S. or other developed countries; and
- limited infrastructure and disruptions, such as large-scale outages or interruptions of service from utilities or telecommunications providers.

Our intellectual property is also used in a large number of foreign countries. There are many countries in which we currently have no issued patents. In addition, effective intellectual property enforcement may be unavailable or limited in some foreign countries. It may be difficult for us to protect our intellectual property from misuse or infringement by other companies in these countries. We expect this to become a greater problem for us as our licensees increase their manufacturing and sales in countries which provide less protection for intellectual property. Our inability to enforce our intellectual property rights in some countries may harm our business, financial position, results of operations and cash flows.

Our business and operating results may be harmed if we are unable to manage growth in our business, if we undertake any restructuring activities or if we dispose of a business division or dispose of or discontinue any product lines.

We plan to continue the expansion of our operations, domestically and internationally, and may continue to do so through both internal growth and acquisitions. For example, in June 2012, we closed the Zhuhai Transaction. This expansion may strain our systems and management, operational and financial controls and resources. In addition, we are likely to incur higher operating costs. To manage our growth effectively, we must continue to improve and expand our management, systems and financial controls. We also need to continue to expand, train and manage our employee base. We cannot ensure that we will be able to timely and effectively meet demand and maintain the quality standards required by our existing and potential customers and licensees. Furthermore, production orders from customers and licensees of the acquired businesses may decline from historical levels. If we are unable to effectively manage our growth or we are unsuccessful in recruiting and retaining personnel, our business and operating results will be harmed.

From time to time, we may undertake to restructure our business, including the disposition of a business division, or the disposition or discontinuance of a product line. For example, in 2011, we announced that we are exploring a possible separation of our DigitalOptics business from the parent corporation and, in November 2012, we announced the planned closure of our facility located in Tel Aviv, Israel and the facility will be closed in the first quarter of 2013. We also announced in November 2012 the potential sale of our DigitalOptics manufacturing facility based in Charlotte, North Carolina. There are several factors that could cause a restructuring, a disposition or a discontinuance to have an adverse effect on our business, financial position, results of operations and cash flows. These include potential disruption of our operations and our information technology systems, the timing of development of our technology, the deliveries of products or services to our customers, changes in our workforce and other aspects of our business. In addition, such actions may increase the risk of claims or threats of lawsuits by our customers or former employees. In the case of a disposition of a product line, there may be a risk of not identifying a purchaser, or, if identified, the purchase price may be less than the net asset book value for the product line. Employee morale and productivity could also suffer and we may lose employees whom we want to keep. Any restructuring, disposition or discontinuance would require substantial management time and attention and may divert management from other important work. There are no assurances that the restructuring, disposal or discontinuance will reduce our operating expenses. We may also incur other significant liabilities and costs including employee severance costs, relocation expenses, and impairment of lease obligations and long-lived assets. Moreover, we could encounter delays in executing any restructuring plans, which could cause further disruption and additional unanticipated expense.

We may be unable to identify or complete a favorable transaction to separate our DigitalOptics business.

Although we have previously announced that we are exploring a possible separation of our DigitalOptics business from the parent corporation and incentivized our CEO to successfully spin off this business segment, we have not set a definitive timetable for completing our exploration of strategic alternatives for the DigitalOptics business, and there can be no assurance that the process will result in the identification or selection of a transaction, that any transaction that is identified or selected will be completed, or that a completed transaction will be favorable to us and our stockholders. There are numerous hurdles to such a transaction, including the ongoing operating losses of the DigitalOptics business, which make it uncertain whether such business could be operated as a stand-alone company or would attract interest from any potential buyer.

In order to realize our business plan for the DigitalOptics business, we will need to invest a significant amount of capital into our DigitalOptics business and may make additional acquisitions.

Even if the manufacturing operation acquired in the Zhuhai Transaction is successfully integrated into our operations, the success of our business plan for the DigitalOptics business, including the goal to become a vertically integrated camera module supplier, will require substantial additional capital expenditures, increased working capital, and additional acquisitions. For example, we recently made significant capital expenditures to build a manufacturing facility on Taiwan. Additionally, we are making inventory purchases and entering into related purchase commitments. These and other investments in our DigitalOptics business may result in restructuring and asset impairment charges which would adversely affect the financial results of the Company.

There can be no assurance that our existing capital resources and cash from operations will be sufficient to fund such capital expenditures and make additional acquisitions, and such uncertainty could be compounded if we pursue a separation of our DigitalOptics business, a possibility we announced in April 2011. We may need to raise capital or fund acquisitions through the issuance of debt or equity securities or the sale of assets; however, we may not be able to secure debt financing or equity financing on reasonable terms, if at all. Even if we have or obtain all necessary funding, we may nevertheless be unable to identify and execute suitable acquisitions to grow the DigitalOptics business. If our existing capital resources or cash from operations are not sufficient and we are unable to obtain necessary capital to execute on our DigitalOptics business plan, or to make additional acquisitions, it would adversely affect our business, financial condition and results of operations.

Disputes regarding our intellectual property may require us to indemnify certain licensees, the cost of which could adversely affect our business operations and financial condition.

While we generally do not indemnify our licensees, some of our license agreements in our DigitalOptics business provide limited indemnities for certain actions brought by third parties against our licensees, and some require us to provide technical support and information to a licensee that is involved in litigation for using our technology. We expect to agree to provide similar indemnity or support obligations to future licensees. Our indemnity and support obligations could result in substantial expenses. In addition to the time and expense required for us to indemnify or supply such support to our licensees, a licensee's development, marketing and sales of licensed DigitalOptics products could be severely disrupted or shut down as a result of litigation, which in turn could have a material adverse effect on our business operations, consolidated financial position, results of operations and cash flows.

If we lose any of our key personnel or are unable to attract, train and retain qualified personnel we may not be able to execute our business strategy effectively.

Our success depends, in large part, on the continued contributions of our key management, engineering, sales, marketing, legal and finance personnel, many of whom are highly skilled and would be difficult to replace. None of our senior management, key technical personnel or key sales personnel are bound by written employment contracts to remain with us for a specified period. In addition, we do not currently maintain key person life insurance covering our key personnel or restrictions on their post-employment ability to solicit our employees, contractors or customers if key personnel voluntarily terminate their employment. The loss of any of our senior management or other key personnel could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate. Moreover, some of the individuals on our management team have been in their current positions for a relatively short period of time. Our future success will depend to a significant extent on the ability of our management team to work together effectively.

Our success also depends on our ability to attract, train and retain highly skilled managerial, engineering, sales, marketing, legal and finance personnel and on the abilities of new personnel to function effectively, both individually and as a group. Competition for qualified senior employees can be intense. We have also experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled engineers with appropriate qualifications to support our growth and expansion. Further, we must train our new personnel, especially our technical support personnel, to respond to and support our licensees and customers. If we fail to do this, it could lead to dissatisfaction among our licensees or customers, which could slow our growth or result in a loss of business.

Changes to our enterprise resource planning and other key software applications could cause unexpected problems to occur and disrupt the management of our business.

We are currently contemplating an upgrade to our enterprise resource planning system ("ERP"), and other management information systems which are critical to the operational, accounting and financial functions of our company. Significant management attention and resources would be used and extensive planning would be required to support effective implementation of a new ERP and other such systems. In addition, such implementation may carry certain risks, including the risk of significant design errors, and unexpected difficulties may arise that could materially and adversely affect the accuracy and timely reporting of our operating results and impact our ability to manage our business.

Our business operations could suffer in the event of information technology systems' failures or security breaches.

Despite system redundancy and the implementation of security measures within our internal and external information technology and networking systems, our information technology systems may be subject to security breaches, damages from computer viruses, natural disasters, terrorism, and telecommunication failures. Any system failure or security breach could cause interruptions in our operations in addition to the possibility of losing proprietary information and trade secrets. To the extent that any disruption or security breach results in inappropriate disclosure of our confidential information, we may incur liability or additional costs to remedy the damages caused by these disruptions or security breaches.

Decreased effectiveness of share-based compensation could adversely affect our ability to attract and retain employees.

We have historically used stock options and other forms of stock-based compensation as key components of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation and benefit packages. Since the adoption of the authoritative guidance on share-based payment, we have recorded significant compensation costs associated with our stock-based compensation programs. Difficulties relating to obtaining stockholder approval of equity compensation plans or changes to the plans could make it harder or more expensive for us to grant stock-based compensation to employees in the future. As a result, we may find it difficult to attract, retain and motivate employees, and any such difficulty could materially adversely affect our business.

Failure to comply with environmental regulations could harm our business.

We use hazardous substances in the manufacturing and testing of prototype products and in the development of our technologies in our research and development laboratories. We are subject to a variety of local, state, federal and foreign governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances. Our past, present or future failure to comply with environmental regulations could result in the imposition of substantial fines on us, suspension of production, and alteration of our manufacturing processes or cessation of operations. Compliance with such regulations could require us to acquire expensive remediation equipment or to incur other substantial expenses. Any failure by us to control the use, disposal, removal or storage of, or to adequately restrict the discharge of, or assist in the cleanup of, hazardous or toxic substances, could subject us to significant liabilities, including joint and several liabilities under certain statutes. The imposition of such liabilities could significantly harm our business, financial position, results of operations and cash flows.

Our effective tax rate depends on our ability to secure the tax benefits of our international corporate structure, on the application of the tax laws of various jurisdictions and on how we operate our business.

Our international corporate structure and intercompany arrangements, including the manner in which we market, develop, use and license our intellectual property, fund our operations and structure transactions with our international subsidiaries, may result in the reduction of our worldwide effective tax rate. Such international corporate structure and intercompany arrangements are subject to examination by the tax authorities of the jurisdictions in which we operate, including the United States. The application of the tax laws of these jurisdictions to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. Moreover, such tax laws are subject to change. Tax authorities may disagree with our intercompany transfer pricing arrangements, including our transfer of intangibles, or determine that the manner in which we operate our business does not achieve the intended tax consequences. Additionally, future changes in the tax laws (such as proposed legislation to reform U.S. taxation of international business activities) may have an adverse effect on our international corporate structure and operations. The result of an adverse determination of any of the above items could increase our worldwide effective tax rate and harm our financial position and results of operations.

We have business operations located globally in places that are subject to natural disasters.

Our business operations depend on our ability to maintain and protect our facilities, computer systems and personnel. Our locations may be subject to earthquakes, hurricanes and other natural disasters. Should a hurricane, earthquake or other catastrophe, such a fire, flood, tsunami, power loss, communication failure or similar event disable our facilities, we do not have readily available alternative facilities from which we could conduct our business.

We have made and may continue to make or to pursue acquisitions which could divert management's attention, cause ownership dilution to our stockholders, or be difficult to integrate, which may adversely affect our financial results.

We have made several acquisitions, and it is our current plan to continue to acquire companies, assets, patent portfolios and technologies that we believe are strategic to our future business. Investigating businesses, assets, patent portfolios or technologies and integrating newly acquired businesses, assets, patent portfolios or technologies could put a strain on our resources, could be costly and time consuming, and might not be successful. Such activities divert our management's attention from other business concerns. In addition, we might lose key employees while integrating new organizations or operations. Acquisitions could also result in customer dissatisfaction, performance problems with an acquired company or technology, potentially dilutive issuances of equity securities or the incurrence of debt, the assumption or incurrence of contingent liabilities, impairment charges related to goodwill and possible impairment charges related to other intangible assets or other unanticipated events or circumstances, any of which could harm our business.

Our plans to integrate and expand upon research and development programs and technologies obtained through acquisitions may result in products or technologies that are not adopted by the market. Similarly, our plans to establish and to expand manufacturing operations for new products in China and potentially other countries may result in products that do not achieve anticipated customer acceptance or sales. The market may adopt competitive solutions to our products or technologies. Consequently, we might not be successful in integrating any acquired businesses, assets, products or technologies, and might not achieve anticipated revenues and cost benefits.

There are numerous risks associated with our acquisitions of businesses, technologies and patents

We have made a number of acquisitions of businesses, technologies and patents in recent years. These acquisitions are subject to a number of risks, including but not limited to the following:

- These acquisitions could fail to produce anticipated benefits, or could have other adverse effects that we currently do not foresee. As a result, these acquisitions could result in a reduction of net income per share as compared to the net income per share we would have achieved if these acquisitions had not occurred.
- The purchase price for each acquisition is determined based on significant judgment on factors such as projected value, quality and availability of the business, technology or patent. In addition, if other companies have similar interests in the same business, technology or patent, our ability to negotiate these acquisitions at favorable terms may be limited and the purchase price may be artificially inflated.
- Following completion of these acquisitions, we may uncover additional liabilities, patent validity, infringement or enforcement issues or unforeseen expenses not discovered during our diligence process. Any such additional liabilities, patent validity, infringement or enforcement issues or expenses could result in significant unanticipated costs not originally estimated, such as impairment charges of acquired assets and goodwill, and may harm our financial results. For example, during 2011 we recorded an impairment of goodwill of $49.7 million, mainly due to a significant decline in our market capitalization for an extended period of time.
- The integration of technologies, patent portfolios and personnel, if any, will be a time consuming and expensive process that may disrupt our operations if it is not completed in a timely and efficient manner. If our integration efforts are not successful, our results of operations could be harmed, employee morale could decline, key employees could leave, and customer relations could be damaged. In addition, we may not achieve anticipated synergies or other benefits from any of these acquisitions.
- We have incurred substantial direct transaction costs as a result of these acquisitions and anticipate incurring substantial additional costs to support the integration of these businesses and technologies. The total cost of the integration may exceed our expectations.

- Sales by the acquired businesses may be subject to different accounting treatment than our existing businesses, especially related to the recognition of revenues. This may lead to potential deferral of revenues due to new multiple-element revenue arrangements.
- There is a significant time lag between acquiring a patent portfolio and recognizing revenue from those patent assets. During that time lag, material costs are likely to be incurred in preparing licensing and/or litigation campaigns that would have a negative effect on our results of operations, cash flows and financial position.
- We may require external financing that is dilutive, presents risks of debt or shares a corporate opportunity with a third party.
- We are required to estimate and record fair values of contingent assets, liabilities, deferred tax assets and liabilities at the time of an acquisition. Even though these estimates are based on management’s best effort, the actual results may differ. Under the current accounting guidance, differences between actual results and management’s estimate could cause our operating results to fluctuate or could adversely affect our results of operations.

If our amortizable intangible assets (such as acquired patents) or equity investments become impaired, we may be required to record a significant charge to earnings.

In addition to internal development, we intend to broaden our intellectual property portfolio through strategic relationships and acquisitions. We believe this will enhance the competitiveness and size of our current businesses and diversify into markets and technologies that complement our current businesses. These acquisitions could be in the form of asset purchases, equity investments, or business combinations. As a result, we may have intangible assets which are amortized over their estimated useful lives, equity investments, in-process research and development, and goodwill. Under U.S. GAAP, we are required to periodically review our goodwill, amortizable intangible assets, such as patent portfolio, and equity investments for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill, amortizable intangible assets or equity investments may not be recoverable include a decline in future cash flows, fluctuations in market capitalization, slower growth rates in our industry or slower than anticipated adoption of our products by our customers. In 2011, we recorded an impairment of goodwill of $49.7 million due to a significant decline in our market capitalization for an extended period of time. As we continue to review for factors that may affect our business which may not be in our control, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our amortizable intangible assets or equity investments is determined, resulting in an adverse impact on our business, financial position or results of operations.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, new SEC regulations and the NASDAQ Stock Market rules, have created uncertainty for companies. These laws, regulations and standards are often subject to varying interpretations. As a result, their application in practice may evolve as new guidance is provided by regulatory and governing bodies, which could result in higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result of our efforts to comply with evolving laws, regulations and standards, we have increased and may continue to increase general and administrative expenses and diversion of management time and attention from revenue-generating activities to compliance activities.

Provisions of our certificate of incorporation and bylaws or Delaware law might delay or prevent a change of control transaction and depress the market price of our stock.

Various provisions of our certificate of incorporation and bylaws might have the effect of making it more difficult for a third party to acquire, or discouraging a third party from attempting to acquire, control of our company. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. Certain of these provisions eliminate cumulative voting in the election of directors, authorize the board to issue "blank check" preferred stock, prohibit stockholder action by written consent, eliminate the right of stockholders to call special meetings, limit the ability of stockholders to remove directors, and establish advance notice procedures for director nominations by stockholders and the submission of other proposals for consideration at stockholder meetings. We are also subject to provisions of Delaware law which could delay or make more difficult a merger, tender offer or proxy contest involving our company. In particular, Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years unless specific conditions are met. Any of these provisions could have the effect of delaying, deferring or preventing a change in control, including without limitation, discouraging a proxy contest or making more difficult the acquisition of a substantial block of our common stock.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

Our principal corporate administrative, sales, marketing and research and development facilities are located in San Jose, California, and are held under an operating lease. We have research and development, marketing support and manufacturing facilities in China and Taiwan that are held under operating leases. We have research and development and marketing support facilities in Arcadia, California, Ireland, Japan and Romania that are held under operating leases. We also own a research and development and manufacturing facility in North Carolina. Our DigitalOptics reporting segment utilizes all these facilities and our Intellectual Property reporting segment utilizes our facilities located in San Jose, California. We believe our existing facilities are suitable and adequate for our current needs.

Item 3. *Legal Proceedings*

Other than to the extent the proceedings described below have concluded, we cannot predict the outcome of any of the proceedings described below. An adverse decision in any of these proceedings could significantly harm our business and our consolidated financial position, results of operations and cash flows.

Tessera, Inc. v. Advanced Micro Devices, Inc. et al., Civil Action No. 4:05-cv-04063-CW (N.D. Cal.)

On October 7, 2005, Tessera, Inc. filed a complaint for patent infringement against Advanced Micro Devices, Inc. ("AMD") and Spansion LLC in the United States District Court for the Northern District of California, alleging infringement of U.S. Patent Nos. 5,679,977, 5,852,326, 6,433,419 and 6,465,893 arising from AMD's and Spansion LLC's respective manufacture, use, sale, offer to sell and/or importation of packaged semiconductor components and assemblies thereof. Tessera, Inc. seeks to recover damages, up to treble the amount of actual damages, together with attorney's fees, interest and costs. Tessera, Inc. also seeks other relief.

On December 16, 2005, Tessera, Inc. added Spansion Inc. and Spansion Technology, Inc. to the lawsuit.

On January 31, 2006, Tessera, Inc. added claims for breach of contract and/or patent infringement against new defendants, including Advanced Semiconductor Engineering, Inc., ASE (U.S.) Inc. (collectively "ASE"), ChipMOS Technologies, Inc., ChipMOS U.S.A., Inc., Siliconware Precision Industries Co. Ltd and Siliconware USA Inc. (collectively "SPIL"), STMicroelectronics N.V., STMicroelectronics, Inc. (collectively "ST"), STATS ChipPAC Ltd., STATS ChipPAC, Inc. and STATS ChipPAC Ltd. (BVI). The defendants in this action have asserted affirmative defenses to Tessera, Inc.'s claims, and some of them have brought related counterclaims alleging that the Tessera, Inc. patents at issue are invalid, unenforceable and not infringed, and/or that Tessera, Inc. is not the owner of the patents.

These actions were stayed pending completion of Investigation No. 337-TA-605, including appeals, before the International Trade Commission ("ITC"). That stay was lifted on January 4, 2012.

On January 4, 2012 the court set a fact discovery cut-off date of January 18, 2013, a hearing on claim construction and certain dispositive motions on December 5, 2013, and a trial date of April 7, 2014. In July 2012, in connection with the filing of back-royalty reports and the payment of back royalties, Tessera, Inc. by stipulation dismissed its cause of action for breach of contract by ChipMOS Technologies, Inc. and ChipMOS U.S.A. and its cause of action for breach of contract by the SPIL entities. On October 2, 2012, the Court granted the stipulated dismissal with prejudice of Tessera, Inc.'s breach of contract claim against STATS ChipPAC Ltd., STATS ChipPAC (BVI) Ltd., and STATS ChipPAC, Inc.

On December 4, 2012, the court extended the fact discovery cut-off date to February 18, 2013 and on January 28, 2013 the court further extended the fact discovery cut-off date to March 15, 2013 but did not change the other dates identified above.

On December 5, 2012 and January 28, 2013, respectively, Tessera, Inc. entered into a settlement with Spansion LLC, Spansion, Inc., and Spansion Technology, Inc. (collectively "Spansion") and STATS ChipPAC Ltd,, STATS ChipPAC, Inc. and STATS ChipPAC (BVI) Limited (collectively "STATS ChipPac"). Tessera, Inc. filed a stipulated dismissal on December 30, 2012 as to the Spansion entities only and on January 30, 2013 as to the STATS ChipPAC entities only.

On January 31, 2013, the court issued three summary judgment opinions on motions filed related to alleged breach of contract claims. The court denied the defendants' motion for summary judgment relating to sales to Motorola, granted in part and denied in part ASE's motion for summary judgment and granted ST's motion for summary judgment. Breach of contract claims remain against several defendants after these motions.

On February 27, 2013, Tessera Inc. announced that it had entered into a settlement with AMD.

Tessera Technologies, Inc. v. Hynix Semiconductor Inc. et. al, Case No. 1-06-CV-076688 (Cal. Super. Ct.)

On December 18, 2006, Tessera Technologies, Inc. filed a complaint against Hynix Semiconductor Inc. and Hynix Semiconductor America, Inc. (collectively, "Hynix") in the Superior Court of the State of California, for the County of Santa Clara, alleging violations of California antitrust law and California common law based on Hynix's alleged anticompetitive actions in markets related to synchronous DRAM. Tessera Technologies, Inc. also seeks other relief, including enjoining Hynix from continuing their alleged anticompetitive actions. On June 1, 2007, the Superior Court overruled Hynix's demurrer to Tessera Technologies, Inc.'s Cartwright Act claims against Hynix, thus allowing the claims to proceed. On September 14, 2007, the court overruled another Hynix demurrer to Tessera Technologies, Inc.'s claim for interference with contract and business relations, allowing those claims to proceed as well.

In December 2009, the case was formally coordinated with the *Rambus v. Micron* lawsuit pending in the San Francisco County Superior Court (Case No. 04-0431105).

On August 17, 2010, the court denied Hynix's motion for summary adjudication for alleged lack of standing and Hynix's motion for summary adjudication regarding Tessera Technologies, Inc.'s claims for damages. The court granted Hynix's motion to dismiss Tessera Technologies, Inc.'s intentional interference claim.

On December 26, 2012, Tessera Technologies, Inc. entered into a settlement with Hynix and certain Tessera Technologies, Inc. subsidiaries entered into license agreements with Hynix. Tessera Technologies, Inc. filed a Notice of Settlement and Request for Dismissal on January 10, 2013. This proceeding is now concluded.

Tessera, Inc. v. Motorola, Inc., et. al, Civil Action No. 4:12-cv-00692-CW (N.D. Cal.)

On April 17, 2007, Tessera, Inc. filed a complaint against Motorola, Inc., Qualcomm, Inc., Freescale Semiconductor, Inc., and ATI Technologies ULC in the United States District Court for the Eastern District of Texas, alleging infringement of Tessera, Inc.'s U.S. Patent Nos. 5,852,326 and 6,433,419, arising from, among other things, the defendants' respective manufacture, use, sale, offer to sell and/or importation of certain packaged semiconductor components and assemblies thereof. Tessera, Inc. seeks to recover damages, up to treble the amount of actual damages, together with attorney's fees, interest and costs. Tessera, Inc. filed an amended complaint on May 22, 2007. The parties agreed that the case would be temporarily stayed pending completion, including appeals, of ITC Investigation No. 337-TA-605 titled In re Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same. On or about June 2, 2009, Motorola, Inc. and Tessera, Inc. entered into a settlement and license agreement regarding certain Tessera, Inc. technology, including the patents at issue in this action. Tessera, Inc.'s request to dismiss Motorola, Inc. from the action was granted by the Court on June 8, 2009.

On January 18, 2012, the stay was lifted and the case transferred to the United States District Court for the Northern District of California. On March 1, 2012, the Court ordered the parties to comply with the scheduling order in *Tessera, Inc. v. Advanced Micro Devices, Inc. et al* ., Civil Action No. 4: 05-04063-CW (N.D. Cal.).

The defendants answered the amended complaint on March 12, 2012. ATI Technologies ULC and Qualcomm, Inc. also asserted counterclaims alleging that the Tessera, Inc. patents at issue are invalid and not infringed.

Tessera, Inc. v. A-DATA Technology Co., Ltd., et al., Civil Action No. 2:-07-CV-00534-TJW (E.D. Tex.)

On December 7, 2007, Tessera, Inc. filed a complaint against A-Data Technology Co., Ltd., A-Data Technology (U.S.A.) Co., Ltd., Acer, Inc., Acer America Corp., Centon Electronics, Inc., Elpida Memory, Inc., Elpida Memory (USA) Inc., International Products Sourcing Group, Inc ("IPSG"), Kingston Technology Co., Inc., Nanya Technology Corporation, Nanya Technology Corp., U.S.A., Peripheral Devices & Product Systems, Inc. d/b/a Patriot Memory ("PDP"), Powerchip Semiconductor Corp., ProMOS Technologies Inc., Ramaxel Technology Ltd., Smart Modular Technologies, Inc., TwinMOS Technologies, Inc., and TwinMOS Technologies USA Inc. in the United States District Court for the Eastern District of Texas, alleging infringement of U.S. Patent Nos. 5,679,977, 6,133,627, 5,663,106 and 6,458,681, arising from, among other things, the defendants' respective manufacture, use, sale, offer to sell and/or importation of certain packaged semiconductor components and assemblies thereof. Tessera, Inc. seeks to recover damages, up to treble the amount of actual damages, together with attorney's fees, interest and costs.

The defendants have not yet answered Tessera, Inc.'s complaint, but, with the exception of the TwinMOS defendants and Ramaxel, filed motions to stay the case pursuant to 28 U.S.C. § 1659 pending final resolution in the Matter of Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (III), ITC No. 337-TA-630 (the "'630 ITC Action"). Tessera, Inc. filed a motion seeking to find TwinMOS Technologies U.S.A. Inc. in default, and the clerk entered the default judgment. On February 25, 2008, the district court granted the defendants' motion to stay the action.

As noted above, on May 21, 2008, Tessera, Inc. settled its dispute with IPSG, and entered into a settlement and license agreement with IPSG and its parent, Micro Electronics, Inc. IPSG was dismissed from the Texas district court action on June 30, 2008. On August 14, 2008, Tessera, Inc. settled its dispute with PDP, and entered into a settlement and license agreement with PDP. On September 9, 2008, PDP was dismissed from the Texas district court action.

Siliconware Precision Industries Co., Ltd. and Siliconware U.S.A., Inc. v. Tessera, Inc., Civil Action No. 4:08-cv-03667-CW (N.D. Cal.)

On July 31, 2008, SPIL filed a complaint against Tessera, Inc. in the United States District Court for the Northern District of California seeking a declaratory judgment of noninfringement, invalidity, and unenforceability of Tessera, Inc.'s U.S. Patent No. 5,663,106. Tessera, Inc. filed its Answer and Counterclaims on September 5, 2008, asserting infringement of the patent at issue by SPIL. On September 11, 2008, the case was related to *Tessera, Inc. v. Advanced Micro Devices, Inc. et al* ., Civil Action No. 05-04063 (N.D. Cal) and assigned to the same judge. On December 19, 2008, the court ordered this action be stayed pending completion of Investigation No. 337-TA-649 before the ITC, which investigation was terminated in July 2009.

The Court held a case management conference on January 4, 2012 and lifted the stay on that date. The Court's January 4, 2012 Minute Order and Case Management Order, described above in connection with *Tessera, Inc. v. Advanced Micro Devices, Inc. et al* ., Civil Action No. 4:05-cv-04063-CW (N.D. Cal.), applies to this lawsuit as well.

The parties resolved this case and on November 6, 2012 filed a stipulated dismissal of the declaratory judgment action. This proceeding is now concluded.

ChipMOS Technologies Inc., ChipMOS U.S.A. Inc. and ChipMOS Technologies (Bermuda) Ltd. v. Tessera, Inc., Civil Action No. 4:08-03827-CW (N.D. Cal.)

On August 11, 2008, ChipMOS Technologies Inc., ChipMOS U.S.A. Inc. and ChipMOS Technologies (Bermuda) Ltd. (collectively, "ChipMOS") filed a complaint against Tessera, Inc. in the United States District Court for the Northern District of California seeking a declaratory judgment of noninfringement and invalidity of Tessera, Inc.'s U.S. Patent No. 5,663,106. On September 11, 2008, the case was related to *Tessera, Inc. v. Advanced Micro Devices, Inc. et al* ., Civil Action No. 05-04063 (N.D. Cal) and assigned to the same judge. Tessera, Inc. filed its Answer and Counterclaims on September 12, 2008, asserting infringement of the patent at issue by ChipMOS. On December 19, 2008, the court ordered this action be stayed pending completion of Investigation No. 337-TA-649 before the ITC, which investigation was terminated in July 2009.

The Court held a case management conference on January 4, 2012 and lifted the stay on that date. The Court's January 4, 2012 Minute Order and Case Management Order, described above in connection with *Tessera, Inc. v. Advanced Micro Devices, Inc. et al* ., Civil Action No. 4:05-cv-04063-CW (N.D. Cal.), applies to this lawsuit as well.

The parties resolved this case and on November 6, 2012 filed a stipulated dismissal of the declaratory judgment action. This proceeding is now concluded.

Powertech Technology Inc. v. Tessera, Inc., Civil Action No. 4: 10-00945-CW (N.D. Cal.) and U.S. Court of Appeals for the Federal Circuit Case No. 2010-1489

On March 5, 2010, PTI filed a complaint against Tessera, Inc. in the United States District Court for the Northern District of California seeking a declaratory judgment of noninfringement and invalidity of Tessera, Inc.'s U.S. Patent No. 5,663,106. On March 22, 2010, the case was related to *Siliconware Precision Industries, Co., Ltd v. Tessera, Inc.* , Civil Action No. 4:08-cv-03667-CW (N.D. Cal.), and assigned to the judge presiding over that action.

On April 1, 2010, Tessera, Inc. filed a motion to dismiss the complaint for lack of subject matter jurisdiction. On June 1, 2010, the judge granted Tessera, Inc.'s motion, and dismissed the action.

On June 29, 2010, PTI filed a motion seeking reconsideration of the June 1, 2010 order dismissing the action. On August 3, 2010, PTI's motion was denied.

On August 6, 2010, PTI filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit. On September 30, 2011, the Federal Circuit issued an opinion reversing and remanding the case to the district court, determining that there was declaratory judgment jurisdiction. Tessera, Inc. filed a petition for rehearing on November 14, 2011. The Federal Circuit denied Tessera, Inc.'s petition for rehearing on January 5, 2012. On January 19, 2012, the Federal Circuit issued its judgment and the case was remanded to the district court. On December 15, 2011, the district court case was related to *Powertech Technology Inc. v. Tessera, Inc* ., Civil Action No. 4:11-06121-CW (N.D. Cal.), discussed below.

The district court held a Case Management Conference on January 4, 2012. The court issued a Minute Order and Case Management Order dated January 4, 2012, setting, among other things, a fact discovery cut-off date of January 18, 2013, and a trial date of April 7, 2014.

On May 16, 2012, the Court entered an order that denied PTI's motion to strike as to one of Tessera, Inc.'s affirmative defenses, granted PTI's motion to strike with leave to amend as to several other affirmative defenses asserted by Tessera, Inc., and granted PTI's motion to strike as to one of Tessera, Inc.'s affirmative defenses, stating that Tessera, Inc. may move to amend to add that defense if circumstances change. Tessera, Inc. filed an amended answer on May 29, 2012.

On June 29, 2012, PTI sent a letter to Tessera, Inc. purporting to terminate the TCC License Agreement as of June 30, 2012.

On July 30, 2012, Tessera, Inc. provided PTI with a covenant not to sue, or otherwise hold liable, PTI or its customers under certain claims of U.S. Patent No. 5,663,106 in connection with certain PTI-manufactured products.

On August 9, 2012, Tessera, Inc. moved for summary judgment on the ground that as a matter of law no case or controversy exists sufficient to support PTI's claims because of the covenant and because the parties' rights and obligations do not turn on infringement or validity of the Tessera, Inc. patent that forms the basis of PTI's claims.

On September 18, 2012, the Patent Office issued an ex parte reexamination certificate in which certain original claims were cancelled from U.S. Patent No. 5,663,106, and certain new claims were added.

On October 1, 2012, Tessera, Inc. provided PTI with a supplemental covenant not to sue, which among other things, extended the covenant to PTI's subsidiaries and made clear that Tessera, Inc. will not contend that PTI is obligated to pay royalties based on infringement of U.S. Patent No. 5,663,106.

On October 2, 2012, PTI filed a motion for entry of judgment under Federal Rule of Civil Procedure 54(b) asking the court to enter judgment that certain claims of U.S. Patent No. 5,663,106 that were subject to reexamination are invalid.

Powertech Technology Inc. v. Tessera, Inc., Civil Action No. 4:11-06121-CW (N.D. Cal.)

On December 6, 2011, PTI filed a complaint against Tessera, Inc. in the U.S. District Court for the Northern District of California. PTI's complaint seeks a declaratory judgment that PTI has the right to terminate its license with Tessera, Inc. as of December 6, 2011. The complaint also seeks damages for breach of contract in the amount of all royalties paid to Tessera, Inc. since December 7, 2007, purportedly totaling at least $200 million, in addition to an accounting of PTI's damages, an accounting of Tessera, Inc.'s revenue from PTI, prejudgment interest, costs and fees, and other relief deemed proper. Tessera, Inc. disagrees with the assertions made by PTI in the complaint regarding breach of contract, and believes the likelihood that Tessera, Inc. will be required to return already-paid royalties is remote.

On December 15, 2011, the case was related to *Powertech Technology Inc. v. Tessera, Inc* ., Civil Action No. 4:10-00945-CW (N.D. Cal.), discussed above.

On December 30, 2011, Tessera, Inc. filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted and a special motion to strike pursuant to California's anti-SLAPP statute. The Court denied Tessera, Inc.'s motions on May 21, 2012.

The district court held a Case Management Conference on January 4, 2012. The court issued a Minute Order and Case Management Order dated January 4, 2012, setting, among other things, a fact discovery cut-off date of January 18, 2013 and a trial date of April 7, 2014.

On June 3, 2012, PTI filed an amended complaint against Tessera, Inc., adding claims for fraud and deceit, patent misuse, and a declaratory judgment interpreting PTI's license agreement with Tessera, Inc. In addition to the damages sought by PTI's original complaint, the amended complaint seeks punitive damages for fraud, termination of the Tessera, Inc. license as of September 24, 2010, recovery of all royalties paid on wBGA products since September 24, 2010, and an order "enjoining Tessera, Inc. and directing that Tessera, Inc. may not proceed against any party,… under any Tessera Patent as defined by Exhibit A to the TCC License with all amendments, supplements, and additions through September 28, 2010 until Tessera has first paid PTI all of the royalties paid on wBGA products by PTI since September 24, 2010, presently estimated to be $40 million." Tessera, Inc. filed a motion to dismiss PTI's claim for patent misuse and to strike portions of PTI's claim for fraud on June 19, 2012. On August 10, 2012, the Court granted in part and denied in part Tessera, Inc.'s motion, specifically dismissing the patent misuse claim and striking the fraud claim, and granted PTI leave to file an amended and supplemental complaint.

On June 29, 2012, PTI sent a letter to Tessera, Inc. purporting to terminate the TCC License Agreement as of June 30, 2012.

On August 24, 2012, PTI filed a third amended complaint. In addition to the claims and recovery alleged in its earlier complaints, the third amended complaint contained an amended fraud claim and an amended patent misuse claim. The new fraud claim sought damages at least in the amount of the royalty payments made to Tessera, Inc. after December 7, 2007, and punitive damages. The new patent misuse claim asked for declarations that Tessera has engaged in patent misuse, that the agreement is unenforceable against PTI until Tessera, Inc. has purged the patent misuse, and that the Tessera, Inc. patents are unenforceable against PTI until Tessera, Inc. has purged the patent misuse. Tessera, Inc. answered that complaint on September 10, 2012. Also on September 10, 2012, Tessera, Inc. filed counterclaims against PTI for breach of contract, breach of the implied covenant, fraud, negligent misrepresentation, declaratory judgment of indemnification, and declaratory judgment regarding PTI's asserted termination of the agreement.

On July 20, 2012, PTI filed a motion for summary judgment on PTI's first claim for relief in this case. On August 9, 2012, Tessera, Inc. filed an opposition to PTI's motion and filed its own motion for summary judgment on PTI's first, second and third claims on the ground, among others that under the unambiguous language of the agreement Tessera, Inc. did not breach the agreement by filing and pursing its claims in the '630 ITC Action.

On September 20, 2012, the court heard arguments on PTI's July 20, 2012 summary judgment motion and Tessera, Inc.'s August 9, 2012 summary judgment motions and took the motions under submission. On October 2, 2012, the parties stipulated to the court's taking the motions off calendar, and that same day, the court entered an order taking the motions off calendar until such date as the court determines the motions should be decided or the presently-set date for hearing summary judgment motions of December 5, 2013.

On Oct. 23, 2012, the Court granted PTI leave to file its fourth amended and supplemental complaint. PTI's fourth amended complaint adds an allegation to PTI's claim for declaratory relief seeking the recovery and return of royalty payments made to Tessera, Inc. from at least March 2010 in an amount exceeding $130 million and continues to seek the recovery sought in PTI's third amended complaint.

Tessera, Inc. v. Macrotech Technology Inc., Civil Action No. 4:13-00555-KAW (N.D. Cal.)

On February 7, 2013, Tessera, Inc. filed a complaint against Macrotech Technology Inc. ("MTI") in the United States District Court for the Northern District of California. Tessera, Inc's complaint names as defendant MTI and alleges that MTI induced PTI to breach its contract with Tessera, Inc., and intentionally and negligently interfered with Tessera, Inc.'s prospective economic relationships. Tessera, Inc. seeks damages as well as the imposition of a constructive trust on certain amounts owed to Tessera, Inc.

Contingency fee dispute for the case of Tessera Technologies, Inc. v. Hynix Semiconductor Inc. et. al, Case No. 1-06-CV-076688 (Cal. Super. Ct.)

Tessera Technologies, Inc. has a dispute with its former counsel Susman Godfrey L.L.P. ("Susman") over the amount due to Susman, if any, as a contingency fee for Susman's work in the matter of *Tessera Technologies, Inc. v. Hynix Semiconductor Inc.* Susman has requested arbitration of the dispute. No arbitration date has been scheduled.

Tessera, Inc. v. UTAC (Taiwan) Corporation, Civil Action No. 5:10-04435-EJD (N.D. Cal.)

On September 30, 2010, Tessera, Inc. filed a complaint against UTAC (Taiwan) Corporation ("UTAC Taiwan") in the United States District Court for the Northern District of California. Tessera, Inc.'s complaint names as defendant UTAC Taiwan and alleges causes of action for breach of contract, declaratory relief, and breach of the implied covenant of good faith and fair dealing. The complaint requests of the Court, among other things, a judicial determination and declaration that UTAC Taiwan remains contractually obligated to pay royalties to Tessera, Inc., an accounting and restitution in an amount to be determined at trial, and an award of damages in an amount to be determined at trial, plus interest on damages, costs, disbursements, attorneys' fees, and such other and further relief as the Court may deem just and proper.

On March 16, 2011, UTAC Taiwan filed a motion to dismiss the complaint. On March 28, 2012, the Court granted UTAC Taiwan's motion with leave to amend. On April 19, 2012, Tessera, Inc. filed an amended complaint against UTAC Taiwan alleging in further detail causes of action for breach of contract, declaratory relief and breach of the implied covenant of good faith and fair dealing. The amended complaint seeks the same relief as the original complaint. On May 22, 2012 UTAC Taiwan filed its answer and counterclaim to Tessera, Inc.'s amended complaint. Tessera, Inc. filed its reply to UTAC's counterclaim, asserting affirmative defenses, on June 21, 2012.

The Court issued its case management order on June 26, 2012, setting the schedule for the case. On January 3, 2013 the Court granted a stipulation by the parties to extend the case schedule.

Tessera, Inc. v. Sony Electronics, Inc. et al., Civil Action No. 1:10-CV-838-RMD-KW (D. Del.)

On October 1, 2010, Tessera, Inc. filed a complaint against Sony Electronics, Inc., Sony Corporation, and Renesas Electronics Corporation ("Renesas") in the United States District Court for the District of Delaware. On May 23, 2011, Tessera, Inc. filed an Amended Complaint. On October 28, 2011, Tessera, Inc. filed a Second Amended Complaint. On March 6, 2012, Tessera, Inc. filed a Third Amended Complaint, adding allegations against Sony Mobile Communications AB and Sony Mobile Communications (USA) Inc.

Tessera, Inc.'s Third Amended Complaint alleges that Sony Electronics, Inc., Sony Corporation, Sony Mobile Communications AB and Sony Mobile Communications (USA) Inc. (collectively, "Sony") and Renesas infringed and are currently infringing, including by directly infringing, contributorily infringing and/or inducing infringement, U.S. Patent Nos. 6,885,106 (the "106 patent") and 6,054,337 (the "337 patent"). The complaint requests of the Court, among other things, a judgment that the defendants willfully infringed, induced others to infringe, and/or committed acts of contributory infringement of one or more claims of U.S. Patent Nos. 6,885,106 and 6,054,337; an order that defendants, their affiliates, subsidiaries, directors, officers, employees, attorneys, agents, and all persons in active concert or participation with any of them be preliminarily and permanently enjoined from further acts of infringement, inducing infringement, and contributory infringement of U.S. Patent Nos. 6,885,106 and 6,054,337; an order for an accounting; and an award of damages that result from the defendants' infringing acts, interest on damages, costs, expenses, attorneys' fees and such other and further relief as the Court deems just and proper.

On June 17, 2011, Renesas filed an Answer and Counterclaims to Tessera, Inc.'s Amended Complaint; in its filing, Renesas, among other things, denies infringement of U.S. Patent Nos. 6,885,106 and 6,054,337, alleges invalidity of U.S. Patent Nos. 6,885,106 and 6,054,337 and unenforceability of U.S. Patent No. 6,885,106, alleges that Tessera, Inc. is not entitled to any injunctive relief, and requests an award to Renesas of its attorneys' fees and costs.

On July 11, 2011, Tessera, Inc. filed a motion to dismiss Renesas's counterclaim of inequitable conduct and to strike Renesas's affirmative defense of inequitable conduct. On March 30, 2012 the Court denied the motion because it was based on an answer to a now-moot prior complaint. On July 12, 2011, Renesas filed a motion to transfer the case to the Northern District of California. On March 30, 2012 the Court denied the motion.

On March 19, 2012, Sony filed an Answer to Tessera, Inc.'s Third Amended Complaint and certain Sony parties filed Counterclaims; in its filing, Sony, among other things, denies infringement of U.S. Patent Nos. 6,885,106 and 6,054,337 and alleges invalidity of U.S. Patent Nos. 6,885,106 and 6,054,337. Sony also alleges that Tessera, Inc.'s claims are precluded to the extent any allegedly infringing products are supplied directly or indirectly to Sony by an entity or entities having an express or implied license to the patents-in-suit, to the extent any allegedly infringing products are supplied, directly or indirectly, by Sony to an entity or entities having an express or implied license to the patents-in-suit, and/or to the extent Tessera, Inc.'s claims are otherwise precluded by the doctrine of patent exhaustion. Sony also requests an award of its attorneys' fees and costs. On April 12, 2012, Tessera, Inc. filed an Answer to the Sony parties' Counterclaims, denying that they are entitled to any relief on their Counterclaims.

On April 20, 2012, Renesas filed an Answer and Counterclaims to Tessera, Inc.'s Third Amended Complaint. In its filing, Renesas, among other things, denies infringement of U.S. Patent Nos. 6,885,106 and 6,054,337, alleges invalidity of U.S. Patent Nos. 6,885,106 and 6,054,337 under 35 U.S.C. §§ 102, 103, and 112, alleges invalidity of U.S. Patent No. 6,885,106 for improper double patenting, alleges unenforceability of U.S. Patent No. 6,885,106 due to inequitable conduct, alleges that Tessera, Inc. is not entitled to any injunctive relief, and requests an award to Renesas of its attorneys' fees and costs. On May 14, 2012, Tessera, Inc. filed an Answer to Renesas's Counterclaims, denying that Renesas is entitled to any relief on its Counterclaims.

On June 17, 2011, Sony filed a request with the PTO for *inter partes* reexamination of U.S. Patent No. 6,885,106, and on September 24, 2012, Sony filed a petition with the PTO for *inter partes* review of U.S. Patent No. 6,054,337, as discussed in greater detail in the "*Reexamination Proceedings*" section below. On October 11, 2012, Sony filed a motion to stay the litigation pending completion of proceedings on both asserted patents before the PTO. On November 27, 2012, Tessera, Inc., Sony, and Renesas submitted to the Court a stipulated order whereby each party agreed to dismiss with prejudice its claims and counterclaims regarding U.S. Patent No. 6,885,106, each party to bear its own fees and costs, and to stay the litigation until the earlier of: (1) The Patent Trial and Appeal Board's ("PTAB") denial of Sony's Petition for *inter partes* review of U.S. Patent No. 6,054,337, or (2) the confirmation by the PTAB of claim 27 or claim 28 of U.S. Patent No. 6,054,337. As part of the stipulation, Renesas agreed not to assert invalidity of U.S. Patent No. 6,054,337 in the litigation based on prior art raised unsuccessfully in the *inter partes* review of U.S. Patent No. 6,054,337. The parties otherwise expressly reserved all rights and made no admissions. On December 11, 2012, the Court entered the parties' stipulated order.

Tessera, Inc. v. Sony Corporation, Civil Action No. 5:11-04399-EJD (N.D. Cal.)

On May 26, 2011, Tessera, Inc. filed a complaint against Sony Corporation in the California Superior Court for Santa Clara County. Tessera, Inc.'s complaint alleges breach of contract and breach of the covenant of good faith and fair dealing claims against Sony Corporation. Tessera, Inc. contends that Sony Corporation failed to abide by the terms of a royalty-bearing technology license agreement between the parties. Tessera, Inc. contends that it commissioned an audit of payments due by Sony Corporation under the agreement, delivered an audit report to Sony Corporation on February 14, 2011, and that Sony Corporation has failed to pay the amounts the auditors found due. Tessera, Inc. requests its damages, plus interest, costs and attorney's fees. Sony Corporation removed the case to federal district court (Northern District of California) on September 2, 2011. On September 8, 2011, Sony Corporation filed an answer and defenses to Tessera, Inc.'s complaint, and a counterclaim alleging breach of the implied covenant of good faith and fair dealing. On January 31, 2012, the Court issued a Case Management Order, setting various case deadlines, including scheduling a Preliminary Pretrial Conference for February 22, 2013. On October 10, 2012 Sony Corporation filed a motion requesting leave to file an Amended Answer, which proposes adding counterclaims against Tessera, Inc. for fraud, violation of Cal. Bus. & Prof. Code 17200, and civil conspiracy. On January 7, 2013, the Court denied Sony Corporation's motion for leave to file an Amended Answer and issued an order resetting various case deadlines, including rescheduling the Preliminary Pretrial Conference to March 22, 2013.

Invensas Corporation v. Renesas Electronics Corporation, Civil Action No. 1:11-CV-00448-GMS-CJB (D. Del.)

On May 23, 2011, Invensas filed a complaint against Renesas in the United States District Court for the District of Delaware. Invensas's complaint alleges that Renesas has infringed and is currently infringing, including by directly infringing, contributorily infringing and/or inducing infringement, U.S. Patent Nos. 6,777,802, 6,825,554, 6,566,167, and 6,396,140. The complaint requests of the Court, among other things, a judgment that Renesas has willfully infringed, induced others to infringe, and/or committed acts of contributory infringement of one or more claims of U.S. Patent Nos. 6,777,802, 6,825,554, 6,566,167, and 6,396,140; an order that Renesas, its affiliates, subsidiaries, directors, officers, employees, attorneys, agents, and all persons in active concert or participation with any of them be preliminarily and permanently enjoined from further acts of infringement, inducing infringement, or contributory infringement of U.S. Patent Nos. 6,777,802, 6,825,554, 6,566,167, and 6,396,140; an order for an accounting; and an award of damages that result from Renesas's infringing acts, interest on damages, costs, expenses, attorneys' fees and such other and further relief as the Court deems just and proper.

On October 28, 2011, Renesas filed an Answer and Counterclaims to Invensas's Complaint. In its filing, Renesas, among other things, denies infringement of U.S. Patent Nos. 6,777,802, 6,825,554, 6,566,167, and 6,396,140, alleges invalidity of these same patents, alleges that Invensas is not entitled to any injunctive relief, alleges that Invensas's claims for damages are limited or barred, alleges that the court lacks personal jurisdiction over Renesas, and seeks an award to Renesas of attorneys' fees and costs. On November 21, 2011, Invensas filed an Answer to Renesas's Counterclaims.

On June 4, 2012, the Court issued a Case Management Order, setting various case deadlines. Pretrial conference and trial dates have not yet been set.

Reexamination Proceedings

On February 9, 2007 and February 15, 2007, SPIL filed with the PTO requests for inter partes reexamination relating to U.S. Patent Nos. 6,433,419 and 6,465,893, and ex parte reexamination relating to U.S. Patent Nos. 5,679,977, 6,133,627 and 5,852,326. On April 19, 2007, the PTO granted the requests for ex parte reexamination. On May 4, 2007, the PTO granted the requests for inter partes reexamination.

The PTO issued a non-final Official Action in connection with the inter partes reexamination of U.S. Patent No. 6,465,893 initially rejecting a number of patent claims on May 4, 2007. The PTO issued a non-final Official Action in connection with the inter partes reexamination of U.S. Patent No. 6,433,419 initially rejecting a number of the patent claims on June 5, 2007, to which a response was filed by Tessera, Inc. on August 6, 2007. On March 14, 2007, SPIL filed a second request for ex parte reexamination of U.S. Patent No. 5,679,977. The PTO granted this request on June 12, 2007.

On May 21, 2007, Amkor Technology, Inc. ("Amkor") filed a request for ex parte reexamination of U.S. Patent No. 5,861,666. On July 26, 2007, the PTO granted this request. On June 11, 2007, Amkor filed additional requests for reexamination regarding U.S. Patent Nos. 5,679,977 and 6,133,627. The PTO granted the request for reexamination as to the 5,679,977 patent on August 15, 2007, and the PTO granted the requests for reexamination as to the 6,133,627 patent on August 13, 2007.

A first official action rejecting some claims and confirming other claims as patentable was mailed February 21, 2008 in the reexamination of U.S. Patent No. 5,852,326. A second office action rejecting some claims and confirming other claims as patentable was mailed on August 1, 2008. A third, final official action rejecting all claims under reexamination was mailed on March 6, 2009. An advisory action was mailed by the PTO on June 22, 2009, maintaining all of the rejections presented in the Action of March 6, 2009. On July 1, 2009, Tessera, Inc. filed a petition to withdraw the finality of the official action mailed on March 6, 2009. The

PTO issued a decision on July 10, 2009 dismissing Tessera, Inc.’s petition of July 1, 2009. Tessera, Inc. filed a Notice of Appeal on August 6, 2009, and timely filed an appeal brief on October 13, 2009. The PTO’s Answer to Tessera, Inc.’s appeal brief was mailed on May 28, 2010. On November 16, 2010, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate, finding the original claims subject to reexamination to be patentable. The Reexamination Certificate issued on March 1, 2011, confirming that all of the original claims subject to reexamination are patentable and terminating the reexamination proceeding.

A first official action was mailed February 22, 2008 in the reexamination of U.S. Patent No. 5,861,666 rejecting those claims which were subject to reexamination. Such official action was superseded by a substantively identical action mailed March 11, 2008 restarting the period for response. A second official action was mailed on September 30, 2008. On March 13, 2009, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate, after which a Supplemental Notice of Intent to Issue Ex Parte Reexamination Certificate (Corrected Status) was issued on April 2, 2009, finding certain amended and newly presented claims to be patentable. The Reexamination Certificate issued on June 30, 2009.

On February 12, 2008, the PTO issued decisions merging the three reexaminations of U.S. Patent No. 5,679,977 with one another and also merging the two reexaminations of U.S. Patent No. 6,133,627 with one another.

A first official action was issued on February 29, 2008 in the merged reexaminations of U.S. Patent No. 6,133,627, rejecting those claims subject to reexamination. On August 10, 2008, the PTO issued a second official action, to which Tessera, Inc. filed a Request to Vacate the Second Official Action on August 26, 2008 on procedural grounds. As a result, on September 11, 2008, the PTO issued a third non-final official action. A first official action was issued on March 28, 2008 in the merged reexaminations of U.S. Patent No. 5,679,977, rejecting those claims subject to reexamination. On October 10, 2008, the PTO issued a second non-final official action. On October 1, 2009, the PTO issued a final official action. On January 14, 2010, the PTO issued an Advisory Action indicating that Tessera, Inc.’s response of December 1, 2009 failed to overcome all of the rejections set forth in the final official action mailed October 1, 2009. Tessera, Inc. filed a Notice of Appeal on February 1, 2010, and timely filed an appeal brief on April 5, 2010. The PTO’s Answer to Tessera, Inc.’s appeal brief withdrew certain rejections previously applied to the claims, but continued to apply other rejections as to all claims under reexamination. On December 14, 2010, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate, finding the original claims subject to reexamination to be patentable and canceling the newly presented claims. The Reexamination Certificate issued on March 15, 2011, confirming that all of the original claims subject to reexamination are patentable and terminating the reexamination proceeding.

On February 19, 2008, the PTO issued a second official action maintaining the rejections in U.S. Patent No. 6,433,419. On March 10, 2008, Tessera, Inc. filed a petition to vacate the second official action in the reexamination of U.S. Patent No. 6,433,419 on the ground that the second official action did not properly take account of an amendment to the specification of U.S. Patent No. 6,433,419. On June 3, 2008, Tessera, Inc. filed a renewed petition to vacate the inter partes reexamination on the ground that the request for such reexamination did not name the real party in interest. The petition was denied on September 10, 2008. On June 13, 2008, the PTO issued a third official action in the inter partes reexamination of U.S. Patent No. 6,433,419 which was denominated as an action closing prosecution. A Right of Appeal Notice was issued on September 17, 2008, and Tessera, Inc. filed a Notice of Appeal on October 17, 2008. On November 3, 2008, the PTO issued a decision withdrawing the Right of Appeal Notice and returning the case to the examiner for issuance of a further action. On December 23, 2008, the PTO issued a non-final official action, also denominated as an action closing prosecution. A Right of Appeal Notice was issued on June 19, 2009. On July 1, 2009, Tessera, Inc. filed a petition to withdraw the Right of Appeal Notice. Having not yet received a decision on the petition of July 1, 2009, Tessera, Inc. filed a Notice of Appeal on July 20, 2009. On July 30, 2009, the PTO issued a decision dismissing Tessera, Inc.’s petition of July 1, 2009. Tessera, Inc. timely filed an appeal brief on October 5, 2009. The PTO’s Answer to Tessera, Inc.’s appeal brief was mailed on July 13, 2010. On January 17, 2011, Tessera, Inc. filed a petition to reopen prosecution due to new developments after the close of briefing in the appeal which include actions by the PTO in other reexaminations and a new holding by the Court of Appeals for the Federal Circuit in an appeal from a decision of the International Trade Commission concerning U.S. Patent No. 6,433,419. On February 25, 2011, the PTO issued a decision granting in part Tessera, Inc.'s petition to the extent that prosecution of the reexamination proceedings in connection with U.S. Patent No. 6,433,419 was reopened. On March 11, 2011, the PTO issued a fourth official action in the inter partes reexamination of U.S. Patent No. 6,433,419 which was denominated an action closing prosecution. The official action of March 11, 2011 confirmed that all of the claims subject to reexamination are patentable. A Right of Appeal Notice was issued on May 3, 2011, and SPIL filed a Notice of Appeal on June 2, 2011. On November 15, 2011, the Examiner mailed an Examiner's Answer maintaining all positions set forth in the Right of Appeal Notice issued on May 3, 2011. An oral hearing in the appeal was held on September 19, 2012 at the PTO in Alexandria, VA. On December 21, 2012, Tessera, Inc. filed a petition for the entry of additional evidence after appeal. SPIL filed an opposition to Tessera, Inc.'s December 21, 2012 petition on January 2, 2013. On January 28, 2013, the Patent Trial and Appeal Board denied Tessera Inc.'s December 21, 2012 petition and dismissed SPIL's January 2, 2013 opposition to same. On December 21, 2012, the Patent Trial and Appeal Board issued a Decision on Appeal, reversing the Examiner's favorable decision of patentability, by rejecting all of the claims subject to reexamination on a new ground. On January 4, 2013, the Patent Trial and Appeal Board granted a petition filed by Tessera, Inc. on December 28, 2012 to extend Tessera, Inc.'s deadline for responding to the Decision on Appeal to February 21, 2013. On February 21, 2013, Tessera Inc. filed a response and request to reopen prosecution.

On February 15, 2008, the PTO issued a second official action, also denominated as an action closing prosecution, maintaining the rejections of U.S. Patent No. 6,465,893. On March 28, 2008, Tessera, Inc. filed a petition to vacate the second official action in the reexamination of U.S. Patent No. 6,465,893 on the ground that the second official action did not properly take account of an amendment to the specification of U.S. Patent No. 6,465,893. On June 9, 2008, Tessera, Inc. filed a renewed petition to vacate the inter partes reexamination on the ground that the request for such reexamination did not name the real party in interest, which petition was denied on September 10, 2008. On August 21, 2008, a non-final office action was issued. On February 5, 2009, the PTO issued a non-final official action, also denominated as the second action closing prosecution. A Right of Appeal Notice was issued on June 22, 2009. Tessera, Inc. filed a Notice of Appeal on July 22, 2009. On November 10, 2010, the PTO issued an action closing prosecution confirming certain of the original claims subject to reexamination as patentable and rejecting other claims subject to reexamination. A second Right of Appeal Notice was issued on February 18, 2011. Tessera, Inc. filed a Notice of Appeal on March 3, 2011, and SPIL filed a Notice of Cross Appeal on March 7, 2011. On August 22, 2011, the examiner mailed an examiner's answer maintaining all positions set forth in the Right of Appeal Notice issued on February 18, 2011. An oral hearing in the appeal was held on September 19, 2012 at the PTO in Alexandria, VA. On December 21, 2012, Tessera, Inc. filed a petition for the entry of additional evidence after appeal. SPIL filed an opposition to Tessera, Inc.'s December 21, 2012 petition on January 2, 2013. On January 28, 2013 the Patent Trial and Appeal Board denied Tessera Inc.'s December 21, 2012 petition and dismissed SPIL's January 2, 2013 opposition to same. On December 21, 2012, the Patent Trial and Appeal Board issued a Decision on Appeal, affirming the Examiner's previous holding of unpatentability as to some claims, reversing the Examiner's favorable decision of patentability as to other claims by rejecting those claims on new grounds of rejection, and affirming the Examiner's favorable decision of patentability as to still other claims. On January 4, 2013, the Patent Trial and Appeal Board granted a petition filed by Tessera, Inc. on December 28, 2012 to extend Tessera, Inc.'s deadline for responding to the Decision on Appeal to February 21, 2013. On February 21, 2013, Tessera Inc. filed a request to reopen prosecution.

On March 26, 2008, a request for a third ex parte reexamination of U.S. Patent No. 6,133,627 patent was filed, ostensibly by PowerChip Semiconductor Corporation ("Powerchip"). On May 2, 2008, the PTO granted this request. On November 18, 2008, the PTO issued a first non-final official action. On February 13, 2009, the PTO issued an order merging all of the reexaminations of U.S. Patent No. 6,133,627. On March 17, 2009, the PTO issued a non-final official action rejecting all claims under reexamination. On July 14, 2009, the PTO issued a final official action which held certain claims patentable but rejected other claims. On December 1, 2009, the

PTO issued an Advisory Action indicating that Tessera, Inc.'s response of August 14, 2009 failed to overcome all of the rejections set forth in the final official action mailed July 14, 2009. Tessera, Inc. filed a Notice of Appeal on December 14, 2009. The PTO's Answer to Tessera, Inc.'s appeal brief was mailed on May 28, 2010. On November 16, 2010, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate, finding the original claims subject to reexamination to be patentable and canceling the newly presented claims. The Reexamination Certificate issued on March 1, 2011, confirming that all of the original claims subject to reexamination are patentable and terminating the reexamination proceeding.

On April 2, 2008, a request for inter partes reexamination of Tessera, Inc.'s U.S. Patent No. 6,458,681 was filed, ostensibly by Powerchip. On June 6, 2008, the PTO granted this request and issued an official action rejecting certain claims of the '681 patent. On September 21, 2009, the PTO issued an Action Closing Prosecution rejecting certain claims and holding one claim patentable. A Right of Appeal Notice was issued on February 22, 2010. On July 20, 2010, the PTO issued a Notice of Intent to Issue Inter Partes Reexamination Certificate, canceling the claims subject to reexamination. The reexamination certificate was issued on October 26, 2010. On March 22, 2010, Tessera, Inc. filed an application for reissue of the '681 patent to further address the matters raised during the reexamination proceedings and to pursue additional claims. On May 22, 2012, the reissue application issued as U.S. Patent No. RE43,404, which included certain amended claims from the '681 patent and new claims, and which canceled other claims from the '681 patent.

On July 18, 2008, a request for ex parte reexamination of Tessera, Inc.'s U.S. Patent No. 5,663,106 was filed, ostensibly by Powerchip. On September 4, 2008, the PTO granted the request for reexamination. On April 10, 2009, the PTO issued a non-final official action rejecting all claims under reexamination. On November 19, 2009, the PTO issued a final official action finding certain claims patentable and rejecting other claims. On April 7, 2010, the PTO issued a non-final official action withdrawing the rejections previously made but rejecting all claims under reexamination on new grounds. On October 18, 2010, the PTO issued a new final official action. An advisory action was mailed by the PTO on March 17, 2011, finding certain claims patentable and maintaining the remainder of the rejections presented in the October 18, 2010 action. Tessera, Inc. filed a Notice of Appeal on April 18, 2011. On July 6, 2011, Tessera, Inc. filed a petition with the PTO to allow a first reissue application filed with the claims held to be patentable in the present reexamination proceeding, and to merge a second reissue application filed with the claims involved the present reexamination proceeding with the present proceeding. On January 18, 2012, the PTO issued a decision dismissing Tessera, Inc.'s July 6, 2011 petition and suspending the first and second reissue applications pending conclusion of the ex parte reexamination proceeding of U.S. Patent No. 5,663,106. The PTO's Answer to Tessera, Inc.'s appeal brief was mailed on February 17, 2012. On July 9, 2012, Tessera, Inc. filed a request for the Board to dismiss the appeal of U.S. Patent No. 5,663,106 and to return the case to the Examiner for issuance of a Notice of Intent to Issue Reexamination Certificate with the presently allowed claims as set forth in the advisory action mailed March 17, 2011. On July 17, 2012, the Board dismissed the appeal and returned the case to the Examiner for further action. On July 30, 2012, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate, holding certain claims patentable and canceling certain other claims. On August 3, 2012, Tessera, Inc. expressly abandoned the first and second reissue applications. The Reexamination Certificate issued on September 18, 2012.

On June 17, 2011, a request for inter partes reexamination of U.S. Patent No. 6,885,106 was filed by Sony Corporation and Sony Electronics, Inc. On September 8, 2011, the PTO granted the request for reexamination. On September 20, 2011, the PTO issued a non-final official action rejecting certain claims and confirming certain claims. Tessera, Inc. filed a Petition under 37 C.F.R. § 1.181 to Withdraw the Pending Office Action and Ultra Vires Requirement for Information (Rule 105 Requirement) on November 11, 2011. Tessera, Inc. then filed a response to the September 20, 2011, non-final official action on December 20, 2011. Sony filed responsive comments on January 19, 2012 with a Petition to waive page limits. The PTO dismissed Tessera, Inc.'s Rule 181 Petition as moot because the PTO accepted Tessera, Inc.'s arguments in the Response regarding the Rule 105 requirement. The PTO found Tessera, Inc.'s response non-compliant for exceeding the page limits in a Notice mailed February 22, 2012. Tessera Inc. filed a Response to the Notice and a Petition to waive page limits

March 7, 2012. The PTO granted Tessera Inc.'s and Sony's separate petitions to waive page limits on April 10, 2012. The PTO issued an Action Closing Prosecution (non-final) on April 17, 2012, which rejected certain claims and confirmed certain claims. Tessera, Inc. filed a Petition to Strike Sony's Comments on April 23, 2012. Sony opposed on May 1, 2012 by withdrawing from the record the challenged proposed rejections. The PTO denied Tessera, Inc.'s Petition on May 25, 2012 based on Sony's withdrawal. Tessera, Inc. filed a Response to the Action Closing Prosecution on June 18, 2012. Sony's Comments were filed on July 18, 2012. The PTO found Tessera, Inc.'s June 18, 2012 Response page-limit compliant in a petition decision mailed September 28, 2012.

On January 29, 2013, Tessera, Inc. filed a Statutory Disclaimer in the patent file of U.S. Patent No. 6,885,106 dedicating to the public all of the originally issued claims in U.S. Patent No. 6,885,106. Tessera, Inc. then filed, on February 5, 2013, a Supplemental Amendment in the reexamination that canceled all pending claims and alerted the Examiner to the Statutory Disclaimer. The Supplemental Amendment also sought termination of the inter partes reexamination proceeding. On February 11, 2013, at the specific request of the U.S. Patent and Trademark Office, Tessera, Inc. filed in the reexamination a Notice of Concurrent Proceedings, again alerting the Examiner to the Statutory Disclaimer filed in the patent file of U.S. Patent No. 6,885,106. On February 25, 2013, the PTO mailed a Notice of Intent to issue a Reexamination Certificate (NIRC), which terminated the reexamination and noted the status of the claims as: 1-60 currently disclaimed and 61-155 cancelled.

On September 24, 2012, Sony filed a petition for inter partes review of Tessera, Inc.'s U.S. Patent No. 6,054,337. On September 27, 2012, the PTO mailed a Notice accepting the petition filing, which set a December 27, 2012 deadline for Tessera, Inc. to file a preliminary response. Tessera, Inc. filed a patent owner preliminary response on December 26, 2012. On February 26, 2013, the Patent Trial and Appeal Board (PTAB) mailed a Decision initiating a trial for claims 27-29 and 39 on two grounds of patentability.

On or about January 3, 2006, Koninklijke Phillips Electronics N.V. and Philips Semiconductors B.V. ("Philips"), MICRON Semiconductor Deutschland GmbH ("Micron GmbH"), Infineon and STMicroelectronics, Inc. ("STM") filed oppositions to Tessera, Inc.'s European Patent No. EP1111672 (the "EP672 Patent") before the European Patent Office (the "EPO"). Micron GmbH and Infineon withdrew their oppositions on July 24, 2006 and November 4, 2006, respectively. On December 4, 2006, Phillips withdrew its opposition. On September 16, 2008, the EPO Opposition Division issued a "Summons to attend oral proceedings" which states "preliminary" opinions unfavorable to the claims of the EP672 Patent. An oral hearing before the EPO Opposition Division, was held on June 4, 2009, resulting in a decision to revoke the EP672 Patent. Tessera, Inc. filed a Notice of Appeal on August 24, 2009.

The following Tessera, Inc. patents expired on September 24, 2010: U.S. Patent Nos. 6,433,419, 6,465,893, 5,679,977, 6,133,627 and 5,852,326. In addition, on September 24, 2011, the EP672 Patent expired. The reexamination proceedings concerning U.S. Patents 6,433,419 and 6,465,893 will continue after expiration. As set forth above, the reexamination proceedings concerning U.S. Patents 5,679,977, 6,133,627 and 5,852,326 have terminated with issuance of reexamination certificates confirming patentability of the original claims subject to reexamination.

The patents that are subject to the above-described reexamination proceedings include some of the key patents in Tessera, Inc.'s portfolio, and claims that are treated in the current official actions are being asserted in certain of Tessera, Inc.'s various litigations. The Company cannot predict the outcome of these proceedings. An adverse decision could also significantly affect Tessera, Inc.'s ongoing litigations, as described herein, in which patents are being asserted, which in turn could significantly harm the Company's business and consolidated financial position, results of operations and cash flows.

Insolvency Proceedings over the Estate of Qimonda AG, Local Court of Munich, Insolvency Court, File No. 1542 IN 209/09

On January 23, 2009, Qimonda AG filed a bankruptcy petition with the Local Court of Munich, Insolvency Court. On April 1, 2009, the Court opened insolvency proceedings over the estate of Qimonda AG and appointed Rechtsanwalt Dr. Michael Jaffé as the insolvency administrator.

On or about May 27, 2009, Dr. Jaffé chose non-performance of Tessera, Inc.'s license agreement with Qimonda AG under Section 103 of the German Insolvency Code and purported to terminate the license agreement. On June 12, 2009, Tessera, Inc. filed a Proof of Claim in the Qimonda AG bankruptcy alleging amounts due of approximately 15.7 million Euros. On December 2, 2009, Dr. Jaffé preliminarily contested Tessera, Inc.'s claim in full. On November 15, 2010, Dr. Jaffé acknowledged approximately 7.8 million Euros of Tessera, Inc.'s claim. The amount has been registered with the list of creditors' claims at the Local Court of Munich, Insolvency Court. However, both the date and the final amount of recovery for unsecured debtors remain uncertain.

In re Spansion, LLC, U.S. Bankruptcy Court (Del.), Case No. 09-1069; In re Spansion, Inc., U.S. Bankruptcy Court (Del.), Case No. 09-10690; In re Spansion Technology LLC, U.S. Bankruptcy Court (Del.), Case No. 09-10691

On or about March 1, 2009, Spansion initiated bankruptcy proceedings in the United States Bankruptcy Court for the District of Delaware. On or about July 17, 2009, Tessera, Inc. filed a Proof of Claim in each of the above Spansion bankruptcy proceedings alleging amounts due of not less than $25 million.

On January 12, 2010, Spansion filed a motion to determine and estimate the amount of Tessera, Inc.'s administrative expense claim, for the purpose of demonstrating the feasibility of Spansion's Second Amended Joint Plan of Reorganization. Tessera, Inc.'s administrative expense claim relates to the damages that Spansion would owe for the post-petition (post-March 1, 2009) infringement of certain Tessera, Inc. patents. On January 26, 2010, Tessera, Inc. filed its objection to Spansion's Second Amended Joint Plan of Reorganization, asserting that the plan was not feasible and that it failed to provide for the payout of administrative expense claims on the plan effective date.

On January 29, 2010, the court held a hearing on Spansion's motion. On February 9, 2010, the Court announced its ruling that a reasonable royalty rate for Spansion products sold in the United States during the administrative period was 56.7 cents per unit. As later memorialized in its April 6, 2010 Order, the Court also estimated, for purposes of plan confirmation, Tessera, Inc.'s administrative expense claim at $4,232,986.13 for the period from March 1, 2009 to July 20, 2009.

On February 5, 2010, Spansion filed a motion for an order estimating the amount of "certain contingent, unliquidated, duplicative and/or overstated claims," including Tessera, Inc.'s pre-petition claims, for purposes of establishing class 5 plan distribution reserves. Tessera, Inc. filed its objection to the estimation motion on February 17, 2010 and on that same date submitted three Amended Proofs of Claim, each for not less than $219 million, based in part on the Court's 56.7 cents per unit royalty rate.

On February 23, 2010, Tessera, Inc. filed a motion for allowance and payment of its administrative expense claim. The motion requested that the claim be allowed at $96,765,070, for the period from March 1, 2009 to January 29, 2010, plus all after-arising damages, with interest. Spansion and the Official Committee of Unsecured Creditors filed an objection to this motion on March 16, 2010.

On March 23, 2010, the Court entered an order allowing Tessera, Inc. to file its three Amended Proofs of Claim. On March 25, 2010, the parties reached a stipulation that the Court would estimate Tessera, Inc.'s pre-petition claim in the amount of $130 million for purposes of establishing class 5 plan distribution reserves.

On April 1, 2010, the Court issued an Order and Opinion on Confirmation. The Order denied Spansion's request for plan confirmation due in part to Spansion's failure to set aside a reserve for Tessera, Inc.'s administrative expense claim. On April 7, 2010, Spansion filed an amended plan that included a reserve for Tessera, Inc.'s administrative expense claim in the amount of $4,232,986.13. On April 16, 2010, the Court issued its finding of facts, conclusions of law, and Order confirming the plan as amended. Spansion's bankruptcy plan became effective on May 10, 2010.

In accordance with the parties' prior stipulation, on May 26, 2010, the Court issued an Order estimating Tessera, Inc.'s pre-petition claims in the amount of $130 million. In a June 15, 2010 Order, the Court disallowed two of Tessera, Inc.'s Amended Proofs of Claim, leaving one proof of claim of not less than $219 million. On July 6, 2010, Spansion filed an objection to the remaining proof of claim.

On November 2, 2010, the remaining issues regarding Tessera, Inc.'s claims were transferred to the Northern District of California as Case No. 4:10-cv-04954-CW, which was then related to the previously pending case, *Tessera, Inc. v. Advanced Micro Devices, Inc. et al.* , Case No. 4:05-cv-04063-CW. Thus, the proceedings in the Northern District of California will address the objections to Tessera, Inc.'s pre-petition claim, which had been estimated for purposes of class 5 plan distribution reserves at $130 million. These proceedings will also address Tessera, Inc.'s administrative expense claim, which had been estimated for purposes of claim confirmation at $4,232,986.13 for the period from March 1, 2009 to July 20, 2009.

The Court in the Northern District of California held a case management conference on January 4, 2012 and lifted its stay on that date. The Court's January 4, 2012 Minute Order and Case Management Order, described above in connection with *Tessera, Inc. v. Advanced Micro Devices, Inc. et al.* , Civil Action No. 05-04063 (N.D. Cal.), applies to this lawsuit as well.

Tessera, Inc. entered into a settlement with Spansion. Tessera, Inc. filed a stipulated dismissal on December 30, 2012. This proceeding is now concluded.

Amkor Technology, Inc. v. Tessera, Inc. (ICC Case No. 16531/VRO)

On or about August 7, 2009, Amkor filed a request for arbitration against Tessera, Inc. before the International Chamber of Commerce ("ICC"). The request, among other things, accused Tessera, Inc. of interference with Amkor's existing and prospective business relationships, of improperly claiming that Amkor had breached the parties' license agreement, and of improperly threatening to terminate that agreement. Amkor seeks relief including judgment that it is in compliance with the license agreement and is a licensee in good standing under the license agreement; judgment that the license agreement remains in effect and no breach alleged by Tessera, Inc. against Amkor has terminated the license agreement; judgment that Amkor's method of calculating royalties on a going-forward basis complies with Amkor's obligations under the license agreement; an injunction against Tessera, Inc. forbidding it from making statements to Amkor's customers and potential customers inconsistent with the above; an injunction against Tessera, Inc. forbidding it from attempting to terminate the license agreement or threatening to terminate the license agreement during the arbitration or based on events occurring prior to the conclusion of the arbitration; a damage award against Tessera, Inc. for attorneys' fees and costs to Amkor associated with this arbitration, together with all other damages resulting from Tessera, Inc.'s alleged acts of tortious interference and punitive damages; all other relief recoverable under the Rules of Arbitration of the ICC; such other and further relief as the arbitrators deem just and proper.

On November 2, 2009, Tessera, Inc. filed its answer to the request, including counterclaims. The answer, among other things, denies Amkor's accusations and accuses Amkor of failing to pay Tessera, Inc. full royalties on products Amkor sold to Qualcomm and potentially others that are subject to ITC injunctions, of refusing to allow Tessera, Inc. to audit in accordance with the parties' license agreement, of interference with Tessera, Inc.'s prospective economic relationships, of failing to pay royalties or full royalties on products that infringe various U.S. and foreign patents owned by Tessera, Inc., and of violating the implied covenant of good faith and fair dealing. Tessera, Inc. seeks relief including judgment that the license agreement has been breached and that Tessera, Inc. is entitled to terminate the license agreement; judgment that products on which Amkor has not paid the full contractual royalties to Tessera, Inc. are not licensed under Tessera, Inc.'s patents; damages for Amkor's breaches of the license agreement; damages, including punitive damages, for Amkor's interference with Tessera, Inc.'s prospective business relationships; interest on any damages; attorneys' fees and costs incurred by Tessera, Inc.; denial of Amkor's claims against Tessera, Inc.; an order that awards Tessera, Inc. all other relief recoverable under the rules of Arbitration of the ICC; and an order for such other and further relief as the arbitrators deem just and proper.

On January 15, 2010, Amkor filed its response to Tessera, Inc.'s counterclaims, along with new counterclaims by Amkor and a motion for priority consideration of certain issues. In its responsive pleading, Amkor denied Tessera, Inc.'s counterclaims, arguing in part that Tessera, Inc.'s counterclaims for royalties are barred by the doctrines of collateral estoppel and res judicata, and sought a declaratory judgment that it has not infringed and that its packages are not made under any of the patents asserted in Tessera, Inc.'s answer and that the patents are invalid and unenforceable. Amkor also claimed a credit for royalties it alleges it overpaid Tessera, Inc.

On May 14, 2010, Amkor filed a motion to bar Tessera, Inc.'s counterclaims for royalties before December 1, 2008, as res judicata. The Tribunal ruled on Amkor's motion on November 15, 2010, granting Amkor's motion as to Tessera, Inc.'s counterclaims for royalties on some products and timeframes at issue, and denying the motion as to other products and timeframes.

On October 20, 2010, Amkor paid Tessera, Inc. approximately $2.3 million to address a portion of the past royalties claimed by Tessera, Inc.

On December 9 and December 10, 2010, the Tribunal held a two-day trial on certain issues in the arbitration, including (1) royalties payable on a going-forward basis for the patents addressed in the previous arbitration, including but not limited to royalties applicable to packages assembled for Qualcomm, Inc.; (2) Tessera, Inc.'s counterclaim for breach of the audit provision of the license agreement; (3) Tessera, Inc.'s claim for breach of the covenant of good faith and fair dealing, to the extent that it is based on issues (1) and (2) above; and (4) the status of Tessera, Inc.'s latest request to terminate the license agreement, to the extent that it is based on issues (1), (2), and (3) above.

On February 17, 2011, Tessera, Inc. sent Amkor an official notice of termination of Amkor's license agreement with Tessera, Inc. Amkor has disputed Tessera, Inc.'s right to terminate the license agreement.

On March 11, 2011, Tessera, Inc. filed a motion seeking, among other things, to strike Amkor's defense of invalidity for the time period before Amkor challenged the validity of the asserted patents. The Tribunal granted Tessera, Inc.'s motion on July 1, 2011, striking (1) Amkor's invalidity and unenforceability defenses to the payment of royalties that accrued under the asserted U.S. patents before those defenses were raised, and (2) Amkor's invalidity defenses to the payment of royalties due under the asserted foreign patents regardless of when the royalties accrued.

On June 1, 2011, the Tribunal issued an order construing certain claims of the patents-in-suit.

On July 11, 2011, the Tribunal issued a Partial Award on certain issues tried to the Tribunal on December 9-10, 2010. The Tribunal (1) granted Tessera, Inc.'s request for additional royalties due for the patents addressed in the previous arbitration, in an amount to be determined later, but denied Tessera, Inc.'s claim for additional royalties owing from certain packages assembled for customers including Qualcomm, Inc., (2) found that Amkor was in breach of the License Agreement as to its royalty obligations and the audit provision of the license agreement, and (3) deferred a final decision on certain grounds for termination of the license agreement until the second phase of this arbitration has concluded.

On August 15, 2011, pursuant to the parties' stipulation, the Tribunal entered an Order dismissing with prejudice the parties' respective tortious interference claims.

A seven-day hearing on the remaining issues was held from August 15, 2011 to August 21, 2011.

On October 17, 2011, the Tribunal issued a Partial Award on certain issues tried to the Tribunal on December 9-10, 2010. The Tribunal awarded Tessera, Inc. approximately $0.5 million associated with additional royalties due for the patents addressed in the previous arbitration.

On July 6, 2012, the Tribunal issued a Partial Award. Among other things, the Partial Award further interpreted the parties' agreement, found that certain packages were neither licensed nor royalty bearing under the agreement, found that one of the patents at issue in the arbitration was not valid, that seven of the asserted patents were not infringed by the accused Amkor products, that a subset of accused Amkor products did not infringe two additional asserted patents, and that royalties are due under seven of the patents at issue in the arbitration for certain TCC and related integrated circuit packages. In addition, the Tribunal awarded interest to Tessera, Inc., rejected Amkor's contention that it is in compliance with the license agreement and that it is a licensee in good standing, rejected Amkor's claim that Tessera, Inc.'s counterclaims were barred by doctrines of laches, waiver, estoppel, unclean hands or the statute of limitations, rejected Amkor's request to enjoin Tessera, Inc. from behavior outside the arbitral forum, and agreed that Tessera, Inc. was entitled to and did terminate the license agreement as of February 17, 2011. The Tribunal also found that the parties should bear their own attorney's fees and costs. The Partial Award contains additional rulings not summarized here. Further proceedings are expected to be undertaken to ascertain, among other things, the amount due to Tessera, Inc. consistent with the Partial Award. Tessera, Inc. cannot predict the timing of the damage award(s) that may result. On August 20, 2012, Tessera, Inc. received an initial payment of $19.9 million from Amkor related to the Partial Award the Tribunal issued on July 6, 2012.

On November 27, 2012, the Tribunal issued an Addendum to its Partial Award dated July 6, 2012.

On February 20, 2013, the Tribunal issued another Partial Award. Among other things, the February 20, 2013 Partial Award further interpreted the parties' agreement and the scope of products covered by the now-terminated license agreement. Further proceedings are expected to ascertain, among other things, the amount due to Tessera, Inc. consistent with the February 20, 2013 Partial Award. Tessera, Inc. cannot predict the timing of the damages award(s) that may result.

Discovery is proceeding on Tessera, Inc.'s claims for royalties against certain Amkor packages based on certain additional patents Tessera, Inc. has asserted against Amkor. On January 25, 2013 the Tribunal denied Amkor's motion for partial Summary Judgment seeking to exclude certain packages as not covered by the license agreement.

Tessera, Inc. v. Amkor Technology, Inc. (ICC Case No. 17976/VRO)

On May 26, 2011, Tessera, Inc. filed an additional request for arbitration against Amkor before the ICC. The request, among other things, alleges that Amkor failed to make a required election under the parties license agreement, and that Amkor failed to comply with obligations regarding "Licensee Improvements" under the license agreement. Tessera, Inc. seeks relief including a declaration that Amkor breached the license agreement; that the license agreement was properly terminated on this basis; a declaration that Amkor's rights to Tessera, Inc.'s patents expired on May 9, 2011 or earlier; the identification and transfer of all Licensee Improvements to Tessera, Inc.; an injunction preventing Amkor from using Licensee Improvements, to the extent it has not complied with the license agreement; damages and/or disgorgement of profits for Amkor's failure to comply with the license agreement; attorneys' fees, costs and exemplary damages; and an order for such other and further relief as the Tribunal deems just and proper. In its request, Tessera, Inc. estimated the amount in dispute to be in excess of $1 million.

On July 26, 2011, Amkor filed its response to the request, which, among other things, denies Tessera, Inc.'s allegations, raises various purported defenses, asserts that Tessera, Inc.'s requests for relief should be denied, contends that Tessera, Inc. has breached the license agreement, argues that Amkor is entitled to attorneys' fees, costs and exemplary damages relating to the allegations set forth in Tessera, Inc.'s request, and asks that the Tribunal order Tessera, Inc. to pay such further relief to Amkor as the Tribunal deems appropriate. Tessera, Inc. filed an answer denying the allegations in Amkor's response on September 1, 2011.

Tessera, Inc. v. Amkor Technology, Inc., Civil Action No. 1:12-cv-00852-SLR (D. Del.)

On July 6, 2012, Tessera, Inc. filed a complaint against Amkor Technology, Inc. in the United States District Court for the District of Delaware. Tessera, Inc.'s complaint alleges that Amkor has infringed and is currently infringing, including by directly infringing, contributorily infringing and/or inducing infringement of, U.S. Patent No. 6,046,076. The complaint requests of the Court, among other things, a judgment that Amkor has infringed or will infringe, induce others to infringe, and/or commit acts of contributory infringement of one or more claims of U.S. Patent No. 6,046,076; an order that Amkor, its affiliates, subsidiaries, directors, officers, employees, attorneys, agents, and all persons in active concert or participation with any of them be preliminarily and permanently enjoined from further acts of infringement, inducing infringement, or contributory infringement of the U.S. Patent No. 6,046,076; an order that the infringement be adjudged willful and that the damages be increased under 35 U.S.C § 284 to three times the amount found or measured; an order for an accounting; and an award of damages that result from Amkor's infringing acts, interest on damages, attorneys' fees and such other and further relief as the Court deems just and proper.

The accused products include, for example and without limitation, infringing vacuum encapsulated and molded underfill semiconductor packages manufactured by Amkor that are not licensed based on the July 6, 2012 arbitration award in *Amkor Technology, Inc., v. Tessera, Inc.* , 16531/VRO. On August 14, 2012, Amkor filed an answer and counterclaims seeking a declaratory judgment that U.S. Patent No. 6,046,076 is not infringed and is invalid. It also interposed affirmative defenses, including but not limited to, non-infringement, invalidity, estoppel, license, patent exhaustion, failure to mark, and laches. Further, Amkor is seeking an award of attorneys' fees and costs, and such other relief as the Court deems to be just and proper.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is traded publicly on The NASDAQ Global Select Market under the symbol "TSRA." The price range per share is the highest and lowest bid prices, as reported by The NASDAQ Global Select Market, on any trading day during the respective quarter.

	High	Low
Fiscal Year Ended December 31, 2012		
First Quarter (ended March 31, 2012)	$20.52	$14.70
Second Quarter (ended June 30, 2012)	$17.34	$12.77
Third Quarter (ended September 30, 2012)	$15.90	$13.67
Fourth Quarter (ended December 31, 2012)	$16.63	$13.09

	High	Low
Fiscal Year Ended December 31, 2011		
First Quarter (ended March 31, 2011)	$23.18	$15.84
Second Quarter (ended June 30, 2011)	$20.77	$15.55
Third Quarter (ended September 30, 2011)	$17.72	$11.83
Fourth Quarter (ended December 31, 2011)	$18.41	$11.13

As of January 31, 2013 there were outstanding 52,324,821 shares of common stock held by 25 stockholders of record.

In August 2007, we announced a plan authorized by our Board of Directors to purchase up to $100 million of our common stock in the open market or through private transactions. No purchases were made during the years ended December 31, 2012, 2011 or 2010 under this plan. No expiration date has been specified for this plan. For the years ended December 31, 2008 and 2007, we repurchased a total of 630,000 shares and 15,000 shares, respectively, or, a total of 645,000 shares of common stock at an average price of $16.26 per share for a total cost of $10.5 million under the terms of the repurchase program. As of December 31, 2012, the total amount available for repurchase was $89.5 million. We may continue to execute authorized repurchases from time to time under the plan.

We initiated a dividend program in March of 2012 and our Board declared cash dividends of $0.10 per share payable in the second, third and fourth quarters of 2012, and the first quarter of 2013. Total cash dividends paid in 2012 were approximately $15.6 million. The dividend for the first quarter of 2013 is payable on March 28, 2013 for stockholders of record at the close of business on March 7, 2013. No cash dividends were declared and paid in 2011 and 2010.

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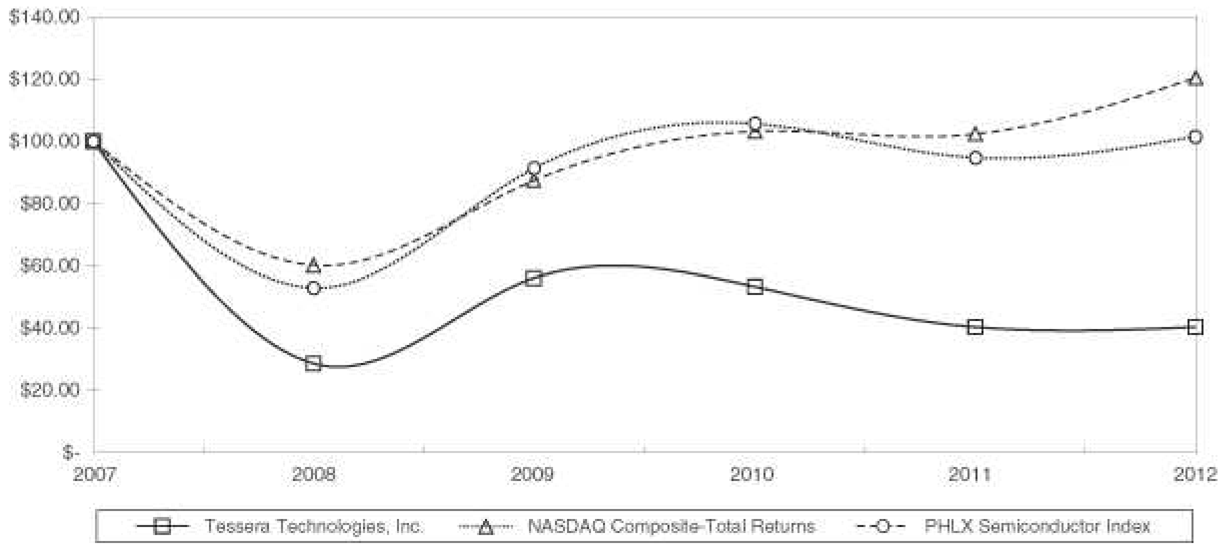
PERFORMANCE GRAPH

The following graphic representation shows a comparison of total stockholder return for holders of our common stock, the NASDAQ Composite Index and the Philadelphia Stock Exchange Semiconductor Index from December 31, 2007 through December 31, 2012. The graph and table assume that $100 was invested on December 31, 2007 in each of our common stock, the NASDAQ Composite Index and the Philadelphia Stock Exchange Semiconductor Index, and that all dividends were reinvested. This graphic comparison is presented pursuant to the rules of the SEC.



	12/07	12/08	12/09	12/10	12/11	12/12
Tessera Technologies, Inc.	$100.00	$28.55	$55.94	$ 53.24	$ 40.26	$ 40.37
NASDAQ Composite	$100.00	$60.02	$87.24	$103.08	$102.26	$120.41
PHLX Semiconductor	$100.00	$52.81	$91.10	$105.61	$ 94.67	$101.45

This section is not “soliciting material,” is not deemed “filed” with the SEC and is not incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (“Exchange Act”), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

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Item 6. *Selected Financial Data*

You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes appearing elsewhere in this Annual Report.

	Years Ended December 31, (in thousands, except per share data)				
	2012	2011	2010	2009	2008
Consolidated statements of operations data					
Revenues:					
Royalty and license fees	$182,521	$237,201	$279,623	$286,207	$220,252
Past production payments (1)	24,729	—	—	—	170
Product and service revenues	26,773	17,375	21,770	13,233	27,869
Total revenues	234,023	254,576	301,393	299,440	248,291
Operating expenses:					
Cost of revenues	40,366	23,493	21,777	16,971	16,746
Research, development and other related costs	100,681	75,976	74,098	65,888	61,599
Selling, general and administrative	97,295	83,378	79,300	72,808	69,539
Litigation expense	34,018	29,354	21,892	26,131	84,308
Restructuring and other charges	2,524	5,249	—	—	—
Impairment of long-lived asset	—	(569)	3,505	—	—
Impairment of goodwill	—	49,653	—	—	—
Total operating expenses	274,884	266,534	200,572	181,798	232,192
Operating income (loss)	(40,861)	(11,958)	100,821	117,642	16,099
Other income and expense, net	5,872	2,643	2,604	5,519	3,087
Income (loss) before taxes	(34,989)	(9,315)	103,425	123,161	19,186
Provision for (benefit from) income taxes	(4,764)	9,985	46,079	53,365	14,544
Net income (loss)	$ (30,225)	$ (19,300)	$ 57,346	$ 69,796	$ 4,642
Net income (loss) per common share-basic (2)	$ (0.58)	$ (0.38)	$ 1.15	$ 1.43	$ 0.10
Net income (loss) per common share-diluted (2)	$ (0.58)	$ (0.38)	$ 1.14	$ 1.42	$ 0.10
Cash dividends declared per share	$ 0.30	$ —	$ —	$ —	$ —
Weighted average number of shares used in per share calculation-basic (2)	51,977	51,082	50,070	48,826	47,963
Weighted average number of shares used in per share calculation-diluted (2)	51,977	51,082	50,450	49,265	48,358

	December 31, (in thousands)				
	2012	2011	2010	2009	2008
Consolidated balance sheets data:					
Cash, cash equivalents and short-term investments	$442,603	$492,445	$475,005	$387,958	$276,500
Working capital	422,114	481,427	468,912	379,559	261,301
Total assets	705,102	716,526	711,854	616,318	501,589
Long-term liabilities	9,505	5,017	10,503	11,431	12,599
Total stockholders' equity	642,425	670,679	664,583	572,185	446,904

(1) Past production payment revenues are royalty payments for the use of our intellectual property and where payments are made as part of a settlement of a patent infringement dispute from previously unlicensed parties.

(2) See Note 9 of the Notes to Consolidated Financial Statements for an explanation of the methods used to determine the number of shares used to compute per share amounts.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion (presented in thousands, except for percentages) should be read in conjunction with our consolidated financial statements and notes thereto.

Business Overview

Tessera Technologies, Inc. is a holding company with operating subsidiaries in two segments: Intellectual Property and DigitalOptics.

Our Intellectual Property segment generates revenue from manufacturers and other implementers that use our technology. We pioneered chip-scale packaging solutions, which we license to the semiconductor industry. We also develop and acquire interconnect solutions and intellectual property in areas such as mobile computing and communications, memory and data storage, and 3DIC technologies.

Our DigitalOptics business designs and manufactures imaging systems for smartphones, generating revenue through product sales and software license fees and royalties. Our expertise in optics, camera modules, MEMS, and image processing enable us to deliver products that expand the boundaries of smartphone photography. We also offer customized micro-optic lenses, which may include DOEs, ROEs and/or IMOS.

Results of Operations

Acquisitions

We have grown our business partly through acquisitions. In 2010, we completed the acquisition of Siimpel Corporation ("Siimpel"), a developer and manufacturer of MEMS-based camera solutions for mobile imaging applications for $15.0 million. Siimpel's MEMS autofocus and MEMS autofocus + Shutter solutions complement our image enhancement solutions and enable us to offer a wider range of high-value IP-based imaging and optics solutions. The impact of this acquisition on our financial results has been included in our DigitalOptics segment as discussed below.

In June 2012, we completed the Zhuhai Transaction, which involved the acquisition of certain assets of Vista Point Technologies, a Tier One qualified camera module manufacturing business, from Flextronics International Ltd. for consideration of $29.0 million, net of $11.9 million cash acquired. Approximately $7.6 million of the consideration has been placed in escrow at the initial closing, of which, approximately $4.0 million is subject to delivery of certain additional assets by Flextronics International Ltd. no later than March 31, 2013 and approximately $3.0 of which was released in connection with the delivery of certain additional assets in the fourth quarter of 2012. We intend to use the acquired assets to help build the DigitalOptics segment into a supplier of MEMS-based camera modules in the mobile phone market. In 2012, we generated approximately $13.4 million in revenues from the sale of fixed focus camera modules and incurred $20.0 million of operating expenses related to the manufacturing operations acquired in the Zhuhai Transaction. We expect our revenues from the production of the fixed focus camera modules to decrease during 2013 as compared to 2012, as we transition the Zhuhai manufacturing facility to the production of our MEMS-based camera modules, from which we have yet to generate meaningful revenue. The impact of the acquisition on our financial results has been included in the following discussion.

Revenues

Our revenues are generated from royalty and license fees, past production payments, and product and service revenues. Royalty and license fees include revenues from license fees and royalty payments generated from licensing the right to use our technologies or intellectual property. Licensees generally report shipment information 30 to 60 days after the end of the quarter in which such activity takes place. Since there is no reliable basis on which we can estimate our royalty revenues prior to obtaining these reports from the licensees, we recognize royalty revenues on a one quarter lag. The timing of revenue recognition and the amount of revenue actually recognized for each type of revenues depends upon a variety of factors, including the specific terms of each arrangement, our ability to derive fair value of the element and the nature of our deliverables and obligations. In addition, our royalty revenues will fluctuate based on a number of factors such as: (a) the timing of receipt of royalty reports; (b) the rate of adoption and incorporation of our technology by licensees; (c) the demand for products incorporating semiconductors that use our licensed technology; (d) the cyclicality of supply and demand for products using our licensed technology; and (e) the impact of economic downturns.

From time to time we enter into license agreements that have fixed expiration dates. Upon expiration of such agreements, we need to renew or replace these agreements in order to maintain our revenue base. We may not be able to continue licensing customers on terms favorable to us, under the existing terms or at all, which would harm our results of operations. For example, our license agreement with Micron Technology, Inc. expired in May 2012. Micron Technology, Inc. accounted for 10% or more of total revenues for the year ended December 31, 2012 and has since entered into a definitive sponsor agreement to acquire and support Elpida Memory, Inc., a leading dynamic random access memory ("DRAM") manufacturer, which is expected to close in the first half of 2013 subject to numerous closing conditions and approvals. If we fail to replace the expired Micron Technology, Inc. license agreement, it will have a negative impact on our revenue and our results of operations.

We are in litigation with PTI, a material customer in 2012, and PTI has ceased making payments. See under the subheading "*Contingencies* " in Note 15— "*Commitments and Contingencies* " of the Notes to Consolidated Financial Statements. If we are not able to replace the revenue from PTI or if we receive an adverse determination in the litigation with PTI, it could have a substantial adverse impact on our royalty revenue in the near term.

In the past, we have engaged in litigation and arbitration proceedings to directly or indirectly enforce our intellectual property rights and the terms of our license agreements, including proceedings to ensure proper and full payment of royalties by our current licensees and by third parties whose products incorporate our intellectual property rights. For example, on February 20, 2013 the International Court of Arbitration of the International Chamber of Commerce issued an award in favor of Tessera, Inc. in its dispute with Amkor. Tessera, Inc. cannot predict the precise amount or the timing of Amkor's payment. We believe that the dispute with Amkor and similar future proceedings may result in fluctuations in our revenue and expenses.

The following table presents our historical operating results for the periods indicated as a percentage of revenues:

	Years Ended December 31, 2012	2011	2010
Revenues:			
Royalty and license fees	78%	93%	93%
Past production payments	11	—	—
Product and service revenues	11	7	7
Total Revenues	100	100	100
Operating expenses:			
Cost of revenues	17	9	7
Research, development and other related costs	43	30	25
Selling, general and administrative	42	33	26
Litigation expense	15	12	7
Restructuring and other charges	1	2	—
Impairment of long-lived assets	—	(1)	1
Impairment of goodwill	—	20	—
Total operating expenses	118	105	66
Operating income (loss)	(18)	(5)	34
Other income and expense, net	3	1	1
Income (loss) before taxes	(15)	(4)	35
Provision for (benefit from) income taxes	(2)	4	16
Net income (loss)	(13)%	(8)%	19%

Fiscal Year 2012 and 2011

The following table sets forth our revenues by type (in thousands, except for percentages):

	Years Ended December 31, 2012		2011		Increase/ (Decrease)	Change
Royalty and license fees	$182,521	78%	$237,201	93%	$(54,680)	(23)%
Past production payments	24,729	11	—	—	24,729	n/a
Product and service revenues	26,773	11	17,375	7	9,398	54
Total revenues	$234,023	100%	$254,576	100%	$(20,553)	(8)%

Total revenue for the year ended December 31, 2012 was $234.0 million compared to $254.6 million for the year ended December 31, 2011. See “Segment Operating Results” below for an explanation of the changes in revenue between the reporting periods.

Cost of Revenues

Cost of revenues primarily consists of materials and supplies, direct compensation, amortization of intangible assets related to acquired technologies, and depreciation expense. Amortization of certain acquired intangible assets and depreciation expense of property and equipment are generally classified as a component of cost of revenues from research, development and other related costs when an in-process development project reaches commercialization. Excluding amortization of acquired intangible assets, cost of revenues relates primarily to product and service revenues. For each associated period, cost of revenues as a percentage of total revenues varies based on the rate of adoption of our technologies, the product and service revenues component of total revenues, the mix of product sales to semiconductor, optics and communications industries and the timing of property and equipment being placed in service. We anticipate our cost of revenues will increase as our product mix includes more products and services as we grow our DigitalOptics business through the manufacturing operations we acquired in June 2012 through the Zhuhai Transaction and from our manufacturing facility in Taiwan that we officially opened in January 2013.

Cost of revenues for the year ended December 31, 2012 was $40.4 million, as compared to $23.5 million for the year ended December 31, 2011, an increase of $16.9 million, or 72%. This increase resulted from increases in expensed equipment, materials and supplies, depreciation and amortization of acquired intangible assets, and personnel related expenses, which relate primarily to the increased product revenues driven by the operations acquired in the Zhuhai Transaction.

Research, Development and Other Related Costs

Research, development and other related costs consist primarily of compensation and related costs for personnel, as well as costs related to patent applications and examinations, product “tear downs” and reverse engineering, amortization of intangible assets, materials, supplies and equipment depreciation. Research and development is conducted primarily in-house and targets development of chip-scale, circuitry design, 3D architecture, wafer-level packaging technology, high-density substrate, thermal management technology, image sensor packaging, image enhancement technology, including MEMS-based products, and micro-optic lens solutions such as diffractive and refractive optical elements to integrated micro-optical subassemblies. All research, development and other related costs are expensed as incurred.

Research, development and other related costs for the year ended December 31, 2012 were $100.7 million, as compared to $76.0 million for the year ended December 31, 2011, an increase of $24.7 million, or 33%. The increase was primarily due to increases in personnel related expenses of $8.9 million, in material costs of $3.6 million, in consulting fees of $2.5 million, in masks and tooling expenses of $1.8 million, in patent prosecution, application and examination expenses of $1.9 million and in the amortization of intangible assets of $1.6 million. These increases were primarily the result of the expansion of the DigitalOptics business, including the Zhuhai acquisition, and were partially offset by a decrease in stock-based compensation expense of $1.8 million.

We believe that a significant level of research and development expenses will be required for us to remain competitive in the future.

Selling, General and Administrative

Selling expenses consist primarily of compensation and related costs for sales and marketing personnel, reverse engineering personnel and services, marketing programs, public relations, promotional materials, travel, trade show expenses, and stock-based compensation expense. General and administrative expenses consist primarily of compensation and related costs for general management, information technology, finance and accounting personnel, legal fees and expenses, facilities costs, stock-based compensation expense, and professional services. Our general and administrative expenses, other than facilities related expenses, are not allocated to other expense line items.

Selling, general and administrative expenses for the year ended December 31, 2012 were $97.3 million, as compared to $83.4 million for the year ended December 31, 2011, an increase of $13.9 million, or 17%. The increase was primarily attributable to increases in outside service of $4.3 million related to our acquisition activities, in amortization of intangible assets of $5.3 million resulting from approximately $64.0 million in purchases of intangible assets since the third quarter of 2011 and in personnel related expenses of $4.1 million, offset by a decrease in stock-based compensation expense of $6.9 million.

Litigation Expense

Litigation expense for the year ended December 31, 2012 was $34.0 million, as compared to $29.4 million for the year ended December 31, 2011, an increase of $4.6 million, or 16%. The increase was primarily attributable to the timing of case activities in our docket of legal proceedings.

We expect that litigation expense will continue to be a material portion of our operating expenses in future periods, and may fluctuate significantly in some periods, because of our ongoing litigation, as described Part I, Item 3 —*Legal Proceedings* , and because of litigation initiated from time to time in the future in order to enforce and protect our intellectual property and contract rights.

Upon expiration of the current terms of our customers' licenses, if those licenses are not renewed, litigation may become a necessary element of a campaign to secure payment of reasonable royalties for the use of our patented technology. If we initiate such litigation, our future litigation expenses would significantly increase.

Restructuring and Other Charges

In November 2012, we announced further restructuring of our DigitalOptics segment to focus our efforts on our core MEMS camera module business. In connection with this effort, we are reducing our workforce and ceasing operations at our facility in Tel Aviv, Israel. In connection with these actions, we incurred total charges of $2.5 million in the fourth quarter of 2012 and expect to incur approximately $0.5 million of additional expenses in the first quarter of 2013.

Stock-based Compensation Expense

The following table sets forth our stock-based compensation expense for the periods indicated (in thousands):

	Years Ended December 31,	
	2012	2011
Cost of revenues	$ 641	$ 458
Research, development and other related costs	6,455	8,233
Selling, general and administrative	9,940	16,879
Total stock-based compensation expense	$17,036	$25,570

Stock-based compensation awards included employee stock options, restricted stock awards and units, and employee stock purchases. For the year ended December 31, 2012, stock-based compensation expense was $17.0 million, of which $10.3 million related to employee stock options, $4.8 million related to restricted stock awards and units and $1.9 million related to employee stock purchases. For the year ended December 31, 2011, stock-based compensation expense was $25.6 million, of which $16.5 million related to employee stock options, $7.0 million related to restricted stock awards and units and $2.1 million related to employee stock purchases. The $8.5 million decrease in stock-based compensation in 2012 when compared to 2011 was primarily the result of a $5.1 million decrease in expense related to modifications. Modifications typically occur when we enter into consulting agreements with departing employees. Some of these agreements may include continued vesting of the departing employees' stock awards and an extension of the exercise period from the standard 90 days from employment termination date to the termination of the consulting agreement. To a lesser extent, stock-based compensation expense was lower due to our declining stock price which affects the fair value of our grants.

As of December 31, 2012, the amount of unrecognized stock-based compensation expense after estimated forfeitures related to unvested stock options was $17.8 million to be recognized over an estimated weighted average amortization period of 2.9 years and $13.6 million related to restricted stock awards and units, including performance-based awards and units, to be recognized over an estimated weighted average amortization period of 2.5 years.

Future stock-based compensation expense and unrecognized stock-based compensation expense will fluctuate due to changes in our assumptions used to determine the fair value, fluctuations in our stock price and additional stock awards being granted.

Other Income and Expense, Net

Other income and expense, net, was $5.9 million for the year ended December 31, 2012 compared to $2.6 million for the year ended December 31, 2011. The increase was primarily due to the portion of the payment from Amkor related to the International Court of Arbitration of the International Chamber of Commerce interim award in favor of Tessera, Inc. that was recorded as interest income.

Provision for (benefit from) Income Taxes

The benefit from income taxes for the year ended December 31, 2012 of $4.8 million was largely comprised of domestic income tax benefit as offset by foreign income tax and withholding taxes. The provision for income taxes for the year ended December 31, 2011 was $10.0 million and was comprised of domestic income tax, foreign income and withholding taxes as offset by a tax benefit of the impairment of tax-deductible goodwill. The decrease in income tax expense for the year ended December 31, 2012 as compared to the prior year was largely attributable to the U.S. domestic loss incurred in the current year offset by an increase in valuation allowance related to state and foreign deferred tax assets.

Fiscal Year 2011 and 2010

The following table sets forth our revenues by type (in thousands, except for percentages):

	Years Ended December 31,				Increase/	
	2011		2010		(Decrease)	Change
Royalty and license fees	$237,201	93%	$279,623	93%	$(42,422)	(15)%
Product and service revenues	17,375	7	21,770	7	(4,395)	(20)
Total revenues	$254,576	100%	$301,393	100%	$(46,817)	(16)%

Revenues

See “Segment Operating Results” below for an explanation of the changes in revenue as compared between the reporting periods.

Cost of Revenues

Cost of revenues for the year ended December 31, 2011 was $23.5 million, as compared to $21.8 million for the year ended December 31, 2010, an increase of $1.7 million, or 8%. The increase was primarily attributable to the increase in personnel related expenses and fees related to the renewal of our license agreements, offset by a decrease in materials and stock-based compensation expense.

Research, Development and Other Related Costs

Research, development and other related costs for the year ended December 31, 2011 were $76.0 million, as compared to $74.1 million for the year ended December 31, 2010, an increase of $1.9 million, or 3%. The increase was primarily due to $5.2 million of increased expenses incurred by Siimpel, acquired in May 2010, and an increase in patent prosecution, application and examination expenses of $3.0 million, outside service costs of $0.9 million, and amortization of intangible assets of $0.8 million, offset by decreases in stock-based compensation expense of $2.7 million, personnel related expenses of $2.0 million, depreciation expense of $1.6 million and material costs of $1.4 million.

Selling, General and Administrative

Selling, general and administrative expenses for the year ended December 31, 2011 were $83.4 million, as compared to $79.3 million for the year ended December 31, 2010, an increase of $4.1 million, or 5%. The increase was primarily attributable to the inclusion of $0.3 million of increased expenses in 2011 incurred by Siimpel, acquired in May 2010, and increases in amortization of intangible assets of $1.7 million, personnel related expenses of $1.3 million, office equipment and software of $0.5 million and stock-based compensation expense of $0.4 million.

Litigation Expense

Litigation expense for the year ended December 31, 2011 was $29.4 million, as compared to $21.9 million for the year ended December 31, 2010, an increase of $7.5 million, or 34%. The increase was primarily attributable to an increase in activities in our arbitration with Amkor Technology, Inc. Refer to Part I, Item 3—"Legal Proceedings" for additional details.

Restructuring and Other Charges

In January 2011, we announced a reorganization of our DigitalOptics (formerly Imaging and Optics) segment to focus on key growth opportunities including EDoF, Zoom and MEMS-based autofocus, and a reduction up to 15% of our worldwide employee base. In August 2011, we announced a commitment to undertake a workforce reduction at our Yokohama, Japan development facility and to close that facility in order to optimize our operations. Restructuring and other charges primarily consisted of severance, costs related to the continuation of employee benefits, expenses related to the closure of facilities, and other costs related to the closure of the leased facility in Japan that are not expected to be recurring. Restructuring and other charges were $5.2 million for the year ended December 31, 2011. No restructuring charges were incurred for the year ended December 31, 2010.

Impairment of long-lived assets

In 2010, in connection with the cessation of development activity of wafer-level optics technology, we concluded that certain equipment would be disposed of by sale. As a result, we recognized an impairment charge of $3.5 million, which represents the excess of the net carrying value of the equipment over the fair value less cost to sell. These assets were classified as assets-held-for-sale as of December 31, 2010. As of December 31, 2011, certain assets were reclassified as held-for-use and the remaining assets were disposed of, resulting in a gain of $0.6 million.

Impairment of Goodwill

In 2011, we recorded a goodwill impairment charge of $49.7 million due primarily to the low market price of our common stock, which resulted in our market capitalization being significantly lower than the book value of equity for an extended period of time. There was no impairment of goodwill for the year ended December 31, 2010.

Stock-based Compensation Expense

The following table sets forth our stock-based compensation expense for the periods indicated (in thousands):

	Years Ended December 31,	
	2011	2010
Cost of revenues	$ 458	$ 579
Research, development and other related costs	8,233	10,937
Selling, general and administrative	16,879	16,479
Total stock-based compensation expense	$25,570	$27,995

For the year ended December 31, 2011, stock-based compensation expense was $25.6 million, of which $16.5 million related to employee stock options, $7.0 million related to restricted stock awards and units and $2.1 million related to employee stock purchases. For the year ended December 31, 2010, stock-based compensation expense was $28.0 million, of which $14.6 million related to employee stock options, $11.0 million related to restricted stock awards and units and $2.4 million related to employee stock purchases. As of December 31, 2011, the amount of unrecognized stock-based compensation expense after estimated forfeitures related to unvested stock options was $21.3 million to be recognized over an estimated weighted average amortization period of 2.7 years and $13.9 million related to restricted stock awards and units, including performance-based awards and units, to be recognized over an estimated weighted average amortization period of 2.7 years.

Other Income and Expense, Net

Other income and expense, net, was $2.6 million for the year ended December 31, 2011 and 2010. The flat result from the earlier period was primarily attributable to a slight decrease in interest income on a higher average balance of cash equivalents and investments as compared to the same period in 2010.

Provision for Income Taxes

The provision for income taxes for the year ended December 31, 2011 was $10.0 million and was comprised of domestic income tax, foreign income and withholding taxes as offset by a tax benefit on the impairment of tax-deductible goodwill. The provision for income taxes for the year ended December 31, 2010 was $46.1 million and was comprised of domestic income tax and foreign income and withholding taxes. The decreases in the income tax provision for the year ended December 31, 2011 as compared to the prior year were largely attributable to the reduction in U.S. profits before tax, the benefit of the impairment on tax-deductible goodwill, a decrease in state taxes as a result of a change in tax law, and a reduction in losses in jurisdictions for which no benefit can be realized.

Segment Operating Results

We have two reportable segments: Intellectual Property and DigitalOptics. In addition to these reportable segments, Tessera Global Services, Inc., a subsidiary of the Company, provides our operating business segments with a variety of services including finance, IT, HR, legal, business development and other administrative services. The Tessera Global Services (formerly referred to as Corporate Overhead) division includes certain operating amounts that are not allocated to the reportable segments because these operating amounts are not considered in evaluating the operating performance of our business segments.

Our President and Chief Executive Officer is also our Chief Operating Decision Maker (“CODM”). Additionally, each segment has its own President. At the end of 2011, we reorganized our reporting units to align with the vision of our CODM, such as the inclusion of development and product commercialization efforts related to our silent air cooling technology in the DigitalOptics segment instead of the Intellectual Property segment. Prior year amounts have been recast to conform to current year presentation.

Our Intellectual Property segment, managed by Tessera Intellectual Property Corp., generates revenue from manufacturers and other implementers that use our technology. The segment includes our subsidiaries, Tessera, Inc. and Invensas. Tessera, Inc. pioneered chip-scale packaging solutions, which it licenses to the semiconductor industry. Invensas develops and acquires interconnect solutions and intellectual property in areas such as mobile computing and communications, memory and data storage, and 3DIC technologies.

DOC operates our DigitalOptics business. DOC designs and manufactures imaging systems for smartphones, generating revenue through product sales and software license fees and royalties. DOC’s expertise in optics, camera modules, MEMS, and image processing enable it to deliver products that expand the boundaries of smartphone photography. DOC also offers customized micro-optic lenses, which may include DOEs, ROEs and/or IMOS.

Our reportable segments were determined based upon the manner in which our management views and evaluates our operations. Segment information below and in Note 16— "*Segment and Geographic Information* " of the Notes to Consolidated Financial Statements is presented in accordance with the authoritative guidance on segment reporting.

The following table sets forth our segments' revenues, operating expenses and operating income (loss) (in thousands):

	Years Ended December 31,		
	2012	2011	2010
Revenues:			
Intellectual Property Segment:			
Royalty and license fees	$168,097	$213,412	$264,030
Past production fees	24,729	—	—
Product and service revenues	66	—	—
Total Intellectual Property revenues	192,892	213,412	264,030
DigitalOptics Segment:			
Royalty and license fees	14,424	23,789	15,593
Product and service revenues	26,707	17,375	21,770
Total DigitalOptics revenues	41,131	41,164	37,363
Total revenues	234,023	254,576	301,393
Operating expenses:			
Intellectual Property Segment	97,984	81,493	57,301
DigitalOptics Segment	129,877	138,073	97,467
Corporate Overhead	47,023	46,968	45,804
Total operating expenses	274,884	266,534	200,572
Operating income (loss):			
Intellectual Property Segment	94,908	131,919	206,729
DigitalOptics Segment	(88,746)	(96,909)	(60,104)
Corporate Overhead	(47,023)	(46,968)	(45,804)
Total operating income (loss)	$ (40,861)	$ (11,958)	$100,821

The revenues and operating income (loss) amounts in this section have been presented on a basis consistent with GAAP applied at the segment level. Tessera Global Services expenses which have been excluded from the two operating segments are primarily administration, human resources, legal, finance, information technology, corporate development, procurement activities, and insurance expenses. For the years ended December 31, 2012 and 2011, Tessera Global Services expenses were $47.0 million.

For the year ended December 31, 2011, Tessera Global Services expenses were $47.0 million compared to $45.8 million for the year ended December 31, 2010. The increase of $1.2 million from the year ended December 31, 2010 was mainly attributable to increases in personnel related expenses of $0.9 million and in outside services of $1.8 million, offset by decreased litigation expense of $1.5 million.

Intellectual Property Segment

Fiscal Year 2012 and 2011

	Years Ended December 31,	
	2012	2011
	(in thousands)	
Revenues:		
Intellectual Property segment		
Royalty and license fees	$168,097	$213,412
Past production payments	24,729	—
Product and service revenues	66	—
Total Intellectual Property revenues	192,892	213,412
Operating expenses:		
Cost of revenues	891	2,597
Research, development and other related costs	32,782	28,752
Selling, general and administrative	30,065	17,725
Litigation expense	34,246	29,306
Restructuring and other charges	—	3,113
Total operating expenses	97,984	81,493
Total operating income	$ 94,908	$131,919

Intellectual Property revenues consist primarily of royalties received from our licensees. For the year ended December 31, 2012, Intellectual Property revenue was $192.9 million, compared to $213.4 million for the year ended December 31, 2011. The overall decrease of $20.5 million or 10%, was primarily due to PTI’s declining payments, the expiration of Micron Technology Inc’s license and lower unit volumes reported by other customers, partially offset by a $24.7 million payment from Spansion Inc. related to settlement of litigation, a $19.9 million payment from Amkor ($16.7 million of the payment was recorded as royalties and the balance as interest income) related to the interim award by the International Court of Arbitration of the International Chamber of Commerce and by license and royalty payments of approximately $9.4 million related to audits.

In 2011, we announced workforce reductions and a closure of our Yokohama, Japan development facility pursuant to our ongoing efforts to optimize our operations. Restructuring and other charges primarily consisted of severance, costs related to the continuation of employee benefits and expenses related to the facility closure that are not expected to be recurring.

Operating expenses for the year ended December 31, 2012 were $98.0 million and consisted primarily of research and development expense of $32.8 million, selling, general and administrative of $30.1 million and $34.2 million in litigation expense. The increase of $16.5 million as compared to $81.5 million for the year ended December 31, 2011 was primarily attributable to an increase in the amortization of intangible assets of $8.3 million, an increase in litigation expense of $4.9 million, an increase in patent maintenance expense of $4.0 million and an increase in consulting fees of $2.5 million. These increases were partially offset by a decrease in stock based compensation expense of $2.1 and no restructuring and other charges in the current year compared to $3.1 million in 2011.

We expect that litigation expense will continue to be a material portion of the Intellectual Property segment’s operating expenses in future periods, and may fluctuate significantly in some periods, because of our ongoing legal actions, as described in Part I, Item 3 —*Legal Proceedings* , and because we will become involved in other litigation from time to time in the future in order to enforce and protect our intellectual property and contract rights.

Operating income for the years ended December 31, 2012 and 2011 was $94.9 million and $131.9 million, respectively, which represented a decrease of $37.0 million, or 28%, for the reasons stated above.

Fiscal Year 2011 and 2010

	Years Ended December 31, 2011	2010
Revenues:		
Intellectual Property segment		
Royalty and license fees	$213,412	$264,030
Product and service revenues	—	—
Total Intellectual Property revenues	213,412	264,030
Operating expenses:		
Cost of revenues	2,597	410
Research, development and other related costs	28,752	23,958
Selling, general and administrative	17,725	12,623
Litigation expense	29,306	20,310
Restructuring and other charges	3,113	—
Total operating expenses	81,493	57,301
Total operating income	$131,919	$206,729

In January 2011, we announced that five licensees or former licensees were in breach of contract or did not renew their license agreements. The impact was a decrease in revenue of approximately $35.4 million for the year ended December 31, 2011 as compared to the same period in 2010. Intellectual Property revenues for the year ended December 31, 2011 were $213.4 million as compared to $264.0 million for the year ended December 31, 2010, which represented a decrease of $50.6 million, or 19%. The overall decrease in revenues in the year ended December 31, 2011 as compared to the same period in 2010 was primarily due to the impact of the aforementioned $35.4 million, and a non-recurring $15.0 million litigation settlement with UTAC recorded in the year ended December 31, 2010.

Operating expenses for the year ended December 31, 2011 were $81.5 million and consisted primarily of research and development expense of $28.8 million, selling, general and administrative expense of $17.7 million and $29.3 million in litigation expense. The increase of $24.2 million as compared to $57.3 million for the year ended December 31, 2010 was primarily attributable to increases in litigation expense of $9.0 million, restructuring and other charges related to the closure of the Yokohama, Japan development facility of $3.1 million, amortization of intangible asset expense of $2.9 million, personnel related expenses of $2.6 million, patent maintenance expenses of $2.6 million, outside services, including fees related to the renewal of our license agreements, of $2.5 million, stock-based compensation expense of $0.9 million and equipment and materials of $0.4 million.

Operating income for the years ended December 31, 2011 and 2010 was $131.9 million and $206.7 million, respectively, which represented a decrease of $74.8 million, or 36%, for the reasons stated above.

DigitalOptics Segment

Fiscal Year 2012 and 2011

	Years Ended December 31,	
	2012	2011
	(in thousands)	
Revenues:		
DigitalOptics segment		
Royalty and license fees	$ 14,424	$ 23,789
Product and service revenues	26,707	17,375
Total DigitalOptics revenues	41,131	41,164
Operating expenses:		
Cost of revenues	39,475	20,896
Research, development and other related costs	67,899	47,224
Selling, general and administrative	19,979	18,985
Restructuring and other charges	2,524	1,884
Impairment of long-lived assets	—	(569)
Impairment of goodwill	—	49,653
Total operating expenses	129,877	138,073
Total operating loss	$ (88,746)	$ (96,909)

DigitalOptics revenues for the year ended December 31, 2012 were $41.1 million as compared to $41.2 million for the year ended December 31, 2011, a decrease of $0.1 million. The decrease was due to weaker demand for our Micro-Optics products of $2.1 million and lower royalty and license fees revenues from our image enhancement technologies of $8.4 million, offset by the $13.4 million in revenues related to operations acquired in the Zhuhai Transaction.

In January 2011, we announced a reorganization of our DigitalOptics segment to focus on key growth opportunities including EDoF, Zoom and MEMS-based autofocus. We also announced a reduction of DigitalOptics employees up to 15% of our worldwide employee base. In November 2012, the Company announced further restructuring of its DigitalOptics segment to focus its efforts on its core MEMS camera module business. In connection with this effort, DigitalOptics reduced its workforce and is in the process of ceasing operations at its facility in Tel Aviv, Israel. Restructuring and other charges primarily consisted of severance and costs related to the continuation of employee benefits that are not expected to be recurring.

We recorded an impairment charge of goodwill of $49.7 million for the year ended December 31, 2011, due primarily to the low market price of our common stock, which resulted in our market capitalization being significantly lower than the book value of equity for an extended period of time.

Operating expenses for the year ended December 31, 2012 were $129.9 million and consisted of cost of revenues of $39.5 million, research, development and other related costs of $67.9 million, selling, general and administrative expenses of $20.0 million and restructuring and other charges of $2.5 million. Excluding impairment of goodwill, the increase of $41.5 million, or 47%, in total operating expenses as compared to $88.4 million for the year ended December 31, 2011, consisted of increases which relate primarily to the expansion of the DigitalOptics business, including the Zhuhai acquisition. These increases include equipment, materials and supplies of $17.5 million, personnel related expenses of $14.3 million and depreciation of equipment of $4.8 million.

Operating loss for the years ended December 31, 2012 and 2011 was $88.7 million and $96.9 million, respectively, which represented a decreased loss of $8.2 million, or 8%, for the reasons stated above.

We have incurred significant operating losses from the DigitalOptics segment. If the anticipated future results of the DigitalOptics segment do not materialize as expected, then the related goodwill and intangible assets could be subject to an impairment charge in the future. See Note 2— "*Summary of Significant Accounting Policies* " of the Notes to Consolidated Financial Statements for additional information.

Fiscal Year 2011 and 2010

	Years Ended December 31, 2011	2010
Revenues:		
DigitalOptics segment		
Royalty and license fees	$ 23,789	$ 15,593
Product and service revenues	17,375	21,770
Total DigitalOptics revenues	41,164	37,363
Operating expenses:		
Cost of revenues	20,896	21,367
Research, development and other related costs	47,224	50,140
Selling, general and administrative	18,985	22,455
Impairment of long-lived assets	(569)	3,505
Restructuring and other charges	1,884	—
Impairment of goodwill	49,653	—
Total operating expenses	138,073	97,467
Total operating loss	$ (96,909)	$(60,104)

DigitalOptics revenues for the year ended December 31, 2011 were $41.2 million as compared to $37.4 million for the year ended December 31, 2010, an increase of $3.8 million, or 10%. The increase in DigitalOptics revenues was primarily attributable to higher royalty revenues from optical image enhancement and embedded image processing technologies of $7.8 million, offset by lower sales in our Micro-optics products of $4.7 million.

In January 2011, we announced a reorganization of our DigitalOptics segment to focus on key growth opportunities including EDoF, Zoom and MEMS-based autofocus. We also announced a reduction of DigitalOptics employees up to 15% of our worldwide employee base. Restructuring and other charges primarily consisted of severance and costs related to the continuation of employee benefits that are not expected to be recurring.

We recorded a goodwill impairment charge of $49.7 million for the year ended December 31, 2011, due primarily to the low market price of our common stock, which resulted in our market capitalization being significantly lower than the book value of equity for an extended period of time. Accordingly, the carrying value of goodwill was zero at December 31, 2011. For the years ended December 31, 2010 and 2009, no impairment of goodwill was recorded.

Operating expenses for the year ended December 31, 2011 were $138.1 million and consisted of cost of revenues of $20.9 million, research, development and other related costs of $47.2 million, selling, general and administrative expenses of $19.0 million, restructuring and other charges of $1.3 million and impairment of goodwill of $49.7 million. Excluding impairment of goodwill, the decrease of $9.1 million, or 9%, in total operating expenses as compared to $97.5 million for the year ended December 31, 2010 consisted primarily of decreases in stock-based compensation expense of $3.5 million, personnel related expenses of $3.3 million, material costs of $1.9 million, depreciation and facility related expenses of $1.7 million, legal and consulting services of $1.1 million, as well as an impairment of long-lived assets of $3.5 million in 2010, offset by

$5.5 million of increased expenses incurred by Siimpel, acquired in May 2010, and restructuring and other charges of $1.9 million.

Operating loss for the years ended December 31, 2011 and 2010 was $96.9 million and $60.1 million, respectively, which represented an increased loss of $36.8 million, or 61%, for the reasons stated above.

Net Operating Losses and Tax Credit Carryforwards

As of December 31, 2012, we had federal net operating loss carryforwards of approximately $7.6 million and state net operating loss carryforwards of approximately $114.2 million. Most of the federal and state net operating loss carryforwards are carried over from the acquired entities, Digital Optics Corporation in 2006 and Siimpel Corporation in 2010, with a nominal amount generated from the current year loss. These operating loss carryforwards, if not utilized, will begin to expire on various dates beginning in 2013, and will continue to expire through 2032. In addition, we have research tax credit carryforwards of approximately $0.6 million for federal purposes, which will start to expire in 2013, and will continue to expire through 2024. As a result of the January 2013 enactment of the American Taxpayer Relief Act of 2012, which retroactively restored the federal research tax credit for 2012, the research tax credit for 2012 is approximately $1.0 million and will be recorded in the first quarter of 2013. We also have research tax credit carryforwards of approximately $3.7 million for state purposes and $1.3 million for foreign purposes, which will never expire. We have $6.5 million of foreign tax credit carryforwards which will expire beginning in 2022. Under the provisions of the Internal Revenue Code, substantial changes in our or our subsidiaries’ ownership may limit the amount of net operating loss and research tax credit carryforwards that can be utilized annually in the future to offset taxable income. We will permanently reinvest the unremitted earnings of our non-U.S. subsidiaries except for our Israeli subsidiary where we have announced our intention to close the Tel Aviv facility. We have accrued a deferred tax liability of $0.3 million for the withholding taxes that would arise on the distribution of the Israeli subsidiary’s earnings.

Tax Benefits from Stock Options

The benefits of tax deductions resulting from the exercise and disqualifying dispositions of stock options and vesting of restricted stock reduced our income taxes payable for federal and state purposes. The tax benefits from our employee stock option plan totaled ($5.5) million, ($7.7) million and $0.3 million for the years ended December 31, 2012, 2011 and 2010, respectively. The tax benefits for the excess of these tax deductions over the related stock-based compensation expense recorded will create a benefit to additional paid-in capital. Conversely, cancellations and modifications of stock option and restricted stock result in a reversal of the related deferred tax assets and a debit to additional paid-in capital to the extent that excess amounts have been previously recorded in additional paid in capital, otherwise the debit will be to the provision for income tax.

Liquidity and Capital Resources

The following table presents cash, cash equivalents, short-term and long-term investments (in thousands, except for percentages):

	December 31,		
	2012	2011	2010
Cash and cash equivalents	$103,802	$ 55,758	$ 69,268
Short-term investments	338,801	436,687	405,737
Total cash, cash equivalents, short-term and long-term investments	$442,603	$492,445	$475,005
Percentage of total assets	63%	69%	67%

The following table presents the cash inflows and outflows by activity (in thousands):

	Years Ended December 31,		
	2012	2011	2010
Net cash provided by operating activities	$24,860	$ 79,426	$ 106,146
Net cash provided by (used in) investing activities	$32,852	$(100,789)	$(151,691)
Net cash provided by (used in) financing activities	$ (9,668)	$ 7,853	$ 6,940

Cash generated from operations is our primary source of liquidity and capital resources. Our investment portfolio is also available for use in current operations, if required. Cash, cash equivalents and investments, the majority of which are held in the U.S., were $442.6 million at December 31, 2012, a decrease of $49.8 million from $492.4 million at December 31, 2011. The net decrease of $49.8 million in cash, cash equivalents and investments from prior year is primarily due to $60.0 million in net purchases of property and equipment to build out our MEMS manufacturing capabilities including the Zhuhai acquisition, $15.6 million in dividend payments and $4.9 million for purchases of intangible assets, offset by cash generated from operating activities. Cash and cash equivalents were $103.8 million at December 31, 2012, an increase of $48.0 million from $55.8 million at December 31, 2011.

Cash flows provided by operations were $24.9 million for the year ended December 31, 2012, primarily due to net loss of $30.2 million, adjusted for non-cash items of depreciation and amortization of $40.3 million and stock-based compensation expense of $17.0 million, offset by a net decrease in the changes in operating assets and liabilities of $2.2 million.

Cash flows provided by operations were $79.4 million for the year ended December 31, 2011, primarily due to net loss of $19.3 million, adjusted for non-cash items of depreciation and amortization of $27.4 million, stock-based compensation expense of $25.6 million and impairment of goodwill of $49.7 million, offset by a net decrease in the changes in operating assets and liabilities of $2.0 million.

Cash flows provided by operations were $106.1 million for the year ended December 31, 2010, primarily due to net income of $57.3 million, adjusted for non-cash items of depreciation and amortization of $26.2 million, stock-based compensation expense of $28.0 million and impairment of long-lived assets of $3.5 million, offset by an increase in deferred income taxes of $4.8 million, and a net decrease in the changes in operating assets and liabilities of $3.7 million.

Net cash provided by investing activities was $32.9 million for the year ended December 31, 2012, primarily related to proceeds from maturities and sales of investments of $359.5 million and proceeds from the sale of assets of $1.3 million, offset by purchases of short-term investments of $261.8 million, purchases of property and equipment of $33.4 million, cash used of $27.9 million in our acquisition of the Zhuhai Entity and related assets from Flextronics, and purchases of intangible assets of $4.9 million.

Net cash used in investing activities was $100.8 million for the year ended December 31, 2011, primarily related to purchases of short-term investments of $353.1 million, purchases of intangible assets of $66.7 million, and purchases of property and equipment of $5.9 million, offset by proceeds from maturities and sales of investments of $322.7 million and proceeds from the sale of assets of $2.2 million.

Net cash used in investing activities was $151.7 million in the year ended December 31, 2010, primarily related to purchases of short-term investments of $487.9 million, net consideration paid for the acquisition of Siimpel of $15.0 million, purchases of property and equipment of $9.8 million and purchases of intangible assets of $20.1 million, offset by proceeds from maturities and sales of investments of $379.4 million and proceeds from the sale of equipment of $1.7 million.

The primary objectives of our investment activities are to preserve principal and to maintain liquidity while at the same time capturing a market rate of return. To achieve these objectives, we maintain a diversified portfolio of debt securities including municipal bonds and notes, corporate bonds and notes, commercial paper, treasury and agency notes and bills, certificates of deposit and money market funds. We invest excess cash predominantly in high-quality investment grade debt securities with less than two years to maturity. Our marketable securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income (loss). The fair values for our securities are determined based on quoted market prices as of the valuation date and observable prices for similar assets. For the year ended December 31, 2012, 2011 and 2010, no impairment charges were recorded.

We evaluate our investments periodically for possible other-than-temporary impairment and review factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, our intent to hold and whether we will not be required to sell the security before its anticipated recovery, on a more likely than not basis. If declines in the fair value of the investments are determined to be other-than-temporary, we report the credit loss portion of such decline in other income and expense, net, and the remaining noncredit loss portion in accumulated other comprehensive income.

In August 2007, our Board of Directors authorized a plan to repurchase up to a maximum total of $100.0 million of our outstanding shares of common stock dependent on market conditions, share price and other factors. No expiration has been specified for this plan. Repurchases may take place in the open market or through private transactions. As of December 31, 2012, we have repurchased a total of 645,000 shares of common stock at a total cost of $10.5 million under this plan at an average price of $16.26. As of December 31, 2012, the total amount available for repurchase was $89.5 million. We may continue to execute authorized repurchases from time to time under the plan.

Net cash used by financing activities was $9.7 million in the year ended December 31, 2012, due to dividends paid of $15.6 million and the withholding of common stock by the Company to cover the tax liability upon the vesting of restricted stock awards and units in the amount of $0.1 million, offset by the issuance of common stock upon the exercise of employee stock options and purchases of common stock under our employee stock purchase plans of $6.1 million.

Net cash from financing activities was $7.9 million for the year ended December 31, 2011 due to the issuance of common stock under our employee stock option programs and employee stock purchase plans.

Net cash provided by financing activities was $6.9 million in the year ended December 31, 2010, due to the issuance of common stock upon the exercise of employee stock options and purchases of common stock under our employee stock purchase plans of $6.4 million and excess tax benefits from stock-based compensation expense of $0.5 million.

We believe that based on current levels of operations and anticipated growth, our cash from operations, together with cash, cash equivalents and short-term investments currently available, will be sufficient to fund our operations, anticipated growth and acquisition funding needs for at least the next twelve months. Poor financial results, unanticipated expenses, unanticipated acquisitions of technologies or businesses or unanticipated strategic investments could give rise to additional financing requirements sooner than we expect. There can be no assurance that equity or debt financing will be available when needed or, if available, that such financing will be on terms satisfactory to us and not dilutive to our then-current stockholders.

Contractual Cash Obligations

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	Thereafter
			(In thousands)		
Operating lease obligations	$14,683	$ 4,841	$ 8,393	$ 1,209	$ 240
Purchase obligations	1,335	1,335	—	—	—
Total	$16,018	$ 6,176	$ 8,393	$ 1,209	$ 240

The amounts reflected in the table above for obligations represent aggregate future minimum lease payments under non-cancellable facility and equipment operating leases. In addition, we have agreements containing non-cancelable, nonrefundable payment terms with third parties to purchase services. For our facility leases, rent expense charged to operations differs from rent paid because of scheduled rent increases. Rent expense is calculated by amortizing total rental payments on a straight-line basis over the lease term.

We have recognized approximately $5.2 million in the liability for unrecognized tax benefits (included in other long-term liabilities on our Consolidated Balance Sheet), including accrued interest and penalties. It is reasonably possible that unrecognized tax benefits may decrease by $2.3 million to $2.4 million during 2013 due to the expected lapse of a statute of limitations relating to federal research tax credits, foreign tax incentives and the conclusion of a foreign tax examination. At this time, we are unable to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease over time. As a result, this amount is not included in the table above.

See Note 15— "*Commitments and Contingencies* " of the Notes to Consolidated Financial Statements for additional detail.

Off-Balance Sheet Arrangements and Related Party Transactions

As of December 31, 2012, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Since 2008, we have engaged 3LP Advisors LLC ("3LP") to assist with the identification and acquisition of patents. A managing partner of 3LP, Mr. Kevin G. Rivette, is a member of our Board of Directors and has a non-majority ownership interest in 3LP. For the years ended December 31, 2012 and 2011, we recognized operating expense of $2.3 million and $3.1 million, respectively, related to these engagements. At December 31, 2012 and 2011, accounts payable balance due to 3LP was $0.2 million and $2.0 million, respectively.

We provide indemnification of varying scope to certain customers against claims of intellectual property infringement made by third parties arising from the use of our technologies. In accordance with authoritative guidance for accounting for guarantees, as interpreted by the authoritative guidance for guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others, we evaluate estimated losses for such indemnification. We consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, no such claims have been filed against us and, as a result, no liability has been recorded in our financial statements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. These financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. We evaluate our estimates based on our historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates relate to revenue recognition, the assessment of recoverability of goodwill and intangible assets, the assessment of useful lives and recoverability of long-lived assets, the valuation and recognition of stock-based compensation expense, the valuation of investments, recognition and measurement of deferred income tax assets and liabilities, the assessment of unrecognized tax benefits, and others. Actual results could differ from those estimates, and material effects on our operating results and financial position may result. See Note 2— "*Summary of Significant Accounting Policies* " of the Notes to Consolidated Financial Statements for a full description of our accounting policies.

Revenue Recognition

Our revenues are generated from royalty and license fees, past production payments, and product and service revenues. Royalty and license fees include revenues from license fees and royalties generated from licensing certain rights to use our technologies or intellectual property. Past production payment revenues are royalty payments for the use of our intellectual property and where payments are made as part of a settlement of a patent infringement dispute from previous unlicensed parties. License fees are generally recognized at the time the license agreement is executed by both parties. In some instances, a portion of the license fee is deferred for services provided which amount is the estimated fair value of the services, which is based on the price we charge for similar services when they are sold separately. Royalties under our royalty-based technology licenses are generally based on either unit volumes shipped on products using our technology or a percent of the net sales price. Licensees generally report shipment information 30 to 60 days after the end of the quarter in which such activity takes place. Since there is no reliable basis on which we can estimate our royalty revenues prior to obtaining these reports from the licensees, we recognize royalty revenues on a one-quarter lag. We record marketing incentive program and consulting service paid to our customers as reductions to revenue. Such reductions to revenue are estimated based on a number of factors including our assumptions related to fair value of the benefits derived from these arrangements.

Product revenues are generated principally from sales of micro-optic products, which include the diffractive optical lens elements sold principally to the semiconductor photolithography industry, as well as other specialized optical elements sold for telecommunications and photonic applications. Service revenues principally consist of engineering, assembly, design and infrastructure services, provided primarily to our licensees to shorten their development effort and time to market. Revenues from services are recognized utilizing the completed contract method of accounting.

The timing of revenue recognition and the amount of revenue actually recognized for each type of revenues depends upon a variety of factors including the specific terms of each arrangement, our ability to derive fair value of the element and the nature of our deliverables and obligations. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but actual results may differ from our estimates.

Valuation of goodwill and intangible assets

We make judgments about the recoverability of purchased finite-lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. 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 accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. Such change could result in impairment charges in future periods, which could have a significant impact on our operating results and financial condition.

We perform an annual review of the valuation of goodwill each year, or more often if indicators of impairment exist. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. Evaluations of possible impairment and, if applicable, adjustments to carrying values require us to estimate, among other factors, future cash flows, useful lives, and fair market values of our reporting units and assets. When we conduct our evaluation of goodwill, the fair value of goodwill is assessed using valuation techniques that require significant management estimates and judgment. Should conditions be different from management’s last assessment, significant impairments of goodwill may be required, which would adversely affect our operating results.

In 2011, we recorded an impairment charge of goodwill of $49.7 million due primarily to the low market price of our common stock, which resulted in our market capitalization being significantly lower than the book value of equity for an extended period of time. Refer to Note 8— “*Goodwill and Identified Intangible Assets* ” of the Notes to Consolidated Financial Statements for additional details.

Property, plant and equipment

We assess property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. We measure the recoverability of assets that will continue to be used in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping’s carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by comparing the difference between the asset grouping’s carrying value and its fair value. Property, plant and equipment is considered a non-financial asset and is recorded at fair value only if an impairment charge is recognized.

Impairments are determined for groups of assets related to the lowest level of identifiable independent cash flows. When we determine that the useful lives of assets are shorter than originally estimated, we accelerate the rate of depreciation over the assets’ new, shorter useful lives.

Stock-based compensation expense

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected life of the stock-based awards, stock price volatility, dividends and the pre-vesting option forfeiture rate. We estimate the expected life of options granted based on historical exercise patterns, which we believe are representative of future behavior. We estimate the volatility of our common stock on the date of grant based on a market-based historical volatility. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience of our stock-based awards that are granted, exercised and cancelled. If our actual forfeiture rate is materially different from our estimate, stock-based compensation expense could be significantly different from what we have recorded in the current period. See Note 11— “*Stock-Based Compensation Expense* ” of the Notes to Consolidated Financial Statements for additional detail.

Valuation of investments

Our investments consist primarily of municipal bonds and notes, corporate bonds and notes, commercial paper, treasury and agency notes and bills, certificates of deposit and money market funds. We invest excess cash predominantly in high-quality investment grade marketable securities with less than two years to maturity. Our marketable securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income (loss). Realized gains and losses, unrealized losses and declines in value determined to be other-than-temporary, if any, on available-for-sale securities are generally reported in other income and expense, net. The fair values for our securities are determined based on quoted market prices as of the valuation date, observable prices for similar assets and, in the event that observable prices for similar assets are not available, externally provided pricing models, discounted cash flow methodologies or other similar techniques. The determination of fair value when quoted market prices are not available requires significant judgment and estimation. In addition, we evaluate the investments periodically for possible other-than-temporary impairment and review factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, our intent to hold and whether we will not be required to sell the security before its anticipated recovery, on a more-likely-than-not basis. If any of these conditions and estimates change in the future, or, if different estimates are used, the fair value of the investments may change significantly and may result in other-than-temporary decline in value which could have an adverse impact on our results of operations.

Accounting for income taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, tax benefits and deductions, and in the calculation of tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely on a more-likely-than-not basis, we must increase our provision for income taxes by recording a valuation allowance against our deferred tax assets. Should there be a change in our ability to recover our deferred tax assets, our provision for income taxes would fluctuate in the period of the change.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional tax payments are probable. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. This may occur for a variety of reasons, such as the expiration of the statute of limitations on a particular tax return or the completion of an examination by the relevant tax authority. We record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than the expected ultimate assessment.

We account for uncertain tax positions in accordance with authoritative guidance related to income taxes. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous, frequently changing and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations are subject to change over time. As such, changes in our assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of operations.

Our policy is to classify accrued interest and penalties related to the accrued liability for unrecognized tax benefits in the provision for income taxes. For the years ended December 31, 2012 and 2011, we did not recognize any significant penalties or interest related to unrecognized tax benefits. See Note 14— “*Income Taxes* ” of the Notes to Consolidated Financial Statements for additional detail.

Recent accounting pronouncements

See Note 3— “*Recent Accounting Pronouncements* ” of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

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 and investments in a variety of securities, which are subject to risks including:

Interest Rate Risk

The risk associated with fluctuating interest rates is generally limited to our investment portfolio. We invest in marketable securities, consisting primarily of municipal bonds and notes, corporate bonds and notes, commercial paper, treasury and agency notes and bills, certificates of deposit and money market funds, which had a fair value of $395.6 million at December 31, 2012. Our exposure to interest rate risks is not significant due to the short average maturity of our holdings, which is less than a year. A hypothetical 1% (100 basis-point) increase in period end interest rates along the yield curve would have resulted in a $1.7 million decrease in the fair value of our investment positions at December 31, 2012. Conversely, a 1% (100 basis-point) decrease in interest rates would have resulted in a $853,000 increase in the fair value of our investment portfolio. These estimates reflect only the direct impact of a change in interest rates and actual results may differ from these estimates.

Investment Risk

We are exposed to market risk as it relates to changes in the market value of our investments in addition to the liquidity and credit worthiness of the underlying issuers of our investments. Our investments are subject to fluctuations in fair value due to the volatility of the credit markets and prevailing interest rates for such securities. Our marketable securities, consisting primarily of municipal bonds and notes, corporate bonds and notes, commercial paper, treasury and agency notes and bills, certificates of deposit and money market funds, are classified as available-for-sale or trading securities with fair values of $395.6 million and $461.9 million as of December 31, 2012 and 2011, respectively. Unrealized gains, net of tax, on these investments at December 31, 2012 were approximately $95,000, as compared to unrealized gains of approximately $24,000 at December 31, 2011. We do not hold any derivative, derivative commodity instruments or other similar financial instruments in our portfolio.

Bank Liquidity Risk

As of December 31, 2012, we have approximately $47.0 million in operating accounts that are held with domestic and international financial institutions. A majority of these balances are held with domestic financial institutions. While we monitor daily cash balances in our operating accounts, hold the majority of our operating funds in government insured accounts and adjust the cash balances held in operating accounts 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 and they are not supported by the government. Notwithstanding, we have not incurred any losses and have had full access to our operating accounts to date. We believe any failures of domestic and international financial institutions could impact our ability to fund our operations in the short term.

Foreign Currency Exchange Rate Risk

Our international sales are typically made in U.S. dollars and are generally not subjected to foreign currency exchange rate risk. However, certain of our operating expenses for our international operations are in local currencies, primarily in Taiwan dollars, RMB and Euros. Consequently, our results of operations are subject to foreign exchange rate fluctuations. Notwithstanding, gains and losses from such fluctuations have not historically been significant to our consolidated results. We do not currently hedge against foreign currency rate fluctuations. We do not believe that a 10% change in foreign currency exchange rates against the U.S. dollar would have a significant impact on our results of operations and cash flows.

Item 8. *Financial Statements and Supplementary Data*

Our consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity (deficit), comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2012 are set forth in this Annual Report on Form 10-K at Item 15(a)(1).

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SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents our unaudited quarterly results of operations for the eight quarters in the periods ended December 31, 2012 and 2011. You should read the following table in conjunction with the consolidated financial statements and related notes contained elsewhere in this annual report. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair statement of our financial position and operating results for the quarters presented. Operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year. We employ a calendar month-end reporting period for our quarterly reporting.

	Three Months Ended							
	Mar 31, 2011(1)	Jun 30, 2011	Sep 30, 2011(2)(3)	Dec 31, 2011	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012(4)
	(in thousands, except per share amounts)							
Revenues:								
Royalty and license fees	$62,258	$65,402	$ 55,271	$54,270	$ 43,264	$58,185	$60,114	$ 20,958
Past production payments	—	—	—	—	—	—	79	24,650
Product and service revenues	5,515	5,328	4,071	2,461	3,409	3,239	12,497	7,628
Total Revenues	67,773	70,730	59,342	56,731	46,673	61,424	72,690	53,236
Operating expenses:								
Cost of revenues	5,512	5,361	5,594	7,026	5,760	5,597	16,748	12,261
Research, development and other related costs	18,613	18,785	18,690	19,888	23,445	24,870	24,615	27,751
Selling, general and administrative	19,464	22,775	20,432	20,707	24,611	24,437	24,010	24,237
Litigation expense	5,996	7,208	9,059	7,091	3,492	6,724	9,689	14,113
Restructuring and other charges	2,059	—	2,938	252	—	—	—	2,524
Impairment of long-lived assets	—	—	—	(569)	—	—	—	—
Impairment of goodwill	—	—	49,653	—	—	—	—	—
Total operating expenses	51,644	54,129	106,366	54,395	57,308	61,628	75,062	80,886
Operating income (loss)	16,129	16,601	(47,024)	2,336	(10,635)	(204)	(2,372)	(27,650)
Other income and expense, net	608	726	690	619	668	987	3,725	492
Income (loss) before taxes	16,737	17,327	(46,334)	2,955	(9,967)	783	1,353	(27,158)
Provision for (benefit from) income taxes	5,525	5,741	(1,598)	317	(1,879)	1,192	2,465	(6,542)
Net income (loss)	$11,212	$11,586	$ (44,736)	$ 2,638	$ (8,088)	$ (409)	$ (1,112)	$(20,616)
Net income (loss) per common share basic	$ 0.22	$ 0.23	$ (0.87)	$ 0.05	$ (0.16)	$ (0.01)	$ (0.02)	$ (0.39)
Net income (loss) per common share-diluted	$ 0.22	$ 0.23	$ (0.87)	$ 0.05	$ (0.16)	$ (0.01)	$ (0.02)	$ (0.39)
Cash dividends declared per share	$ —	$ —	$ —	$ —	$ —	$ 0.10	$ 0.10	$ 0.10
Weighted average number of shares used in per share calculations-basic	50,823	51,106	51,364	51,517	51,738	51,881	52,093	52,226
Weighted average number of shares used in per share calculations-diluted	51,267	51,442	51,364	51,678	52,067	51,881	52,093	52,226

[1] In January 2011, the Company announced a reorganization of its DigitalOptics segment to focus on key growth opportunities including EDoF, Zoom and MEMS-based autofocus and a reduction of DigitalOptics employees by up to 15% of the worldwide employee base along with certain headquarters support functions. As a result, we recognized a restructuring charge of $2.1 million, primarily consisting of severance and costs related to the continuation of certain employee benefits.

[2] In August 2011, the Company announced a commitment to undertake a workforce reduction at our Yokohama, Japan development facility and to close that facility in order to optimize our operations. As a result, we recognized a restructuring charge of $2.9 million, primarily consisting of severance, costs related to the continuation of certain employee benefits, and expenses related to the closure of facility.

[3] In the third quarter of 2011, the Company recorded a $49.7 million charge for the impairment of goodwill due primarily to the low market price of our common stock, which resulted in our market capitalization being significantly lower than the book value of equity for an extended period of time.

[4] In November 2012, the Company announced that it will focus its efforts on its core MEMS camera module business. In connection with this effort, the Company reduced its workforce and will cease operations at its facility in Tel Aviv, Israel. In connection with these actions, the Company recognized a restructuring charge of $2.5 million, primarily consisting of severance, costs related to the continuation of certain employee benefits, and expenses related to the closure of facility.

Other Supplementary Data

The following table presents our quarterly unaudited non-GAAP financial measures for the eight quarters in the periods ended December 31, 2012 and 2011. The non-GAAP financial measures adjust for either one-time or ongoing non-cash acquired intangibles amortization charges, acquired in-process research and development, all forms of stock-based compensation expense, impairment of goodwill and long-lived assets and related tax effects of the aforementioned adjustments. The tax effects of the aforementioned adjustments are calculated by multiplying the estimated available deduction for each adjustment by the statutory taxable rate then in effect. The non-GAAP financial measures also exclude the effects of FASB Accounting Standards Codification Topic 718 – Stock Compensation upon the number of diluted shares used in calculating non-GAAP earnings per share. We believe that the non-GAAP measures used in this report provide investors with important perspectives into our ongoing business performance. Our management uses these non-GAAP financial measures when evaluating our operating performance. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

	Three Months Ended							
	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012
	(in thousands, except per share amounts)							
GAAP net income (loss)	$ 11,212	$ 11,586	$ (44,736)	$ 2,638	$ (8,088)	$ (409)	$ (1,112)	$ (20,616)
Adjustments to GAAP net income (loss):								
Stock-based compensation expense:								
Cost of revenues	143	129	67	119	150	248	106	137
Research, development and other related costs	2,446	2,408	1,694	1,685	1,712	1,952	1,326	1,465
Selling, general and administrative	3,475	6,290	3,598	3,516	2,194	3,013	2,548	2,185
Amortization of acquired intangibles:								
Cost of revenues	1,707	1,707	1,703	1,702	2,016	2,015	1,860	1,782
Research, development and other related costs	753	740	872	1,455	1,353	1,353	1,348	1,354
Selling, general and administrative	1,632	1,698	1,736	1,618	3,004	2,976	2,985	3,023
Impairment of long-lived assets	—	—	—	(569)	—	—	—	—
Impairment of goodwill	—	—	49,653	—	—	—	—	—
Tax adjustments for non-GAAP items	(2,360)	(3,196)	(3,947)	(2,513)	(2,559)	(2,925)	(2,564)	(3,078)
Non-GAAP net income (loss)	$ 19,008	$ 21,362	$ 10,640	$ 9,651	$ (218)	$ 8,223	$ 6,497	$ (13,748)
Non-GAAP net income (loss) per common share—diluted	$ 0.36	$ 0.41	$ 0.20	$ 0.18	$ —	$ 0.16	$ 0.12	$ (0.26)
Weighted average number of shares used in per share calculation-diluted*	52,548	52,525	52,590	52,708	53,093	52,897	53,029	53,261

* Non-GAAP diluted shares are based on the GAAP diluted share adjusted for stock-based compensation expense and tax effect.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Attached as exhibits to this Form 10-K are certifications of Tessera Technologies, Inc.’s Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Exchange Act. This “Controls and Procedures” section includes information concerning the controls and controls evaluation referred to in the certifications and it should be read in conjunction with the certifications, for a more complete understanding of the topics presented.

Evaluation of Controls and Procedures

Tessera Technologies, Inc. maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the evaluation date). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective to provide reasonable assurance that the information relating to Tessera Technologies, Inc., including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to Tessera Technologies Inc.'s management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Change in Internal Control over Financial Reporting

There has been no change in Tessera Technologies, Inc.'s internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), during Tessera Technologies, Inc.'s most recent quarter that has materially affected, or is reasonably likely to materially affect, Tessera Technologies, Inc.'s internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for Tessera Technologies, Inc. Our 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 U.S. generally accepted accounting principles. Tessera Technologies, Inc.'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 Tessera Technologies, Inc.; (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 Tessera Technologies, Inc. are being made only in accordance with authorizations of management and directors of Tessera Technologies, Inc.; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Tessera Technologies, Inc.'s assets that could have a material effect on the financial statements.

Tessera Technologies, Inc.'s management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on the assessment by Tessera Technologies, Inc.'s management, we determined that Tessera Technologies, Inc.'s internal control over financial reporting was effective as of December 31, 2012. We have excluded DigitalOptics Corporation Technology Zhuhai Co., Ltd (formally known as Vista Point Electronic Technologies (Zhuhai) Co., Ltd.) from our assessment of internet control over financial reporting as of December 31, 2012 because it was acquired in a purchase business combination during 2012. DigitalOptics Corporation Technology Zhuhai Co., Ltd is a wholly-owned subsidiary whose total assets and total revenues represent 4% and 0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012. The effectiveness of Tessera Technologies, Inc.'s internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, Tessera Technologies, Inc.'s independent registered public accounting firm, as stated in their attestation report which appears on page F-1 of this Annual Report on Form 10-K.

Item 9B. *Other Information*

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item 10 is hereby incorporated by reference from the information under the captions “Executive Officers,” “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” that will be contained in the Proxy Statement for our 2013 Annual Meeting of Stockholders (the “Proxy Statement”).

We have adopted a written code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons serving similar functions. The text of our code of business conduct and ethics has been posted on our website at http://www.tessera.com.

Item 11. *Executive Compensation*

The information required by this Item 11 is incorporated by reference from the information under the captions “Election of Directors,” “Compensation Discussion and Analysis,” “Compensation of Executive Officers” and “Compensation Committee Report” that will be contained in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item 12 is incorporated by reference from the information under the captions “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” that will be contained in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item 13 is incorporated by reference from the information under the captions “Certain Relationships and Related Transactions” and “Election of Directors” that will be contained in the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by this Item 14 is incorporated by reference from the information under the caption “Ratification of Auditors” that will be contained in the Proxy Statement.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) Documents filed as part of this report:

* The exhibits listed on the accompanying index to exhibits in Item 15(b) below are filed as part of, or hereby incorporated by reference into, this Annual Report.

(1) *Financial Statements*

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Tessera Technologies, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Tessera Technologies, Inc and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded DigitalOptics Corporation Technology Zhuhai Co., Ltd (formally known as Vista Point Electronic Technologies (Zhuhai) Co. Ltd.) from its assessment of internal control over financial reporting as of December 31, 2012 because it was acquired by the Company in a purchase business combination during 2012.

We have also excluded DigitalOptics Corporation Technology Zhuhai Co., Ltd from our assessment of internal control over financial reporting. DigitalOptics Corporation Technology Zhuhai Co., Ltd is a wholly-owned subsidiary whose total assets and total revenues represent 4% and 0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 1, 2013

TESSERA TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for par value)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$103,802	$ 55,758
Short-term investments	338,801	436,687
Accounts receivable, net of allowance for doubtful accounts of $43 at each year end	11,595	8,599
Inventories	1,507	1,574
Short-term deferred tax assets	3,880	1,892
Other current assets	15,701	13,664
Total current assets	475,286	518,174
Property and equipment, net	72,544	36,319
Intangible assets, net	120,432	141,326
Long-term deferred tax assets	22,499	18,223
Other assets	7,677	2,484
Goodwill	6,664	—
Total assets	$705,102	$716,526
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,437	$ 7,203
Accrued legal fees	11,726	6,110
Accrued liabilities	22,140	20,824
Deferred revenue	4,869	2,610
Total current liabilities	53,172	36,747
Long-term deferred tax liabilities	3,102	4,083
Other long-term liabilities	6,403	5,017
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock: $0.001 par value; 10,000 shares authorized and no shares issued and outstanding	—	—
Common stock: $0.001 par value; 150,000 shares authorized; 52,947 and 52,221 shares issued, respectively, and 52,293 and 51,576 shares outstanding, respectively	53	52
Additional paid-in capital	480,347	462,697
Treasury stock at cost: 654 and 645 shares of common stock at each year end, respectively	(10,642)	(10,505)
Accumulated other comprehensive income	119	24
Retained earnings	172,548	218,411
Total stockholders' equity	642,425	670,679
Total liabilities and stockholders' equity	$705,102	$716,526

The accompanying notes are an integral part of these consolidated financial statements.

TESSERA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	Years Ended December 31, 2012	2011	2010
Revenues:			
Royalty and license fees	$182,521	$237,201	$279,623
Past production payments	24,729	—	—
Product and service revenues	26,773	17,375	21,770
Total revenues	234,023	254,576	301,393
Operating expenses:			
Cost of revenues	40,366	23,493	21,777
Research, development and other related costs	100,681	75,976	74,098
Selling, general and administrative	97,295	83,378	79,300
Litigation expense	34,018	29,354	21,892
Restructuring and other charges	2,524	5,249	—
Impairment of long-lived assets	—	(569)	3,505
Impairment of goodwill	—	49,653	—
Total operating expenses	274,884	266,534	200,572
Operating income (loss)	(40,861)	(11,958)	100,821
Other income and expense, net	5,872	2,643	2,604
Income (loss) before taxes	(34,989)	(9,315)	103,425
Provision for (benefit from) income taxes	(4,764)	9,985	46,079
Net income (loss)	$ (30,225)	$ (19,300)	$ 57,346
Basic and diluted net income (loss) per share:			
Net income (loss) per share-basic	$ (0.58)	$ (0.38)	$ 1.15
Net income (loss) per share-diluted	$ (0.58)	$ (0.38)	$ 1.14
Cash dividends declared per share	$ 0.30	$ —	$ —
Weighted average number of shares used in per share calculations-basic	51,977	51,082	50,070
Weighted average number of shares used in per share calculations-diluted	51,977	51,082	50,450

The accompanying notes are an integral part of these consolidated financial statements.

TESSERA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2012	2011	2010
Net income (loss)	$(30,225)	$(19,300)	$57,346
Other comprehensive income (loss):			
Net unrealized gains (losses) on available-for-sale-securities, net of tax	95	(275)	354
Other comprehensive income (loss)	95	(275)	354
Comprehensive income (loss)	$(30,130)	$(19,575)	$57,700

The accompanying notes are an integral part of these consolidated financial statements.

TESSERA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands)

	Common Stock		Additional	Treasury Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Paid-In Capital	Shares	Amount	Income (Loss)	Earnings	Total
Balance at December 31, 2009	49,845	$ 50	$ 402,330	645	$(10,505)	$ (55)	$180,365	$572,185
Net income	—	—	—	—	—	—	57,346	57,346
Other comprehensive income						354		354
Issuance of common stock in connection with exercise of stock options	204	—	2,600	—	—	—	—	2,600
Issuance of common stock in connection with employee common stock purchase plan	406	1	3,837	—	—	—	—	3,838
Issuance of restricted stock, net of shares cancelled	138	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	27,995	—	—	—	—	27,995
Tax benefits in connection with stock option plan	—	—	265	—	—	—	—	265
Balance at December 31, 2010	50,593	$ 51	$ 437,027	645	$(10,505)	$ 299	$237,711	$664,583
Net loss	—	—	—	—	—	—	(19,300)	(19,300)
Other comprehensive loss						(275)		(275)
Issuance of common stock in connection with exercise of stock options	239	—	3,594	—	—	—	—	3,594
Issuance of common stock in connection with employee common stock purchase plan	371	1	4,173	—	—	—	—	4,174
Issuance of restricted stock, net of shares cancelled	373	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	25,570	—	—	—	—	25,570
Tax benefits in connection with stock option plan	—	—	(7,667)	—	—	—	—	(7,667)
Balance at December 31, 2011	51,576	$ 52	$ 462,697	645	$(10,505)	$ 24	$218,411	$670,679
Net loss	—	—	—	—	—	—	(30,225)	(30,225)
Other comprehensive income						95		95
Cash dividends paid on company common stock	—	—	—	—	—	—	(15,638)	(15,638)
Issuance of common stock in connection with exercise of stock options	167	—	2,374	—	—	—	—	2,374
Issuance of common stock in connection with employee common stock purchase plan	292	1	3,732	—	—	—	—	3,733
Issuance of restricted stock, net of shares cancelled	267	—	—	—	—	—	—	—
Repurchases of common stock	(9)	—	—	9	(137)	—	—	(137)
Stock-based compensation expense	—	—	17,036	—	—	—	—	17,036
Tax benefits in connection with stock option plan	—	—	(5,492)	—	—	—	—	(5,492)
Balance at December 31, 2012	52,293	$ 53	$ 480,347	654	$(10,642)	$ 119	$172,548	$642,425

The accompanying notes are an integral part of these consolidated financial statements.

TESSERA TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Years Ended December 31, 2012	2011	2010
Cash flows from operating activities:			
Net income (loss)	$ (30,225)	$ (19,300)	$ 57,346
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	15,205	10,073	11,535
Amortization of intangible assets	25,069	17,323	14,695
Stock-based compensation expense	17,036	25,570	27,995
Impairment on long-term investments and assets, net of gain	—	—	(217)
Impairment of long-lived assets	—	(480)	3,505
Impairment of goodwill	—	49,653	—
Non-cash restructuring and other charges	63	—	—
(Gain) loss on property and equipment and lease impairment	(91)	57	—
Deferred income tax and other, net	(6,100)	7,085	(4,764)
Amortization of premium/discount on investments	212	(832)	—
Tax benefits from employee stock option plan	(5,492)	(7,667)	265
Excess tax benefit from stock-based compensation	—	(85)	(502)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(2,537)	3,198	(1,552)
Inventories	459	278	(281)
Other assets	(1,336)	(3,681)	(3,442)
Accounts payable	2,993	2,438	1,524
Accrued legal fees	5,616	1,022	2,024
Accrued and other liabilities	1,729	(2,082)	(2,405)
Deferred revenue	2,259	(3,144)	420
Net cash provided by operating activities	24,860	79,426	106,146
Cash flows from investing activities:			
Purchases of property and equipment	(33,428)	(5,910)	(9,846)
Proceeds from sale of property and equipment	1,293	2,207	1,660
Purchases of short-term available-for-sale investments	(261,754)	(353,052)	(487,928)
Proceeds from maturities and sales of short-term and long-term investments	359,523	322,659	379,448
Purchases of intangible assets	(4,875)	(66,693)	(20,054)
Acquisitions, net of cash acquired	(27,907)	—	(14,971)
Net cash provided by (used in) investing activities	32,852	(100,789)	(151,691)
Cash flows from financing activities:			
Dividends paid	(15,638)	—	—
Excess tax benefit from stock-based compensation	—	85	502
Proceeds from exercise of stock options	2,374	3,594	2,600
Proceeds from employee stock purchase plan	3,733	4,174	3,838
Repurchase of common stock	(137)	—	—
Net cash provided by (used in) financing activities	(9,668)	7,853	6,940
Net increase (decrease) in cash and cash equivalents	48,044	(13,510)	(38,605)
Cash and cash equivalents at beginning of period	55,758	69,268	107,873
Cash and cash equivalents at end of period	$ 103,802	$ 55,758	$ 69,268
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 4,880	$ 14,168	$ 52,020
Supplemental disclosure of non-cash investing activities:			
Property and equipment included in accounts payable and accrued liabilities	$ 5,041	$ 83	$ 27
Acquired intangible assets included in Accrued liabilities	1,100	3,600	1,600

The accompanying notes are an integral part of these consolidated financial statements.

TESSERA TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

Tessera Technologies, Inc. (the "Company") is a holding company with operating subsidiaries in two segments: Intellectual Property and DigitalOptics.

The Company's Intellectual Property segment, managed by Tessera Intellectual Property Corp., generates revenue from manufacturers and other implementers that use our technology. The segment includes Tessera, Inc. and Invensas Corporation ("Invensas"). Tessera, Inc. pioneered chip-scale packaging solutions, which it licenses to the semiconductor industry. Invensas develops and acquires interconnect solutions and intellectual property in areas such as mobile computing and communications, memory and data storage, and 3-D Integrated Circuit ("3DIC") technologies.

The DigitalOptics segment designs and manufactures imaging systems for smartphones, generating revenue through product sales and software license fees and royalties. DigitalOptics' expertise in optics, camera modules, Micro-Electro Mechanical Systems ("MEMS"), and image processing enable it to deliver products that expand the boundaries of smartphone photography. DOC also offers customized micro-optic lenses, which may include Diffractive Optical Elements ("DOEs"), Refractive Optical Elements ("ROEs") and/or Integrated Micro-Optical Subassemblies ("IMOS").

The consolidated financial statements include the accounts of Tessera Technologies, Inc. and each of its wholly owned subsidiaries. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States ("U.S."). All significant intercompany balances and transactions are eliminated in consolidation.

The Company's fiscal year ends on December 31. The Company employs a calendar month-end reporting period for its quarterly reporting.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassification

Certain reclassifications have been made to prior period balances in order to conform to current period's presentation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates and assumptions that require management's most significant, difficult, and subjective judgment include the recognition and measurement of current and deferred income tax assets and liabilities, the fair value measurements of investments, the valuation of inventory, the assessment of the recoverability of goodwill, the assessment of useful lives and recoverability of long-lived assets, the assessment of unrecognized tax benefits and the valuation and recognition of stock-based compensation expense, among others. Actual results experienced by the Company may differ from management's estimates.

Financial Instruments

Investments consist primarily of municipal bonds and notes, corporate bonds and notes, treasury and agency notes and bills, commercial paper, certificates of deposit, and money market funds. Investments with remaining maturities from original purchase date of three months or less are considered to be cash equivalents. Investments with remaining maturities from original purchase date greater than three months are generally classified as available-for-sale for use, if required, in current operations, and are classified as short-term investments. Investments determined to lack an active market for a period greater than 12 months are classified as long-term investments. The Company's cash equivalents and short-term investments are classified as available-for-sale. Unrealized gains and losses on securities, net of tax, are recorded in accumulated other comprehensive income and reported as a separate component of stockholders' equity. The Company evaluates the investments periodically for possible other-than-temporary impairment and reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, the Company's intent to hold and whether the Company will not be required to sell the security before its anticipated recovery, on a more-likely-than-not basis. If the declines in the fair value of the investments are determined to be other-than-temporary, the Company reports the credit loss portion of such decline in other income and expense, net, and the remaining noncredit loss portion in accumulated other comprehensive income. The cost of securities sold is based on the specific identification method. Interest and dividend income and realized gains or losses are included in other income and expense, net.

Concentration of credit and other risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash equivalents, short-term investments and accounts receivable. The Company follows a corporate investment policy which sets credit, maturity and concentration limits and regularly monitors the composition, market risk and maturities of these investments. The Company believes that any concentration of credit risk in its accounts receivable is substantially mitigated by the Company's evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary but generally requires no collateral.

At December 31, 2012 and 2011, the Company had one customer representing 22% and 53%, respectively, of aggregate gross trade receivables.

The following table sets forth revenues generated from customers, all of which are in the Intellectual Property segment, each comprising 10% or more of total revenues for the periods indicated:

	Years Ended December 31,		
	2012	2011	2010
Micron Technology, Inc.	13%	19%	13%
Spansion Inc.	11	*	*
Powertech Technology Inc.	10	25	21

* denotes less than 10% of total revenues.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write-down is measured as the difference between the cost of the inventory and market based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Equipment held under capital lease is stated at the fair market value of the related asset at the time of lease origination and is amortized on a straight-line basis over the term of the lease. The Company held no significant equipment under capital lease agreements in the periods presented. Repair and maintenance costs are charged to expense as incurred.

The depreciation and amortization useful life periods for property and equipment are as follows:

Furniture and equipment	One to five years
Production equipment	Five to ten years
Buildings	Seven, eight and 39 years
Leasehold improvements	Shorter of five years or the remaining term of the lease

When property and equipment are sold or disposed of, the cost of the asset and the related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss on disposal is charged to the corresponding functional expenses.

The Company assesses property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. We measure the recoverability of assets that will continue to be used in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by comparing the difference between the asset grouping's carrying value and its fair value.

Goodwill and identified intangible assets

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. The Company reviews impairment of goodwill annually. The Company first assesses 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 it is necessary to perform the two-step goodwill impairment test. If the Company concludes it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, it need not perform the two-step impairment test.

If based on the qualitative assessment, the Company believes it is more likely than not that the fair value of its reporting units is less than its carrying value, a two-step goodwill impairment test is required to be performed. The first step requires the Company to compare the fair value of each reporting unit to its carrying value including allocated goodwill. The Company determines the fair value of its reporting units using an equal weighting of the results derived from an income approach and a market approach. 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 the Company's 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, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss.

The second step of the goodwill impairment test involves comparing the implied fair value of the reporting unit with the carrying value of the reporting unit. An impairment charge is recognized for the excess of the carrying value of the reporting unit over its implied fair value. Determining the fair value of a reporting unit is subjective in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others.

Identified intangible assets . Identified intangible assets consist of acquired patents, existing technology, trade names, assembled workforce and non-compete agreements resulting from business combinations, and acquired patents under asset purchase agreements. The Company's identified intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from two to 15 years. The Company makes 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, the Company assesses 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, the Company would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life.

For further discussion of goodwill and identified intangible assets, see "Note 8: Goodwill and Identified Intangible Assets."

Treasury stock

The Company accounts for stock repurchases using the cost method. For reissuance of treasury stock, to the extent that the reissuance price is more than the cost, the excess is recorded as an increase to capital in excess of par value. If the reissuance price is less than the cost, the difference is recorded in capital in excess of par value to the extent there is a cumulative treasury stock paid in capital balance. Once the cumulative balance is reduced to zero, any remaining difference resulting from the sale of treasury stock below cost is recorded as a reduction of retained earnings.

Revenue recognition

The Company derives its revenue from royalty and license fees, past production payments, and product and service revenues. Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collectibility of the resulting receivable is reasonably assured. Determining whether and when these criteria have been satisfied requires the Company to make assumptions and judgments which could have a significant impact on the timing and amount of revenue we report.

Royalty and license fees

Licensees pay running royalties on their production or shipment of licensed products incorporating the Company's intellectual property, technologies or software. Royalties are primarily based on unit volumes shipped. Licensees generally report shipment information within 30 to 60 days following the end of the quarter. Since there is no reliable basis on which the Company can estimate its royalty revenues prior to obtaining these reports from the licensees, the Company recognizes royalty revenues on a one-quarter lag. Royalty revenue also includes payments resulting from periodic compliance audits of licensees.

License revenue is generated from license agreements for certain rights to the Company's intellectual property and actuator technologies. The Company also derives revenue from software licenses for digital and video photography image enhancement technology. In some instances, the Company may enter into license agreements that involve multiple element arrangements to also include technology transfer, design, technical service and unspecified support. For software licenses and for technology licenses entered into prior to 2011, revenue for delivered elements is recognized using the residual method when the fair value of any undelivered elements can be objectively determined and is deferred. If the Company cannot objectively determine the fair value of any undelivered elements included in the multiple-element arrangement, revenue is deferred until all elements are delivered or performed, or until the Company can objectively determine the fair value of all remaining undelivered elements. The deferred portion of the revenue is recognized upon delivery or on a straight-line basis over the period in which unspecified support or service is performed. Beginning in January 2011, delivered elements of technology licenses are recognized based on their relative selling price. Revenue allocated to design, technical service and unspecified support elements is reported as service revenue.

The Company provides payment terms to licensees dependent upon their financial strength, credit worthiness and the Company's collection experience with the licensee. If the Company provides extended payment terms, revenue is deferred until payment is due.

From time to time, the Company may enter into arrangements to purchase goods and/or services from licensees where the Company (i) provides marketing incentives to a licensee in exchange for the licensee's marketing effort to promote the Company's technologies, (ii) utilizes a licensee to perform product development and research services, or (iii) purchases goods from licensees through standard business operations. If the Company cannot objectively determine the fair value of the benefits derived from these goods and services and if such goods and services cannot be separated from the underlying technologies licensed, payments for such goods and services are reflected as a reduction of revenue in the Company's consolidated statement of operations.

Past production payments

Past production payment revenues are royalty payments for the use of the Company's intellectual property and where payments are made as part of a settlement of a patent infringement dispute from previously unlicensed parties. Past production payment revenues typically relate to previous periods and are based on historical production volumes or sales.

Product and service revenues

Product revenue principally consists of sale of Micro-optics products, which include the diffractive optical lens elements sold principally to the semiconductor photolithography industry, as well as refractive, diffractive and integrated optical elements sold for telecommunications and photonic applications. The Company recognizes revenue from product sales when fundamental criteria are met, such as title, risk and rewards of product ownership are transferred to the customer, price and terms are fixed and the collection of the resulting receivable is reasonably assured. Shipping terms are generally freight-on-board shipping point.

Service revenue principally consists of engineering, design and technical services. The Company utilizes the completed-contract method of accounting for fixed-fee contracts. If the total estimated costs to complete a project were to exceed the total contract amount, indicating a loss, the entire anticipated loss would be recognized immediately.

Changes in judgment on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

Indemnification

The Company provides indemnification of varying scope to certain customers against claims of intellectual property infringement made by third parties arising from the use of the Company's technologies. In accordance with authoritative guidance for accounting for guarantees, the Company evaluates estimated losses for such indemnification. The Company considers such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, no such claims have been filed against the Company and, as a result, no liability has been recorded in the Company's financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has Directors' and Officers' Liability insurance coverage that is intended to reduce its financial exposure and may enable the Company to recover a portion of any such payments. The Company believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

Research, development and other related costs

Research, development and other related costs consist primarily of compensation and related costs for personnel as well as costs related to patent prosecution, applications and examinations, amortization of intangible assets, materials, supplies and equipment depreciation. Research and development is conducted primarily in-house and targets development of chip-scale, 3 dimensional and wafer-level packaging technology, high-density substrate, thermal management technology, image sensor packaging, image enhancement technology, including MEMS-based products, and micro-optic lens solutions, including diffractive and refractive optical elements to integrated micro-optical subassemblies. All research, development and other related costs are expensed as incurred. The Company believes that a significant level of research, development and other related costs will be required to remain competitive in the future.

Stock-based compensation expense

The Company accounts for stock-based compensation expense in accordance with the authoritative guidance on share-based payment. Under the provisions of the guidance, stock-based compensation expense is measured at the grant date based on the fair value of the award using a Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. The fair value of the Company's stock awards for non-employees was estimated based on the fair market value on each vesting date, accounted for under the variable-accounting method.

The authoritative guidance also requires that the Company measure and recognize stock-based compensation expense upon modification of the term of stock award. The stock-based compensation expense for such modification is the sum of any unamortized expense of the award before modification and the modification expense. The modification expense is the incremental amount of the fair value of the award before the modification and the fair value of the award after the modification, measured on the date of modification. In the case when the modification results in a longer requisite period than in the original award, the Company has elected to apply the pool method where the aggregate of the unamortized expense and the modification expense is amortized over the new requisite period on a straight-line basis. In addition, any forfeiture will be based on the original requisite period prior to the modification.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. The Company estimates the expected life of options granted based on historical exercise patterns, which are believed to be representative of future behavior. The Company estimates the volatility of the Company's common stock on the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of its stock-based awards that are granted, exercised and cancelled. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what was recorded in the current period. See Note 11— *"Stock-based Compensation Expense"* for additional detail.

Income taxes

The Company must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, tax benefits, tax deductions, and in the calculation of certain deferred taxes and tax liabilities. Significant changes to these estimates may result in an increase or decrease to the Company's tax provision in a subsequent period.

The provision for income taxes was comprised of the Company's current tax liability and changes in deferred income tax assets and liabilities. The calculation of the current tax liability involves dealing with uncertainties in the application of complex tax laws and regulations and in determining the liability for tax positions, if any, taken on the Company's tax returns in accordance with authoritative guidance on accounting for uncertainty in income taxes. Deferred income taxes are determined based on the differences between the financial reporting and tax basis of assets and liabilities. The Company must assess the likelihood that it will be able to recover the Company's deferred tax assets. If recovery is not likely on a more-likely-than-not basis, the Company must increase its provision for income taxes by recording a valuation allowance against the deferred tax assets that it estimates will not ultimately be recoverable. However, should there be a change in the Company's ability to recover its deferred tax assets, the provision for income taxes would fluctuate in the period of such change. See Note 14—*"Income Taxes"* for additional detail.

Contingencies

From time to time, the Company may be involved in legal and administrative proceedings and claims of various types. The Company records a liability in its consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. Management reviews these estimates in each accounting period as additional information becomes known and adjusts the loss provision when appropriate. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the consolidated financial statements. If a loss is probable but the amount of loss cannot be reasonably estimated, the Company discloses the loss contingency and an estimate of possible loss or range of loss (unless such an estimate cannot be made). The Company does not recognize gain contingencies until they are realized. Legal costs incurred in connection with loss contingencies are expensed as incurred. See Note 15, "Commitments and Contingencies," for further information regarding the Company's pending litigation.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Adopted

In June 2011, the Financial Accounting Standards Board (the "FASB") and International Accounting Standards Board issued an update to the authoritative guidance for fair value measurement. This update does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or International Financial Reporting Standards. This update changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, this update clarifies the FASB's intent about the application of existing fair value measurements. This update is effective for interim and annual periods beginning after December 15, 2011 and shall be applied prospectively. The adoption of this guidance did not have a significant impact on the Company's consolidated financial position, results of operations and cash flows.

In September 2011, the FASB issued an accounting standards update that permits entities to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance was applied in our fourth quarter of 2012 at the time we perform our annual goodwill test. The adoption of this guidance did not materially impact the Company's consolidated financial position, results of operations and cash flows.

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Issued

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosure about Offsetting Assets and Liabilities, which requires an entity to include additional disclosures about financial instruments and transactions eligible for offset in the statement of financial position, as well as financial instruments subject to a master netting agreement or similar arrangement. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, which is intended to reduce the complexity and cost of performing a quantitative test for impairment of indefinite-lived intangible assets by permitting an entity the option to perform a qualitative evaluation about the likelihood that an indefinite-lived intangible asset is impaired in order to determine whether it should calculate the fair value of the asset. The update also improves previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

NOTE 4 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Accounts receivable, net consisted of the following (in thousands):

	December 31,	
	2012	2011
Trade and other receivables	$ 11,638	$ 8,642
Allowance for doubtful accounts	(43)	(43)
	$ 11,595	$ 8,599

Inventories consisted of the following (in thousands):

	December 31,	
	2012	2011
Raw materials	$ 842	$ 516
Work in process	145	435
Finished goods	520	623
	$ 1,507	$ 1,574

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

	December 31,	
	2012	2011
Furniture and office equipment	$ 54,241	$ 37,371
Production equipment	36,577	11,589
Land and buildings	21,314	21,314
Leasehold improvements	13,873	5,460
	126,005	75,734
Less: Accumulated depreciation and amortization	(53,461)	(39,415)
	$ 72,544	$ 36,319

Depreciation and amortization expense for the years ended December 31, 2012, 2011 and 2010 amounted to $15.2 million, $10.1 million and $11.5 million, respectively.

Accrued liabilities consisted of the following (in thousands):

	December 31,	
	2012	2011
Employee compensation and benefits	$ 15,878	$ 11,852
Intangible assets payable	1,100	3,600
Other	5,162	5,372
	$ 22,140	$ 20,824

Other long-term liabilities consisted of the following (in thousands):

	December 31,	
	2012	2011
Unrecognized tax benefits	$ 5,212	$ 4,067
Other	1,191	950
	$ 6,403	$ 5,017

Accumulated other comprehensive income consisted of the following (in thousands):

	December 31,	
	2012	2011
Net unrealized gains on available-for-sale-securities, net of tax	$ 119	$ 24
	$ 119	$ 24

NOTE 5 – FINANCIAL INSTRUMENTS

The following is a summary of marketable securities at December 31, 2012 and 2011 (in thousands):

	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Values
Available-for-sale securities				
Corporate notes and bonds	$171,485	$ 177	$ (98)	$171,564
Municipal notes and bonds	110,185	55	(32)	110,208
Commercial paper	46,135	12	(4)	46,143
Money market funds	34,106	—	—	34,106
Treasury and agency notes and bills	29,050	12	(4)	29,058
Certificate of deposit	4,503	1	—	4,504
Total available-for-sale securities	395,464	257	(138)	395,583
Reported in:				
Cash and cash equivalents				$ 56,782
Short-term investments				338,801
Total marketable securities				$395,583

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Values
Available-for-sale securities				
Corporate notes and bonds	$168,294	$ 99	$ (322)	$168,071
Municipal notes and bonds	151,887	203	(15)	152,075
Treasury and agency notes and bills	87,684	84	(14)	87,754
Commercial paper	30,899	7	(15)	30,891
Money market funds	13,269	—	—	13,269
Certificate of deposit	9,820	3	(6)	9,817
Total available-for-sale securities	461,853	396	(372)	461,877
Reported in:				
Cash and cash equivalents				$ 25,190
Short-term investments				436,687
Total marketable securities				$461,877

At December 31, 2012 and 2011, the Company had $442.6 million and $492.4 million, respectively, in cash, cash equivalents and short-term investments. The majority of these amounts were held in marketable securities as shown above. The remaining balance of $47.0 million and $30.5 million at December 31, 2012 and 2011, respectively, was cash held in operating accounts not included in the tables above.

The gross realized gains and losses on sales of marketable securities were not significant for the years ended December 31, 2012 and 2011.

Net unrealized gains of $119,000 and $24,000, net of tax, as of December 31, 2012 and 2011, respectively, were related to a temporary increase in value of the remaining available-for-sale securities and were due primarily to changes in interest rates and market and credit conditions of the underlying securities. Certain investments with a temporary decline in value are not considered to be other-than-temporarily impaired as of

December 31, 2012 because the Company has the ability to hold these investments to allow for recovery, does not anticipate having to sell these securities with unrealized losses and continues to receive interest.

For the year ended December 31, 2012 and 2011, the Company did not record any impairment charges related to its financial instruments.

The following tables summarize the fair value and gross unrealized losses related to individual available-for-sale securities, which have been in a continuous unrealized loss position at December 31, 2012 and 2011, aggregated by investment category and length of time (in thousands):

December 31, 2012	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds and notes	$ 60,620	$ (98)	$ —	$ —	$ 60,620	$ (98)
Municipal bonds and notes	48,149	(32)	—	—	48,149	(32)
Commercial paper	10,567	(4)	—	—	10,567	(4)
Certificate of deposit	3,500	(1)			3,500	(1)
Treasury and agency notes and bills	2,997	(3)	—	—	2,997	(3)
Total	$125,833	$ (138)	$ —	$ —	$125,833	$ (138)

December 31, 2011	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds and notes	$ 96,895	$ (322)	$ —	$ —	$ 96,895	$ (322)
Municipal bonds and notes	21,610	(15)	—	—	21,610	(15)
Commercial paper	16,402	(15)	—	—	16,402	(15)
Treasury and agency notes and bills	14,391	(14)	—	—	14,391	(14)
Certificate of deposit	3,514	(6)			3,514	(6)
Total	$152,812	$ (372)	$ —	$ —	$152,812	$ (372)

The estimated fair value of marketable securities by contractual maturity at December 31, 2012, is shown below (in thousands). Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	Estimated Fair Value
Due in one year or less	$100,294
Due in one to two years	295,289
Total	$395,583

NOTE 6 – FAIR VALUE

The Company follows the authoritative guidance for fair value measurements and the fair value option for financial assets and financial liabilities. The guidance for fair value measurements establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. The guidance for the fair value option for financial assets and financial liabilities provides companies the irrevocable option to measure many financial assets and liabilities at fair value with changes in fair value recognized in earnings.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a list of the Company's assets required to be measured at fair value on a recurring basis and where they were classified within the hierarchy as of December 31, 2012 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable Securities				
Money market funds (1)	$ 34,106	$ 34,106	$ —	$ —
Corporate bonds and notes (2)	171,564	—	171,564	—
Municipal bonds and notes (2)	110,208	—	110,208	—
Treasury and agency notes and bills (2)	29,058	—	29,058	—
Certificate of deposit (2)	4,504	—	4,504	—
Commercial paper (3)	46,143	—	46,143	—
Total Assets	$395,583	$ 34,106	$361,477	$ —

The following footnotes indicate where the noted items were recorded in the Consolidated Balance Sheet at December 31, 2012:

(1) Reported as cash and cash equivalents.

(2) Reported as short-term investments.

(3) Reported as either cash and cash equivalents or short-term investments.

The following is a list of the Company's assets required to be measured at fair value on a recurring basis and where they were classified within the hierarchy as of December 31, 2011 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable Securities				
Money market funds [1]	$ 13,269	$ 13,269	$ —	$ —
Corporate bonds and notes [2]	168,071	—	168,071	—
Municipal bonds and notes [2]	152,075	—	152,075	—
Treasury and agency notes and bills [2]	87,754	—	87,754	—
Certificate of deposit [2]	9,817	—	9,817	—
Commercial paper [3]	30,891	—	30,891	—
Total Assets	$461,877	$ 13,269	$448,608	$ —

The following footnotes indicate where the noted items were recorded in the Consolidated Balance Sheet at December 31, 2011:

(1) Reported as cash and cash equivalents.

(2) Reported as short-term investments.

(3) Reported as either cash and cash equivalents or short-term investments.

Nonrecurring Fair Value Measurements

The Company measures certain assets at fair value on a nonrecurring basis. These assets include approximately $18.2 million of property and equipment and $1.8 million in intangible assets that were valued at fair value as part of the Vista Point Technologies acquisition described in Note 7 below. For certain of the property and equipment, the fair value was determined using a cost approach based on the condition, market and functionality of these assets, including physical depreciation and certain obsolescence adjustments. The fair value for these acquired intangible assets was determined using the cost approach and discounted cash flow method. As a result, $0.3 million of property and equipment and the $1.8 million of intangible assets are classified as Level 3.

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2012 and 2011 (in thousands):

	Assets Held for Sale (Level 3)	Total (Level 3)
Balance at December 31, 2010	3,430	$ 3,430
Purchases, sales, issuances and settlements, net	(3,430)	(3,430)
Total gains or losses (realized and unrealized):		—
Included in earnings	—	—
Included in other comprehensive income	—	—
Transfers in (out) of Level 3	—	—
Balance at December 31, 2011	$ —	$ —
Purchases, sales, issuances and settlements, net	—	—
Total gains or losses (realized and unrealized):		—
Included in earnings	—	—
Included in other comprehensive income	—	—
Transfers in (out) of Level 3	—	—
Balance at December 31, 2012	$ —	$ —

NOTE 7 – BUSINESS COMBINATION

Vista Point Technologies

On June 28, 2012, DigitalOptics Corporation, a subsidiary of Tessera Technologies, Inc., completed its acquisition of certain assets of Vista Point Technologies, a Tier One qualified camera module manufacturing business, from Flextronics International Ltd. for consideration of $29.0 million, net of $11.9 million cash acquired. Approximately $7.6 million of the consideration was placed in escrow at the initial closing, of which, approximately $4.0 million remains subject to delivery of certain additional assets by Flextronics International Ltd. no later than March 31, 2013 and $3.0 million of which was released upon the delivery of certain additional assets in the fourth quarter of 2012. This acquisition is strategic to the Company as it intends to use the acquired assets and related manufacturing business to help build the DigitalOptics segment into a supplier of camera modules in the mobile phone market.

As part of the acquisition, DigitalOptics Corporation Technology Zhuhai Limited (formally known as Vista Point Electronic Technologies (Zhuhai) Co. Ltd.), a company organized under the laws of the People's Republic of China, was acquired from Flextronics International Ltd. and became an indirect wholly owned subsidiary of the Company. The business combination transaction was accounted for using the acquisition method of accounting, with the results of the acquisition included in the DigitalOptics segment as of the acquisition date. This contributed to a purchase price in excess of the fair value of the underlying net assets and identified intangible assets acquired from Flextronics International Ltd. and, as a result, the Company has recorded goodwill in connection with this transaction.

Preliminary purchase price allocation

In accordance with the accounting guidance on business combinations, the total purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions used are subject to change. Based upon the fair values acquired, the purchase price allocation is as follows (audited, in thousands):

	Amount	Estimated Useful Life (Years)
Net tangible assets:		
Property and equipment, net	$11,196	1-7
Inventory	392	N/A
Other current assets	1,050	N/A
Other assets	7,853	N/A
	20,491	
Identified intangible assets:		
Patents/core technology	900	14
Customer relationships	900	3
Goodwill	6,664	N/A
	8,464	
Total purchase price	$28,955	

Approximately $20.5 million has been allocated to acquired net tangible assets consisting of property and equipment delivered, and $4.0 million of property and equipment (included in other assets) to be delivered. Approximately $1.8 million has been allocated to amortizable intangible assets acquired.

The amounts of revenue and earnings that would have been included in the Company's condensed consolidated statement of operations for the year ended December 31, 2012 of the combined entity had the acquisition date been January 1, 2012, are as follows:

	Revenue	Earnings
Actual for the year ended December 31, 2011	$254,576	$(19,300)
Actual for the year ended December 31, 2012	$234,023	$(30,225)
Supplemental pro forma for the year ended December 31, 2011 (unaudited)	$369,476	$(26,433)
Supplemental pro forma for the year ended December 31, 2012 (unaudited)	$243,381	$(35,269)

The year ended supplemental pro forma earnings were adjusted to exclude $1.5 million of acquisition-related costs incurred in 2012.

NOTE 8 – GOODWILL AND IDENTIFIED INTANGIBLE ASSETS

The changes to the carrying value of goodwill, which were all allocated to the DigitalOptics segment, from January 1, 2011 through December 31, 2012 are reflected below (in thousands):

	DigitalOptics
January 1, 2011	$ 49,653
Impairment of goodwill (1)	(49,653)
December 31, 2011	—
Goodwill acquired through the Vista Point acquisition	6,664
December 31, 2012	$ 6,664

(1) As a result of the Company's impairment analysis, completed in the fourth quarter of 2011, the Company recorded an impairment charge of goodwill of $49.7 million for the year ended December 31, 2011, all of which was included in the DigitalOptics segment. The Company recorded the impairment charge due primarily to the low market price of the Company's common stock, which resulted in the Company's market capitalization being significantly lower than the book value of equity for an extended period of time. For the years ended December 31, 2012 and 2010, no impairment of goodwill was recorded.

Identified intangible assets consisted of the following (in thousands):

	Average Life (Years)	December 31, 2012 Gross Assets	December 31, 2012 Accumulated Amortization	December 31, 2012 Net	December 31, 2011 Gross Assets	December 31, 2011 Accumulated Amortization	December 31, 2011 Net
Acquired patents/core technology	3-15	$137,728	$ (38,874)	$ 98,854	$134,453	$ (21,901)	$112,552
Existing technology	5-10	54,196	(38,562)	15,634	54,196	(32,032)	22,164
Customer contracts	3-9	12,800	(8,033)	4,767	11,900	(6,808)	5,092
Trade name	4-10	3,620	(2,443)	1,177	3,620	(2,102)	1,518
Non-competition agreements	2	1,400	(1,400)	—	1,400	(1,400)	—
Assembled workforce	4	300	(300)	—	300	(300)	—
		$210,044	$ (89,612)	$120,432	$205,869	$ (64,543)	$141,326

Amortization expense for the years ended December 31, 2012, 2011 and 2010 amounted to $25.1 million, $17.3 million and $14.7 million, respectively.

As of December 31, 2012, the estimated future amortization expense of intangible assets is as follows (in thousands):

2013	$ 24,965
2014	23,059
2015	21,726
2016	17,881
2017	14,492
Thereafter	18,309
	$120,432

NOTE 9 – NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Years Ended December 31, 2012	2011	2010
Numerator:			
Net income (loss)	$(30,225)	$(19,300)	$57,346
Denominator:			
Weighted average common shares outstanding	52,010	51,135	50,240
Less: Unvested common shares subject to repurchase	(33)	(53)	(170)
Total shares-basic	51,977	51,082	50,070
Effect of dilutive securities			
Stock awards	—	—	138
Restricted stock	—	—	242
Total shares-diluted	51,977	51,082	50,450
Net income (loss) per common share-basic	$ (0.58)	$ (0.38)	$ 1.15
Net income (loss) per common share-diluted	$ (0.58)	$ (0.38)	$ 1.14

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period, excluding any unvested restricted stock awards that are subject to repurchase. Diluted net income (loss) per share is computed using the treasury stock method to calculate the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential dilutive common shares include unvested restricted stock awards and units and the incremental common shares issuable upon the exercise of stock options, less shares from assumed proceeds. The assumed proceeds calculation includes actual proceeds to be received from the employee upon exercise, the average unrecognized compensation cost during the period and any tax benefits that will be credited upon exercise to additional paid in capital.

For the years ended December 31, 2012 and 2011, all 6.5 million and 6.4 million, respectively, shares of common stock, subject to stock options and restricted stock awards and units were excluded from the computation of diluted net income per share as they were anti-dilutive. For the year ended December 31, 2010, approximately 5.6 million shares of common stock, subject to stock options, restricted stock awards and units were excluded from the computation of diluted net income per share as they were anti-dilutive.

NOTE 10 – STOCKHOLDERS' EQUITY

Stock Repurchase Programs

In August 2007, the Board of Directors authorized a plan to repurchase up to a maximum total of $100 million of the Company's outstanding shares of common stock dependent on market conditions, share price and other factors. As of December 31, 2012 and December 31, 2011, the Company had repurchased a total of 645,000 shares of common stock since inception of the plan, at an average price of $16.26 per share for a total cost of $10.5 million. The shares repurchased are recorded as treasury stock and are accounted for under the cost method. No expiration date has been specified for this plan. As of December 31, 2012, the total amount available for repurchase was $89.5 million. The Company may continue to execute authorized repurchases from time to time under the plan.

Stock Option Plans

The 1996 Plan and the 1999 Plan

In December 1996, the Board adopted the 1996 Stock Option Plan (“1996 Plan”). In February 1999, the Board adopted the 1999 Stock Option Plan (“1999 Plan”) which was approved by the stockholders in May 1999. Under the 1996 Plan and the 1999 Plan, incentive stock options may be granted to the employees of the Company or its subsidiaries at an exercise price of no less than 100% of the fair value on the date of grant, and nonstatutory stock options may be granted to the employees of the Company or its subsidiaries, non-employee directors and consultants at an exercise price of no less than 85% of the fair value. In both cases, when the optionees own stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price shall be no less than 110% of the fair value on the date of grant. For options granted with an exercise price below fair market value, a stock-based compensation charge has been determined. Options granted under these plans generally have a term of ten years from the date of grant and vest over a four-year period. Shares issued in connection with the exercise of unvested options are subject to repurchase by the Company until such options vest. After February 1999, no further options were granted from the 1996 Plan. After December 2000, no further options were granted from the 1999 Plan. The Company has no intention of issuing additional grants under these plans. As of December 31, 2012, there were no shares reserved for grant under these plans and only cancellations under the 1999 Plan are recorded as available for grant. Based on a Board decision, cancellations under the 1996 Plan are not considered available for grant.

The 2003 Plan

In February 2003, the Board of Directors adopted and the Company’s stockholders approved the 2003 Equity Incentive Plan (“2003 Plan”). Under the 2003 Plan, incentive stock options may be granted to the Company’s employees at an exercise price of no less than 100% of the fair value on the date of grant, and nonstatutory stock options may be granted to the Company’s employees, non-employee directors and consultants at an exercise price of no less than 85% of the fair value. In both cases, when the optionees own stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price shall be no less than 110% of the fair value on the date of grant. Options, restricted stock awards, and restricted stock units granted under this plan generally have a term of ten years from the date of grant and vest over a four-year period. Restricted stock, performance awards, dividend equivalents, deferred stock, stock payments and stock appreciation rights may also be granted under the 2003 Plan either alone, in addition to, or in tandem with any options granted thereunder. Restricted stock awards and units are full-value awards that reduce the number of shares reserved for grant under this plan by one and one-half shares for each share granted. The vesting criteria for restricted stock awards and units is generally the passage of time or meeting certain performance-based objectives, and continued employment through the vesting period generally over four years. As of December 31, 2012, there were 4,427,000 shares reserved for future grant under this plan.

A summary of the activity is presented below (in thousands, except years and per share amounts):

	Shares	Weighted Average Exercise Price per Share	Shares Outstanding Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2009	5,859	$ 22.74		
Options granted	950	17.49		
Options exercised	(204)	12.75		
Options cancelled / forfeited / expired	(222)	27.97		
Options outstanding at December 31, 2010	6,383	$ 22.09		
Options granted	1,900	15.17		
Options exercised	(239)	15.02		
Options cancelled / forfeited / expired	(1,225)	23.48		
Options outstanding at December 31, 2011	6,819	$ 20.16		
Options granted	2,366	15.14		
Options exercised	(167)	14.18		
Options cancelled / forfeited / expired	(1,919)	23.22		
Options outstanding at December 31, 2012	7,099	$ 17.80	6.27	$ 7,113
Vested and expected to vest at December 31, 2012	6,892	$ 17.89	6.22	$ 6,739
Exercisable at December 31, 2012	3,825	$ 20.01	4.79	$ 1,686

The following table summarizes information about stock options outstanding and exercisable under all of the Company's plans at December 31, 2012:

Range of Exercise Prices per Share	Options Outstanding: Number Outstanding (in thousands)	Options Outstanding: Weighted Average Remaining Contractual Life (in years)	Options Outstanding: Weighted Average Exercise Price per Share	Options Exercisable: Number Exercisable (in thousands)	Options Exercisable: Weighted Average Exercise Price per Share
$0.85 - $7.00	28	1.03	$ 4.47	28	$ 4.47
$12.03 - $15.00	2,505	7.42	$ 13.93	399	$ 13.62
$15.03 - $19.79	3,320	6.30	$ 17.57	2,241	$ 17.88
$20.01 - $24.44	153	6.12	$ 21.69	109	$ 21.79
$25.78 - $44.27	1,093	3.72	$ 27.18	1,048	$ 27.22
$0.85 - $44.27	7,099	6.27	$ 17.80	3,825	$ 20.01

Restricted Stock Awards and Units

Information with respect to outstanding restricted stock awards and units as of December 31, 2012 is as follows (in thousands, except for per share amounts):

	Number of Shares Subject to Time-based Awards	Number of Shares Subject to Performance-based awards	Total Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance at December 31, 2009	526	395	921	$ 27.07
Awards and units granted	760	228	988	$ 16.60
Awards and units vested / earned	(256)	(49)	(305)	$ 30.40
Awards and units cancelled / forfeited	(50)	(9)	(59)	$ 22.40
Balance at December 31, 2010	980	565	1,545	$ 19.89
Awards and units granted	261	—	261	$ 16.07
Awards and units vested / earned	(331)	(113)	(444)	$ 23.31
Awards and units cancelled / forfeited	(180)	(191)	(371)	$ 19.25
Balance at December 31, 2011	730	261	991	$ 17.60
Awards and units granted	367	133	500	$ 16.48
Awards and units vested / earned	(233)	(30)	(263)	$ 17.14
Awards and units cancelled / forfeited	(149)	(248)	(397)	$ 19.09
Balance at December 31, 2012	715	116	831	$ 16.36

Performance Awards and Units

Performance awards and units may be granted to employees or consultants based upon, among other things, the contributions, responsibilities and other compensation of the particular employee or consultant. The value and the vesting of such performance awards and units are generally linked to one or more performance goals or other specific performance goals determined by the Company, in each case on a specified date or dates or over any period or periods determined by the Company, and range from zero to 100 percent of the grant.

Employee Stock Purchase Plan

In August 2003, the Board of Directors adopted the 2003 Employee Stock Purchase Plan, which was approved by the Company's stockholders in September 2003. The Company initially reserved 200,000 shares of common stock for issuance under the 2003 Employee Stock Purchase Plan. The reserve will automatically increase on the first day of each year during the term (expiring in August of 2013) of the ESPP by an amount equal to the lesser of (1) 200,000 shares, (2) 1.0% of the Company's outstanding shares on such date or (3) a lesser amount determined by the Board of Directors. In June 2008, the Board of Directors adopted the International Employee Stock Purchase Plan which reserves 200,000 shares of common stock for issuance under this plan. The 2003 Employee Stock Purchase Plan and the International Employee Stock Purchase Plan (collectively, "ESPP") are designed to allow eligible employees residing in the U.S. or internationally to purchase shares of common stock, at semi-annual intervals, with their accumulated payroll deductions. In January 2013, the Board of Directors amended the ESPP to provide for a perpetual plan, without the automatic increase of the reserve. The Company will submit the amended ESPP plan to the Company's stockholders to approve at the 2013 annual meeting of stockholders.

The ESPP has a series of consecutive, overlapping 24-month offering periods. The first offering period commenced February 1, 2004, the effective date of the ESPP, as determined by the Board of Directors.

Individuals who own less than 5% of the Company's voting stock, are scheduled to work more than 20 hours per week and whose customary employment is for more than five months in any calendar year may join an offering period on the first day of the offering period or the beginning of any semi-annual purchase period within that period. Individuals who become eligible employees after the start date of an offering period may join the ESPP at the beginning of any subsequent semi-annual purchase period.

Participants may contribute up to 20% of their cash earnings through payroll deductions, and the accumulated deductions will apply to the purchase of shares on each semi-annual purchase date. The purchase price per share will equal 85% of the fair market value per share on the participant's entry date into the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date.

An eligible employee's right to buy the Company's common stock under the ESPP may not accrue at a rate in excess of $25,000 of the fair market value of such shares per calendar year for each calendar year of an offering period.

If the fair market value per share of the Company's common stock on any purchase date is less than the fair market value per share on the start date of the 24-month offering period, then that offering period will automatically terminate and a new 24-month offering period will begin on the next business day. All participants in the terminated offering will be transferred to the new offering period.

In the event of a proposed sale of all or substantially all of the Company's assets, or merger with or into another company, the outstanding rights under the ESPP will be assumed or an equivalent right substituted by the successor company or its parent or subsidiary. If the successor company or its parent refuses to assume the outstanding rights or substitute an equivalent right, then all outstanding purchase rights will automatically be exercised prior to the effective date of the transaction. The purchase price will equal 85% of the market value per share on the participant's entry date into the offering period in which an acquisition occurs or, if lower, 85% of the fair market value per share on the date the purchase rights are exercised.

The ESPP will terminate no later than the tenth anniversary of the ESPP's initial adoption by the Board of Directors unless the amended ESPP plan is approved at the 2013 annual meeting of stockholders.

As of December 31, 2012, there were 299,000 shares reserved for grant under the ESPP.

Dividends

Stockholders of the Company's common stock are entitled to receive dividends when and as declared by the Company's Board of Directors. The Company began paying a $0.10 quarterly dividend in the second quarter of 2012. Dividends declared were $0.30 per common share in 2012. No dividends were declared and paid in 2011 and 2010.

NOTE 11 – STOCK-BASED COMPENSATION EXPENSE

The expense classification of stock-based compensation expense for the years ended December 31, 2012, 2011 and 2010 is as follows (in thousands):

	Years Ended December 31,		
	2012	2011	2010
Cost of revenues	$ 641	$ 458	$ 579
Research, development and other related costs	6,455	8,233	10,937
Selling, general and administrative	9,940	16,879	16,479
Total stock-based compensation expense	17,036	25,570	27,995
Tax effect on stock-based compensation expense	(5,148)	(7,705)	(8,349)
Net effect on net income (loss)	$11,888	$17,865	$19,646

The stock-based compensation expense categorized by various equity components for the years ended December 31, 2012, 2011 and 2010 is summarized in the table below (in thousands):

	Years Ended December 31,		
	2012	2011	2010
Employee stock options	$10,332	$16,468	$14,537
Restricted stock awards and units	4,792	7,049	11,041
Employee stock purchase plan	1,912	2,053	2,417
Total stock-based compensation expense	$17,036	$25,570	$27,995

During the years ended December 31, 2012, 2011 and 2010, the Company granted 2,366,000, 1,900,000 and 950,000 shares of stock options, respectively. The 2012, 2011 and 2010 estimated per share fair value of those grants was $4.03, $8.24 and $9.60, respectively, before estimated forfeitures.

The total fair value of restricted stock awards vested during the years ended December 31, 2012, 2011 and 2010 was $4.5 million, $10.3 million and $9.3 million, respectively.

The total intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 was $0.6 million, $1.0 million and $1.7 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares.

As of December 31, 2012, the unrecognized stock-based compensation balance after estimated forfeitures related to unvested stock options was $17.8 million to be recognized over an estimated weighted average amortization period of 2.9 years and $13.6 million related to restricted stock awards and units, including performance-based awards and units, to be recognized over an estimated weighted average amortization period of 2.5 years. As of December 31, 2011, the unrecognized stock-based compensation balance after estimated forfeitures related to unvested stock options was $21.3 million to be recognized over an estimated weighted average amortization period of 2.7 years and $13.9 million related to restricted stock awards and units, including performance-based awards and units, to be recognized over an estimated weighted average amortization period of 2.7 years.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value of stock-based awards. The fair value of each option grant is determined on the date of grant and the expense is recorded on a straight-line basis. The assumptions used in the model include expected life, volatility, risk-free interest rate, and dividend yield. The Company’s determinations of these assumptions are outlined below.

Expected life – The expected life assumption is based on analysis of the Company’s historical employee exercise patterns. The expected life of options granted under the ESPP represents the offering period of two years.

Volatility – Volatility is calculated using the historical volatility of the Company’s common stock for a term consistent with the expected life. Historical volatility of the Company’s common stock is also utilized for the ESPP.

Risk-free interest rate – The risk-free interest rate assumption is based on the U.S. Treasury rate for issues with remaining terms similar to the expected life of the options.

Dividend yield – Expected dividend yield is calculated by annualizing the cash dividend declared by the Board for the current quarter and dividing that result by the average closing price of the Company’s common stock for the quarter. Cash dividends are not paid on options, restricted stock units or unvested restricted stock awards.

In addition, the Company estimates forfeiture rates. Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. Historical data is used to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

The following assumptions were used to value the options granted:

	Years Ended December 31,		
	2012	2011	2010
Expected life (years)	3.7	3.7	3.8
Risk-free interest rate	0.5 - 0.8%	0.6 - 1.8%	1.0 - 2.6%
Dividend yield	2.2 - 2.8%	0.0%	0.0%
Expected volatility	45.3 - 66.4%	66.7 - 76.7%	73.4 - 75.7%

The following assumptions were used to value the ESPP shares:

	Years Ended December 31,		
	2012	2011	2010
Expected life (years)	2.0	2.0	2.0
Risk-free interest rate	0.2 - 0.6%	0.4 - 0.6%	0.4 - 0.9%
Dividend yield	2.2 - 2.7%	0.0%	0.0%
Expected volatility	43.7 - 79.7%	43.7 - 79.7%	55.9 - 96.1%

For the years ended December 31, 2012, 2011 and 2010, an aggregate of 292,000, 371,000 and 406,000 common shares, respectively, were purchased pursuant to the ESPP.

Modifications

From time to time, the Company enters into consulting agreements with its departing employees. Some of these agreements may include continued vesting of the departing employees' stock awards and an extension of the exercise period from the standard 90 days from employment termination date to the termination of the consulting agreement. As a result of modifications related to former employees, the Company incurred stock-based compensation expense of $0.1 million, $5.2 million, and $2.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

NOTE 12 – RESTRUCTURING AND OTHER CHARGES

In November 2012, the Company announced a restructuring of its DigitalOptics segment to focus its efforts on its core MEMS camera module business. In connection with this effort, DigitalOptics is reducing its workforce and ceasing operations at its facility in Tel Aviv, Israel. In connection with these actions, the Company incurred total charges of $2.5 million in the fourth quarter of 2012 and expects to incur approximately $0.5 million of additional expenses in the first quarter of 2013.

In January 2011, the Company announced a reorganization of its DigitalOptics segment to focus on key growth opportunities including EDoF, Zoom and MEMS-based autofocus and a reduction of DigitalOptics employees by up to 15% of the Company's worldwide employee base along with certain headquarters support functions. In August 2011, the Company announced a commitment to undertake a workforce reduction at its Yokohama, Japan development facility and to close that facility in order to optimize the Company's operations. Expenses incurred as a result of these activities consisted of severance, costs related to the continuation of certain employee benefits and expenses related to the closure of the facility and termination of the operating lease, and we recorded in restructuring and other charges on the statement of operations. Total restructuring and other charges related to these activities was $5.2 million, all of which were expensed in the year ended December 31, 2011 and these activities were completed during the first quarter of 2012.

Information with respect to restructuring and other charges as of December 31, 2012 is as follows (in thousands):

	Employee Severance	Infrastructure and other	Total
Balance at December 31, 2010	$ —	$ —	$ —
2011 restructuring and other charges	3,596	1,653	5,249
Cash payments	(3,596)	—	(3,596)
Non-cash items	—	(261)	(261)
Balance at December 31, 2011	—	1,392	1,392
2012 restructuring and other charges	2,363	161	2,524
Cash payments	(450)	(1,392)	(1,842)
Non-cash items	—	(133)	(133)
Balance at December 31, 2012	$ 1,913	$ 28	$ 1,941

NOTE 13 – BENEFIT PLAN

The Company maintains a 401(k) retirement savings plan that allows voluntary contributions by all employees upon their hire date. Eligible employees may elect to contribute up to the maximum amount allowed under Internal Revenue Service regulations. The Company can make discretionary contribution under the 401(k) plan. During the years ended December 31, 2012, 2011 and 2010, the Company contributed approximately $1.6 million, $1.5 million and $1.3 million, respectively, to the Plan.

NOTE 14 – INCOME TAXES

The components of total income (loss) before income taxes are as follows (in thousands):

	Years ended December 31, 2012	2011	2010
U.S.	$(24,632)	$ 18,070	$108,498
Foreign	(10,357)	(27,385)	(5,073)
Total income before income taxes	$(34,989)	$ (9,315)	$103,425

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Years ended December 31, 2012	2011	2010
Current:			
U.S. federal	$ (256)	$ 4,518	$37,044
Foreign	8,253	8,092	9,628
State and local	69	(102)	7,628
Total current	8,066	12,508	54,300
Deferred:			
U.S. federal	(13,150)	(1,731)	(8,068)
Foreign	(981)	(544)	(2,058)
State and local	1,301	(248)	1,905
Total deferred	(12,830)	(2,523)	(8,221)
Provision for income taxes	$ (4,764)	$ 9,985	$46,079

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

Significant components of the company's deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2012	2011
Deferred tax assets		
Net operating loss carryforwards	$ 10,918	$ 9,388
Research tax credit	4,234	1,634
Foreign tax credit	6,526	—
Expenses not currently deductible	20,573	17,769
Capitalized research and development costs	1	1
Gross deferred tax assets	42,252	28,792
Valuation allowance	(14,583)	(7,196)
Net deferred tax assets	27,669	21,596
Deferred tax liabilities		
Acquired intangible assets, foreign	(4,097)	(5,564)
Unremitted earnings of foreign subsdiaries	(295)	—
Net deferred tax assets	$ 23,277	$16,032

At December 31, 2012 and 2011, the Company had a valuation allowance of $14.6 million and $7.2 million, respectively, related to state tax attributes, foreign jurisdiction losses, capital losses and impairment on marketable securities that the Company believes to be not realizable on a more-likely-than-not basis. The increase of $7.4 million in the valuation allowance in 2012 was due primarily to state and foreign tax attributes which the Company asserts to be not realizable.

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate is as follows:

	Years Ended December 31,		
	2012	2011	2010
U.S. federal statutory rate	35.0%	35.0%	35.0%
State, net of federal benefit	(3.9)	3.8	9.2
Stock-based compensation expense	(1.8)	(9.2)	1.7
Tax exempt interest	0.5	3.5	(0.3)
Research tax credit and other	—	12.7	(1.2)
Foreign withholding tax	(22.1)	(85.2)	9.0
Foreign losses not benefited	(10.3)	19.3	1.5
Foreign tax rate differential	1.1	7.4	(1.4)
Foreign tax credit	18.7	76.2	(8.5)
Non-deductible acquisition costs	(1.5)	—	—
Goodwill impairment	—	(168.8)	—
Others	(2.2)	(1.9)	(0.4)
Total	13.5%	(107.2)%	44.6%

As of December 31, 2012, the Company had federal net operating loss carryforwards of approximately $7.6 million and state net operating loss carryforwards of approximately $114.2 million. Most of the federal and state net operating loss carryforwards are carried over from the acquired entities, Digital Optics Corporation in

2006 and Siimpel Corporation in 2010 with a nominal amount generated from the current year loss. These operating loss carryforwards, if not utilized, will begin to expire on various dates beginning in 2013, and will continue to expire through 2032. In addition, the Company has research tax credit carryforwards of approximately $0.6 million for federal purposes, which will start to expire in 2013, and will continue to expire through 2024. As a result of the January 2013 enactment of the American Taxpayer Relief Act of 2012, which retroactively restored the federal research tax credit for 2012, the research tax credit for 2012 is approximately $1.0 million and will be recorded in the first quarter of 2013. The Company also has research tax credit carryforwards of approximately $3.7 million for state purposes and $1.3 million for foreign purposes, which will never expire. The Company has $6.5 million of foreign tax credit carryforwards which will expire beginning in 2022. Under the provisions of the Internal Revenue Code, substantial changes in the Company or its subsidiaries' ownership may limit the amount of net operating loss and research tax credit carryforwards that can be utilized annually in the future to offset taxable income. The Company plans to permanently reinvest the unremitted earnings of its non-U.S. subsidiaries except for the Company's Israeli subsidiary where the Company has announced its intention to close its Tel Aviv facility. The Company has accrued a deferred tax liability of $0.3 million for the withholding taxes that would arise on the distribution of the Israeli subsidiary's earnings.

As of December 31, 2012, unrecognized tax benefits approximated $4.8 million (included in other long-term liabilities on our Consolidated Balance Sheet), of which $3.6 million would affect the effective tax rate if recognized. As of December 31, 2011, unrecognized tax benefits approximated $3.8 million, of which $2.5 million would affect the effective tax rate if recognized. As of December 31, 2012, it is reasonably possible that unrecognized tax benefits may decrease by $2.3 to $2.4 million in the next 12 months due to the expected lapse of statute of limitation relating to federal research tax credit, foreign tax incentives and the conclusion of a foreign tax examination.

The reconciliation of our unrecognized tax benefits for the year ended December 31, 2012, 2011 and 2010 is as follows (in thousands):

	Years Ended December 31,		
	2012	**2011**	**2010**
Total unrecognized tax benefits at January 1	$3,770	$4,837	$4,533
Gross increases and decreases due to tax positions taken in prior periods	822	87	—
Gross increases and decreases due to tax positions taken in the current period	239	520	476
Gross increases and decreases due to settlements with taxing authorities	—	(961)	—
Gross increases and decreases due to lapses in applicable statutes of limitations	—	(713)	(172)
Total unrecognized tax benefits at December 31	$4,831	$3,770	$4,837

It is the Company's policy to classify accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. For the years ended December 31, 2012, 2011 and 2010, the Company recognized an insignificant amount of interest and penalties related to unrecognized tax benefits. For the years ended December 31, 2012 and 2011, the Company accrued $0.5 million and $0.3 million, respectively, of interest and penalties related to unrecognized tax benefits.

At December 31, 2012, the Company's 2008 through 2012 tax years were open and subject to potential examination in one or more jurisdictions. In addition, in the U.S., any net operating losses or credits that were generated in prior years but utilized in the open years may also be subject to examination. The Company is currently under examination in the U.S. on its 2008 and 2009 tax returns and in Israel on a subsidiary liquidation from 2007. We cannot estimate the outcome of the U.S. and foreign examinations. The Company is not currently under state income tax examination.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

As of December 31, 2012, future minimum lease payments and purchase obligations are as follows (in thousands):

	Lease Obligations	Purchase Obligations	Total Obligations
2013	$ 4,841	$ 1,335	$ 6,176
2014	4,018	—	4,018
2015	2,724	—	2,724
2016	1,651	—	1,651
2017	1,209	—	1,209
Thereafter	240	—	240
	$ 14,683	$ 1,335	$ 16,018

The Company leases office and research facilities and office equipment under operating leases which expire at various dates through 2018. The amounts reflected in the table above are for the aggregate future minimum lease payments under non-cancellable facility and equipment operating leases. Under lease agreements that contain escalating rent provisions, lease expense is recorded on a straight-line basis over the lease term. Rent expense for the years ended December 31, 2012, 2011 and 2010 amounted to $4.1 million, $3.1 million and $2.9 million, respectively.

In addition, the Company has agreements containing non-cancelable, nonrefundable payments terms with third parties to purchase services.

Contingencies

The Company cannot predict the outcome of any of the proceedings described below. An adverse decision in any of these proceedings could significantly harm the Company's business and consolidated financial position, results of operations and cash flows.

Powertech Technology Inc. v. Tessera, Inc., Civil Action No. 4: 10-00945-CW (N.D. Cal.) and U.S. Court of Appeals for the Federal Circuit Case No. 2010-1489

On March 5, 2010, Powertech Technology Inc. ("PTI") filed a complaint against Tessera, Inc. in the United States District Court for the Northern District of California seeking a declaratory judgment of noninfringement and invalidity of Tessera, Inc.'s U.S. Patent No. 5,663,106. On March 22, 2010, the case was related to *Siliconware Precision Industries, Co., Ltd v. Tessera, Inc.* , Civil Action No. 4:08-cv-03667-CW (N.D. Cal.), and assigned to the judge presiding over that action.

On April 1, 2010, Tessera, Inc. filed a motion to dismiss the complaint for lack of subject matter jurisdiction. On June 1, 2010, the judge granted Tessera, Inc.'s motion, and dismissed the action.

On June 29, 2010, PTI filed a motion seeking reconsideration of the June 1, 2010 order dismissing the action. On August 3, 2010, PTI's motion was denied.

On August 6, 2010, PTI filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit. On September 30, 2011, the Federal Circuit issued an opinion reversing and remanding the case to the district court, determining that there was declaratory judgment jurisdiction. Tessera, Inc. filed a petition for rehearing on November 14, 2011. The Federal Circuit denied Tessera, Inc.'s petition for rehearing on January 5, 2012. On January 19, 2012, the Federal Circuit issued its judgment and the case was remanded to the district court. On December 15, 2011, the district court case was related to *Powertech Technology Inc. v. Tessera, Inc* ., Civil Action No. 4:11-06121-CW (N.D. Cal.), discussed below.

The district court held a Case Management Conference on January 4, 2012. The court issued a Minute Order and Case Management Order dated January 4, 2012, setting, among other things, a fact discovery cut-off date of January 18, 2013, and a trial date of April 7, 2014.

On May 16, 2012, the Court entered an order that denied PTI's motion to strike as to one of Tessera, Inc.'s affirmative defenses, granted PTI's motion to strike with leave to amend as to several other affirmative defenses asserted by Tessera, Inc., and granted PTI's motion to strike as to one of Tessera, Inc.'s affirmative defenses, stating that Tessera, Inc. may move to amend to add that defense if circumstances change. Tessera, Inc. filed an amended answer on May 29, 2012.

On June 29, 2012, PTI sent a letter to Tessera, Inc. purporting to terminate the TCC License Agreement as of June 30, 2012.

On July 30, 2012, Tessera, Inc. provided PTI with a covenant not to sue, or otherwise hold liable, PTI or its customers under certain claims of U.S. Patent No. 5,663,106 in connection with certain PTI-manufactured products.

On August 9, 2012, Tessera, Inc. moved for summary judgment on the ground that as a matter of law no case or controversy exists sufficient to support PTI's claims because of the covenant and because the parties' rights and obligations do not turn on infringement or validity of the Tessera, Inc. patent that forms the basis of PTI's claims.

On September 18, 2012, the Patent Office issued an ex parte reexamination certificate in which certain original claims were cancelled from U.S. Patent No. 5,663,106, and certain new claims were added.

On October 1, 2012, Tessera, Inc. provided PTI with a supplemental covenant not to sue, which among other things, extended the covenant to PTI's subsidiaries and made clear that Tessera, Inc. will not contend that PTI is obligated to pay royalties based on infringement of U.S. Patent No. 5,663,106.

On October 2, 2012, PTI filed a motion for entry of judgment under Federal Rule of Civil Procedure 54(b) asking the court to enter judgment that certain claims of U.S. Patent No. 5,663,106 that were subject to reexamination are invalid.

Powertech Technology Inc. v. Tessera, Inc., Civil Action No. 4:11-06121-CW (N.D. Cal.)

On December 6, 2011, PTI filed a complaint against Tessera, Inc. in the U.S. District Court for the Northern District of California. PTI's complaint seeks a declaratory judgment that PTI has the right to terminate its license with Tessera, Inc. as of December 6, 2011. The complaint also seeks damages for breach of contract in the amount of all royalties paid to Tessera, Inc. since December 7, 2007, purportedly totaling at least $200 million, in addition to an accounting of PTI's damages, an accounting of Tessera, Inc.'s revenue from PTI, prejudgment interest, costs and fees, and other relief deemed proper. Tessera, Inc. disagrees with the assertions made by PTI in the complaint regarding breach of contract, and believes the likelihood that Tessera, Inc. will be required to return already-paid royalties is remote.

On December 15, 2011, the case was related to *Powertech Technology Inc. v. Tessera, Inc*., Civil Action No. 4:10-00945-CW (N.D. Cal.), discussed above.

On December 30, 2011, Tessera, Inc. filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted and a special motion to strike pursuant to California's anti-SLAPP statute. The Court denied Tessera, Inc.'s motions on May 21, 2012.

The district court held a Case Management Conference on January 4, 2012. The court issued a Minute Order and Case Management Order dated January 4, 2012, setting, among other things, a fact discovery cut-off date of January 18, 2013 and a trial date of April 7, 2014.

On June 3, 2012, PTI filed an amended complaint against Tessera, Inc., adding claims for fraud and deceit, patent misuse, and a declaratory judgment interpreting PTI's license agreement with Tessera, Inc. In addition to the damages sought by PTI's original complaint, the amended complaint seeks punitive damages for fraud, termination of the Tessera, Inc. license as of September 24, 2010, recovery of all royalties paid on wBGA products since September 24, 2010, and an order "enjoining Tessera, Inc. and directing that Tessera, Inc. may not proceed against any party,… under any Tessera Patent as defined by Exhibit A to the TCC License with all amendments, supplements, and additions through September 28, 2010 until Tessera has first paid PTI all of the royalties paid on wBGA products by PTI since September 24, 2010, presently estimated to be $40 million." Tessera, Inc. filed a motion to dismiss PTI's claim for patent misuse and to strike portions of PTI's claim for fraud on June 19, 2012. On August 10, 2012, the Court granted in part and denied in part Tessera, Inc.'s motion, specifically dismissing the patent misuse claim and striking the fraud claim, and granted PTI leave to file an amended and supplemental complaint.

On June 29, 2012, PTI sent a letter to Tessera, Inc. purporting to terminate the TCC License Agreement as of June 30, 2012.

On August 24, 2012, PTI filed a third amended complaint. In addition to the claims and recovery alleged in its earlier complaints, the third amended complaint contained an amended fraud claim and an amended patent misuse claim. The new fraud claim sought damages at least in the amount of the royalty payments made to Tessera, Inc. after December 7, 2007, and punitive damages. The new patent misuse claim asked for declarations that Tessera has engaged in patent misuse, that the agreement is unenforceable against PTI until Tessera, Inc. has purged the patent misuse, and that the Tessera, Inc. patents are unenforceable against PTI until Tessera, Inc. has purged the patent misuse. Tessera, Inc. answered that complaint on September 10, 2012. Also on September 10, 2012, Tessera, Inc. filed counterclaims against PTI for breach of contract, breach of the implied covenant, fraud, negligent misrepresentation, declaratory judgment of indemnification, and declaratory judgment regarding PTI's asserted termination of the agreement.

On July 20, 2012, PTI filed a motion for summary judgment on PTI's first claim for relief in this case. On August 9, 2012, Tessera, Inc. filed an opposition to PTI's motion and filed its own motion for summary judgment on PTI's first, second and third claims on the ground, among others that under the unambiguous language of the agreement Tessera, Inc. did not breach the agreement by filing and pursing its claims in the '630 ITC Action.

On September 20, 2012, the court heard arguments on PTI's July 20, 2012 summary judgment motion and Tessera, Inc.'s August 9, 2012 summary judgment motions and took the motions under submission. On October 2, 2012, the parties stipulated to the court's taking the motions off calendar, and that same day, the court entered an order taking the motions off calendar until such date as the court determines the motions should be decided or the presently-set date for hearing summary judgment motions of December 5, 2013.

On Oct. 23, 2012, the Court granted PTI leave to file its fourth amended and supplemental complaint. PTI's fourth amended complaint adds an allegation to PTI's claim for declaratory relief seeking the recovery and return of royalty payments made to Tessera, Inc. from at least March 2010 in an amount exceeding $130 million and continues to seek the recovery sought in PTI's third amended complaint.

Contingency fee dispute for the case of Tessera Technologies, Inc. v. Hynix Semiconductor Inc. et. al, Case No. 1-06-CV-076688 (Cal. Super. Ct.)

Tessera Technologies, Inc. has a dispute with its former counsel Susman Godfrey L.L.P. ("Susman") over the amount due to Susman, if any, as a contingency fee for Susman's work in the matter of *Tessera Technologies, Inc. v. Hynix Semiconductor Inc.* Susman has requested arbitration of the dispute. No arbitration date has been scheduled.

Other Litigation Matters

In addition to the foregoing matters, the Company and its subsidiaries are involved in other litigation matters and claims in the normal course of business. In the past, the Company and its subsidiaries have litigated to enforce their respective patents and other intellectual property rights, to enforce the terms of license agreements, to protect trade secrets, to determine the validity and scope of the proprietary rights of others and to defend against claims of infringement or invalidity. The Company expects it or its subsidiaries will be involved in similar legal proceedings in the future, including proceedings regarding infringement of its patents and proceedings to ensure proper and full payment of royalties by licensees under the terms of its license agreements.

These existing and any future legal actions may harm either or both of the Company's business segments, and may hinder the Company's ability to independently optimize each business segment. For example, they could cause an existing licensee or strategic partner to cease making royalty or other payments to the Company, or to challenge the validity and enforceability of patents owned by the Company's subsidiaries or the scope of license agreements with the Company's subsidiaries, and could significantly damage the Company's relationship with such licensee or strategic partner and, as a result, prevent the adoption of the Company's other Intellectual Property or DigitalOptics technologies by such licensee or strategic partner. Litigation could also severely disrupt or shut down the business operations of licensees or strategic partners of the Company's subsidiaries, which in turn would significantly harm ongoing relationships with them and cause the Company to lose royalty revenues.

The costs associated with legal proceedings are typically high, relatively unpredictable and not completely within the Company's control. These costs may be materially higher than expected, which could adversely affect the Company's operating results and lead to volatility in the price of its common stock. Whether or not determined in the Company's favor or ultimately settled, litigation diverts managerial, technical, legal and financial resources from the Company's business operations. Furthermore, an adverse decision in any of these legal actions could result in a loss of the Company's proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from others, limit the value of the Company's licensed technology or otherwise negatively impact the Company's stock price or its business and consolidated financial position, results of operations and cash flows.

NOTE 16 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company has two reportable segments: Intellectual Property and DigitalOptics. In addition to these reportable segments, the Tessera Global Services (formally referred to as Corporate Overhead) division includes certain operating amounts that are not allocated to the reportable segments because these operating amounts are not considered in evaluating the operating performance of the Company's business segments.

Our President and Chief Executive Officer is also the Chief Operating Decision Maker ("CODM") as defined by the authoritative guidance on segment reporting. Additionally, each segment has its own president. The Company reorganized its reporting units to align with the vision of the CODM, such as the inclusion of development and product commercialization efforts related to the silent air cooling technology in the DigitalOptics segment instead of the Intellectual Property segment. Prior year amounts have been recast to conform to current year presentation.

The Intellectual Property segment, managed by Tessera Intellectual Property Corp., generates revenue from manufacturers and other implementers that use our technology. The segment includes Tessera, Inc. and Invensas. Tessera, Inc. pioneered chip-scale packaging solutions, which it licenses to the semiconductor industry. Invensas develops and acquires interconnect solutions and intellectual property in areas such as mobile computing and communications, memory and data storage, and 3DIC technologies.

DigitalOptics Corporation and its subsidiaries ("DOC") operate the DigitalOptics segment. DOC designs and manufactures imaging systems for smartphones, generating revenue through product sales and software license fees and royalties. DOC's expertise in optics, camera modules, MEMS, and image processing enable it to deliver products that expand the boundaries of smartphone photography. DOC also offers customized micro-optic lenses, which may include DOEs, ROEs and/or IMOS.

The Company does not identify or allocate assets by reportable segment, nor does the CODM evaluate reportable segments using discrete asset information. Reportable segments do not record inter-segment revenues and accordingly there are none to report. The Company does not allocate other income and expense to reportable segments. Although the CODM uses operating income to evaluate reportable segments, operating costs included in one segment may benefit other segments.

The following table sets forth the Company's segment revenues, operating expenses and operating income (loss) for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Years Ended December 31,		
	2012	2011	2010
Revenues:			
Intellectual Property Segment:			
Royalty and license fees	$168,097	$213,412	$264,030
Past production fees	24,729	—	—
Product and service revenues	66	—	—
Total Intellectual Property revenues	192,892	213,412	264,030
DigitalOptics Segment:			
Royalty and license fees	14,424	23,789	15,593
Product and service revenues	26,707	17,375	21,770
Total DigitalOptics revenues	41,131	41,164	37,363
Total revenues	234,023	254,576	301,393
Operating expenses:			
Intellectual Property Segment	97,984	81,493	57,301
DigitalOptics Segment	129,877	138,073	97,467
Corporate Overhead	47,023	46,968	45,804
Total operating expenses	274,884	266,534	200,572
Operating income (loss):			
Intellectual Property Segment	94,908	131,919	206,729
DigitalOptics Segment	(88,746)	(96,909)	(60,104)
Corporate Overhead	(47,023)	(46,968)	(45,804)
Total operating income (loss)	$ (40,861)	$ (11,958)	$100,821

A significant portion of the Company's revenues is derived from licensees headquartered outside of the U.S., principally in Asia, and it is expected that these revenues will continue to account for a significant portion of total revenues in future periods. The table below lists the geographic revenues information for the three years ended December 31, 2012, 2011 and 2010 (in thousands):

	Year Ended December 31,					
	2012		2011		2010	
U.S.	$105,302	45%	$ 73,548	29%	$ 86,143	29%
Korea	40,296	17%	43,822	17%	39,894	13%
Taiwan	27,178	12%	74,397	29%	81,173	27%
Japan	26,898	11%	32,276	13%	43,928	15%
China	19,559	8%	6,719	3%	6,510	2%
Other Asia	8,640	4%	9,948	4%	24,291	8%
Europe and other	6,150	3%	13,866	5%	19,454	6%
	$234,023	100%	$254,576	100%	$301,393	100%

For the years ended December 31, 2012, 2011 and 2010, three, two and two customers, respectively, each accounted for 10% or more of total revenues.

For the years ended December 31, 2012, 2011 and 2010, property and equipment, net are presented below by geographic area (in thousands):

	Years Ended December 31,		
	2012	2011	2010
U.S.	$39,467	$35,082	$40,594
Taiwan	18,176	156	—
China	11,039	—	—
Israel	1,834	279	266
Asia Pacific and other	2,028	802	1,261
Total	$72,544	$36,319	$42,121

NOTE 17 – RELATED PARTY TRANSACTIONS

In 2007, the Company licensed its OptiML wafer-level camera technology and SHELLCASE wafer-level packaging solutions to NemoTek Technologie S. A. (“NemoTek”), a supplier of camera solutions for the cell phone market. As of December 30, 2012 and December 31, 2011, the Company had an investment of approximately $2.0 million in NemoTek at each period end, which represented less than a 10 percent holding in NemoTek. Revenues from NemoTek were less than one percent of total revenues and were not significant for the year ended December 31, 2012 and 2011. The accounts receivable balance from NemoTek was not significant at December 31, 2012 and December 31, 2011.

Since 2008, Tessera, Inc. has engaged 3LP Advisors LLC (“3LP”) to assist with the identification and acquisition of patents. In 2011 and 2012, 3LP expanded its advisory services by providing strategic advice to Invensas Corporation and Tessera Intellectual Property Corp. as well. A managing partner of 3LP, Mr. Kevin G. Rivette, is a member of the Board and has a non-majority ownership interest in 3LP. For the years ended December 31, 2012 and 2011, the Company recognized operating expense of $2.3 million and $3.1 million, respectively, related to these engagements. At December 31, 2012 and 2011, the accounts payable balance due to 3LP was $0.2 million and $2.0 million, respectively.

NOTE 18 – SUBSEQUENT EVENT

On January 30, 2013, the Board declared a cash dividend of $0.10 per share of common stock for the first quarter, payable on March 28, 2013, for the stockholders of record at the close of business on March 7, 2013.

On February 20, 2013 the International Court of Arbitration of the International Chamber of Commerce issued an award in favor of Tessera, Inc. in its dispute with Amkor Technology, Inc. ("Amkor"). Tessera, Inc. cannot predict the precise amount or the timing of Amkor's payment. The next phase of this arbitration will involve calculations by damages experts to determine the precise amount owed.

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(2) ***Financial Statement Schedules***

Schedule II — Valuation and Qualifying Accounts
for the Years Ended December 31, 2012, 2011 and 2010

	Balance at Beginning of Year	Charged (Credited) to Expenses	Charged (Credited) to Other Accounts	Balance at End of Year
Deferred income tax asset:				
Valuation allowance				
2010	$ 5,606	$ (2,595)	$ —	$ 3,011
2011	3,011	4,185	—	7,196
2012	7,196	6,454	933	14,583

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 1, 2013

TESSERA TECHNOLOGIES, INC.

By: /s/ ROBERT A. YOUNG
Robert A. Young
President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Robert A. Young and C. Richard Neely, Jr., and each of them, with full power of substitution and resubstitution and full power to act without the other, as his true and lawful attorney-in-fact and agent to act in his name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBERT A. YOUNG **Robert A. Young**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2013
/s/ C. RICHARD NEELY, JR. **C. Richard Neely, Jr.**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2013
/s/ ROBERT J. BOEHLKE **Robert J. Boehlke**	Chairman of the Board of Directors	March 1, 2013
/s/ JOHN B. GOODRICH **John B. Goodrich**	Director	March 1, 2013
/s/ RICHARD S. HILL **Richard S. Hill**	Director	March 1, 2013
/s/ DAVID C. NAGEL **David C. Nagel**	Director	March 1, 2013
Kevin G. Rivette	Director	

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Signature	Title	Date
/s/ TIMOTHY J. STULTZ **Timothy J. Stultz**	Director	March 1, 2013
/s/ ANTHONY J. TETHER **Anthony J. Tether**	Director	March 1, 2013

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(3) ***Exhibits***

The exhibits listed on the accompanying index to exhibits in Item 15(b) below are filed as part of, or hereby incorporated by reference into, this Report.

Exhibit Number	Exhibit Title
2.1**	Asset Purchase Agreement, dated October 31, 2005, by and between Tessera Technologies, Inc. and Shellcase, Ltd. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on November 1, 2005, and incorporated herein by reference)
2.2**	Agreement and Plan of Merger, dated as of July 7, 2006, among Tessera Technologies, Inc., Dalton Acquisition Corp., Digital Optics Corporation and Carolinas Capital Corp. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on July 10, 2006, and incorporated herein by reference)
2.3**	Share Purchase Agreement, dated as of January 30, 2007, among Tessera Technologies Hungary Holding LLC, Eyesquad GmbH, each of the shareholders of Eyesquad GmbH and Sharon A. Amir (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on January 31, 2007, and incorporate herein by reference)
2.4**	Agreement and Plan of Merger, dated as of January 31, 2008, among Tessera Technologies, Inc., Fort Knox Merger Sub, Inc., FotoNation, Inc. and Yury Prilutsky, as Stockholders' Agent (filed as Exhibit 2.4 to the Registrant's Annual Report on Form 10-K, filed on February 29, 2008, and incorporated herein by reference)
2.5**	Stock and Asset Purchase Agreement, dated March 1, 2012, by and among, Tessera Technologies, Inc., DigitalOptics Corporation and Flextronics International Ltd. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed March 2, 2012, and incorporated herein by reference)
2.6**	Amendment to Stock and Asset Purchase Agreement, dated June 28, 2012, by and among Tessera Technologies, Inc., DigitalOptics Corporation and Flextronics International Ltd. (filed as Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q, filed on August 3, 2012 and incorporated herein by reference)
2.7**	Amendment No. 2 to Stock and Asset Purchase Agreement, dated September 4, 2012, by and among Tessera Technologies, Inc., DigitalOptics Corporation and Flextronics International Ltd. (filed as Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q, filed on November 7, 2012 and incorporated herein by reference)
3.1*	Restated Certificate of Incorporation
3.2	Amended and Restated Bylaws, dated September 14, 2011, as amended August 29, 2012 and December 19, 2012
4.1*	Specimen Common Stock Certificate
4.2*	Registration Rights Agreement, dated as of January 31, 2003, by and among the Registrant and the stockholders party thereto
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers
10.2*+	1991 Stock Option Plan
10.3*+	Amended and Restated 1996 Stock Plan
10.4*+	1999 Stock Plan
10.5*+	2003 Employee Stock Purchase Plan

Exhibit Number	Exhibit Title
10.6+	Amendment to the Tessera Technologies, Inc. 2003 Employee Stock Purchase Plan (filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-8, filed June 13, 2008, and incorporated herein by reference)
10.7†*	Limited TCC License Agreement, dated as of October 22, 1996, by and between Tessera, Inc. and Intel Corporation
10.8*	First Amendment to Limited TCC License Agreement, dated as of October 1, 2000, by and between Tessera, Inc. and Intel Corporation
10.9†*	Second Amendment to Limited TCC License Agreement, dated as of March 22, 2002, by and between Tessera, Inc. and Intel Corporation
10.10†*	TCC License Agreement, dated as of May 17, 1997, by and between Tessera, Inc. and Samsung Electronics Co., Ltd.
10.11†*	First Addendum to Limited TCC License Agreement, dated as of November 4, 1998, by and between Tessera, Inc. and Samsung Electronics Co., Ltd.
10.12*	Second Addendum to TCC License Agreement, dated as of June 1, 2001, by and between Tessera, Inc. and Samsung Electronics Co., Ltd.
10.13†*	TCC Patent License Agreement, dated as of January 22, 2003, by and between Tessera, Inc. and Seiko Epson Corporation
10.14†*	Patent License Agreement, dated as of October 12, 1998, by and between Tessera, Inc. and Sharp Corporation
10.15†*	Immunity Agreement, dated as of January 24, 2002, by and between Tessera, Inc., and Sharp Corporation
10.16†*	License Agreement, dated as of January 1, 2002, by and between Tessera, Inc. and Texas Instruments, Inc.
10.17†*	Third Amendment to Limited TCC License Agreement, dated as of September 10, 2003, by and between Tessera, Inc. and Intel Corporation
10.18+	Restricted Stock Award Agreement, dated as of December 13, 2004, by and between the Registrant and Robert Boehlke (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on December 16, 2004, and incorporated herein by reference)
10.19†	Restated TCC License Agreement, dated as of January 1, 2005, by and between Tessera Technologies, Inc. and Samsung Electronics Co., Ltd. (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed on May 13, 2005 and incorporated herein by reference)
10.20+	Tessera Technologies, Inc. 2012 Performance Bonus Plan for Executive Officers and Key Employees (filed as Appendix A to the Registrant's Definitive Proxy Statement, filed on February 17, 2012 and incorporated herein by reference)
10.21+	Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Appendix A to the Registrant's Definitive Proxy Statement, filed on April 1, 2010, and incorporated herein by reference)
10.22+	Form of Stock Option Agreement for the Tessera Technologies, Inc. Fourth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-8, filed June 13, 2008, and incorporated herein by reference)
10.23+	Form of Stock Option Agreement for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)

Exhibit Number	Exhibit Title
10.24+	Form of Stock Option Agreement (Board) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.25+	Form of Stock Option Agreement (Romania) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.26+	Form of Stock Option Agreement (International) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed November 4, 2010, and incorporated herein by reference)
10.27+	Form of Restricted Stock Agreement for the Tessera Technologies, Inc. Fourth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-8, filed June 13, 2008, and incorporated herein by reference)
10.28+	Form of Restricted Stock Agreement for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.29+	Form of Restricted Stock Agreement (Israel) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.30+	Form of Restricted Stock Agreement (Romania) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.31+	Form of Deferred Stock Agreement for the Tessera Technologies, Inc. Fourth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-8, filed June 13, 2008, and incorporated herein by reference)
10.32+	Form of Deferred Stock Agreement for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.8 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.33+	Form of Deferred Stock Agreement (Performance Vesting) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.9 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.34+	Form of Deferred Stock Agreement (Ireland) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.35+	Form of Deferred Stock Agreement (Israel) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.11 to the Registrant's Registration Statement on Form S-8, filed August 6, 2010, and incorporated herein by reference)
10.36+	Form of Deferred Stock Agreement (International) for the Tessera Technologies, Inc. Fifth Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed November 4, 2010, and incorporated herein by reference)
10.37+	Tessera Technologies, Inc. International Employee Stock Purchase Plan (filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-8, filed June 13, 2008, and incorporated herein by reference)
10.38+	Form of Severance Agreement with the Registrant's executive officers (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed on April 3, 2009, and incorporated herein by reference)

Exhibit Number	Exhibit Title
10.39+	Form of Amended and Restated Change in Control Severance Agreement with the Registrant's executive officers (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed on April 3, 2009, and incorporated herein by reference)
10.40+	Amendment to Change in Control Severance Agreement with the Registrant's executive officers (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed on May 5, 2011, and incorporated herein by reference)
10.41+	Employment Letter, dated October 24, 2008, by and between the Registrant and Bernard J. Cassidy (filed as Exhibit 10.45 to the Registrant's Annual Report on Form 10-K, filed on February 25, 2010, and incorporated herein by reference)
10.42+	Separation and Consulting Agreement, dated May 11, 2011, by and between the Registrant and Henry R. Nothhaft (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed on August 5, 2011, and incorporated herein by reference)
10.43+	Employment Letter, dated August 15, 2012, by and between the Registrant and C. Richard Neely, Jr. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed on November 7, 2012, and incorporated herein by reference)
10.44+	Separation Agreement, dated August 14, 2012, by and between the Registrant and Michael Anthofer (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed on November 7, 2012, and incorporated herein by reference)
10.45+	Revised Employment Letter, dated October 3, 2012, by and between the Registrant and Robert A. Young
10.46+	Settlement Agreement and General Release, dated December 11, 2012, by and between the Registrant and Farzan Bob Roohparvar
10.47+	Consulting Agreement, dated December 11, 2012, by and between Tessera Global Services, Inc., a wholly owned subsidiary of the Registrant, and Farzan Bob Roohparvar
10.48+	Settlement Agreement and General Release, dated January 15, 2013, by and between the Registrant and Richard Chernicoff
10.49+	Consulting Agreement, dated January 15, 2013, by and between Tessera Global Services, Inc., a wholly owned subsidiary of the Registrant, and Richard Chernicoff
21.1	List of subsidiaries
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney (see signature page to this Annual Report on Form 10-K)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxomony Extension Definition Linkbase Document

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Exhibit Number	Exhibit Title
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Confidential treatment has been granted as to certain portions of this agreement.

+ Indicates a management contract or compensatory plan or arrangement.

* Filed as exhibits to Tessera Technologies, Inc.'s Registration Statement on Form S-1 (SEC File No. 333-108518), effective November 12, 2003, and incorporated herein by reference.

** The exhibits and schedules to this agreement have been omitted in reliance on Item 601(b)(2) of Regulation S-K promulgated by the SEC, and a copy thereof will be furnished supplementally to the SEC upon its request. You are cautioned that the representations and warranties set forth in this agreement are qualified by those schedules, and should not be relied upon as accurate or complete without reference to those schedules.

Exhibit 3.2

AMENDED AND RESTATED

BYLAWS

OF

TESSERA TECHNOLOGIES, INC.

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(Continued)

AMENDED AND RESTATED BYLAWS

OF

TESSERA TECHNOLOGIES, INC.

(as amended and restated September 14, 2011, as further amended on August 29, 2012 and December 19, 2012)

ARTICLE I.

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. Any previously scheduled annual meeting of the stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such annual meeting of the stockholders. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or by a majority of the members of the board of directors, or by a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as provided in a resolution of the board of directors or in these bylaws, include the power to call such meetings, but such special meetings may not be called by any other person or persons. Any previously scheduled special meeting of the stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such special meeting of the stockholders. Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice of the meeting.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES

(a) Proper Nominations; Who May Make Nominations . Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at an annual meeting of stockholders or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the board of directors or other person calling such special meeting in accordance with Section 2.3 hereof) (i) by or at the direction of the board of directors, including by any committee or persons appointed by the board of directors, or (ii) by any stockholder of the corporation who (A) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such nomination is proposed to be made, only if such beneficial owner was the beneficial owner of shares of the corporation) both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) has complied with this Section 2.5 as to such nomination. The foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the board of directors at an annual meeting or a special meeting.

(b) Requirement of Timely Notice of Nominations . Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing and in proper form to the secretary of the corporation.

(i) Timely Notice of Nominations for Annual Meeting . To be timely, a stockholder's notice of nominations to be made at an annual meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the one-year anniversary of the preceding year's annual meeting; *provided, however* , that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the 90th day prior to such annual meeting or, if later, the tenth day following the day on which public disclosure of the date of such annual meeting was first made; *provided, further* , that notwithstanding the foregoing, for the 2013 Annual Meeting of stockholders of the corporation (the " *2013 Annual Meeting* "), a notice by a stockholder delivered to, or mailed and received at, the principal executive offices of the corporation on or prior to February 15, 2013 shall in all circumstances be deemed timely notwithstanding the date of the 2013 Annual Meeting or the date of the public disclosure thereof. Any such notice that is delivered to, or mailed and received at, the principal executive offices of the corporation within any of the time periods set forth in the immediately preceding sentence shall be deemed an "*Annual Meeting Timely Notice*." In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Annual Meeting Timely Notice as described above.

(ii) Timely Notice of Nominations for Special Meeting. To be timely, a stockholder's notice of nominations to be made at a special meeting at which the election of directors is a matter specified in the notice of meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not earlier than the 120th day prior to such special meeting and not later than the 90th day prior to such special meeting or, if later, the tenth day following the day on which public disclosure (as defined in this Section 2.5) of the date of such special meeting was first made (such notice within such time periods, "*Special Meeting Timely Notice*"). In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period for the giving of Special Meeting Timely Notice as described above.

(c) Definition of Public Disclosure. For purposes of these bylaws, "*public disclosure*" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "*Exchange Act*").

(d) Requirements for Proper Form of Stockholder Notice of Nominations. To be in proper form for purposes of this Section 2.5, a stockholder's notice to the secretary shall set forth:

(i) Stockholder Information. As to each Nominating Person (as defined below), (A) the name and address of such Nominating Person (including, if applicable, the name and address that appear on the corporation's books and records); and (B) the class or series and number of shares of the corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by each Nominating Person, except that a Nominating Person shall in all events be deemed to beneficially own any shares of any class or series of the corporation as to which such Nominating Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "*Stockholder Information*");

(ii) Information About Disclosable Interests. As to each Nominating Person, (A) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Nominating Person, the purpose or effect of which is to give such Nominating Person economic risk similar to ownership of shares of any class or series of the corporation, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the corporation ("*Synthetic Equity Interests*"), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transactions convey any voting rights in such shares to such Nominating Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Nominating Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions, (B) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Nominating Person has or shares a right to vote any shares of any class or series of the corporation, (C) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Nominating Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Nominating Person with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation (*"Short Interests"*), (D) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Nominating Person that are separated or separable from the underlying shares of the corporation, (E) any performance related fees (other than an asset based fee) that such Nominating Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the corporation, or any Synthetic Equity Interests or Short Interests, if any, and (F) any other information relating to such Nominating Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Nominating Person in support of the election of directors at the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (F) are referred to as *"Disclosable Interests"*); *provided* , *however* , that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Nominating Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a beneficial owner; and

(iii) <u>Information About Nominees</u> . As to each person whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such proposed nominee that would be required to be set forth in a stockholder's notice pursuant to this Section 2.5(d) if such proposed nominee were a Nominating Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Nominating Person, on the one hand, and each proposed nominee and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as *"Nominee Information"*) **.**

(e) Definition of Nominating Person. For purposes of this Section 2.5, the term *"Nominating Person"* shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made and (iii) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act for purposes of these bylaws) of such stockholder or beneficial owner.

(f) Other Information to be Furnished by Proposed Nominees. The corporation may require any proposed nominee to furnish such other information (A) as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation in accordance with the corporation's Corporate Governance Guidelines or (B) that could be material to a reasonable stockholder's understanding of the independence or lack of independence of such proposed nominee.

(g) Updates and Supplements. A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to or mailed and received by the secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date for the meeting or (if practicable or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof).

(h) Defective Nominations. No person shall be eligible for election as a director of the corporation at an annual meeting or a special meeting unless nominated in accordance with this Section 2.5. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(i) Compliance with Exchange Act. In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

2.6 ADVANCE NOTICE OF STOCKHOLDER BUSINESS

(a) Business Properly Brought Before a Meeting. At the annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (i) as specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) otherwise properly brought before the meeting by a stockholder who (A) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the corporation) both at the time of giving the notice provided for in this Section 2.6 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 2.6 as to such business. Except for proposals properly made in accordance with Rule 14a-8 under the Exchange Act and included in the notice of meeting given by or at the direction of the board of directors, the foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. Stockholders seeking to nominate persons for election to the board of directors at an annual meeting or a special meeting must comply with Section 2.5, and this Section 2.6 shall not be applicable to nominations.

(b) Requirement of Timely Notice of Stockholder Business. Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Annual Meeting Timely Notice (as defined in Section 2.5 above) thereof in writing and in proper form to the secretary of the corporation. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Annual Meeting Timely Notice.

(c) Requirements for Proper Form of Stockholder Notice of Proposed Business. To be in proper form for purposes of this Section 2.6, a stockholder's notice to the secretary shall set forth:

(i) Stockholder Information. As to each Proposing Person (as defined below), the Stockholder Information (as defined in Section 2.5(d)(i), except that for the purposes of this Section 2.6 the term "Proposing Person" shall be substituted for the term "Nominating Person" in all places it appears in Section 2.5(d)(i));

(ii) Information About Disclosable Interests. As to each Proposing Person, any Disclosable Interests (as defined in Section 2.5(d)(ii), except that for purposes of this Section 2.6 the term "Proposing Person" shall be substituted for the term "Nominating Person" in all places as it appears in Section 2.5(d)(ii) and the disclosures shall be made with respect to the proposal of business to be brought before the meeting rather than to the nomination of directors to be elected at the meeting); and

(iii) Description of Proposed Business. As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder of the shares of any class or series of the corporation (including their names) in connection with the proposal of such business by such stockholder.

(d) Definition of Proposing Person. For purposes of this Section 2.6, the term *"Proposing Person"* shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made and (iii) any affiliate or associate of such stockholder or beneficial owner.

(e) Updates and Supplements. A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.6 shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date for the meeting or (if practicable or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof).

(f) Business Not Properly Brought Before a Meeting. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with this Section 2.6. The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.6, and if he or she should so determine, he or she so shall so declare at the meeting that any business not properly brought before the meeting shall not be transacted.

(g) Rule 14a-8; Exchange Act Compliance. This Section 2.6 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made pursuant to Rule 14a-8 under the Exchange Act. In addition to the requirements of this Section 2.6 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.6 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.7 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.8 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.9 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.10 CONDUCT OF BUSINESS

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.11 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.14 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of the State of Delaware (relating to voting rights of fiduciaries, pledgers and joint owners of stock and to voting trusts and other voting agreements).

Except as provided in the last paragraph of this Section 2.11, or as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.12 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of the State of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

2.13 NO STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, must be taken at an annual or special meeting of stockholders of the corporation, with prior notice and with a vote, and may not be taken by a consent in writing.

2.14 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than ten days before the date of such meeting, nor more than 60 days prior to any other action.

If the board of directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.15 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by (i) a written proxy, signed by the stockholder and filed with the secretary of the corporation, or (ii) transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission in accordance with the provisions of Section 212(c)(2) of the General Corporation Law of the State of Delaware, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder’s name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder’s attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of the State of Delaware.

ARTICLE III.

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of the State of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by-or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The authorized number of directors shall be eight (8) until changed by a proper amendment to this Section 3.2.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Directors shall be elected at each annual meeting of the stockholders or special meeting in lieu thereof, and shall serve until their successors are duly elected and qualified. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for directors may be prescribed.

Each director to be elected by the stockholders shall be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares represented and entitled to vote therefor at a meeting of the stockholders for the election of directors at which a quorum is present (an "Election Meeting"); provided, however, that if the board of directors determines that the number of nominees exceeds the number of directors to be elected at such meeting (a "Contested Election"), whether or not the election becomes an uncontested election after such determination, each of the directors to be elected at the Election Meeting shall be elected by the affirmative vote of a plurality of the votes cast by the shares represented and entitled to vote at such meeting with respect to the election of such director.

For purposes of this Section 3.3, a "majority of the votes cast" means that the number of votes cast "for" a candidate for director exceeds the number of votes cast "against" that director (with "abstentions" and "broker non-votes" not counted as votes cast as either "for" or "against" such director's election). In an election other than a Contested Election, stockholders will be given the choice to cast votes "for" or "against" the election of directors or to "abstain" from such vote and shall not have the ability to cast any other vote with respect to such election of directors. In a Contested Election, stockholders will be given the choice to cast "for" or "withhold" votes for the election of directors and shall not have the ability to cast any other vote with respect to such election of directors. In the event an Election Meeting involves the election of directors by separate votes by class or classes or series, the determination as to whether an election constitutes a Contested Election shall be made on a class by class or series by series basis, as applicable. The board of directors has established procedures under which any director who is not elected shall offer to tender his or her resignation to the board of directors.

Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office even though less than a quorum, or by a sole remaining director, and not by the stockholders. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full board of directors until the vacancy is filled. Notwithstanding the foregoing, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation or removal.

Elections of directors need not be by written ballot. There shall be no right with respect to shares of stock of the corporation to cumulate votes in the election of directors.

3.4 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.5 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.6 SPECIAL MEETINGS; NOTICE

Special meetings of the board for any purpose or purposes may be called at any time by the chairman of the board, the president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director’s address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least 24 hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.7 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.8 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of the State of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

3.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.11 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, only with cause, by the holders of not less than 66-2/3% of the shares then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director’s term of office.

3.12 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or any subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Subject to the next sentence, nothing in this Section 3.12 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute. Notwithstanding anything in this Section 3.12 to the contrary, the corporation shall not, directly or indirectly, including through any subsidiary, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or executive officer in violation of Section 402 of the Sarbanes-Oxley Act of 2002.

ARTICLE IV.

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of the State of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of the State of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation’s property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend these bylaws; and, unless the board resolution establishing the committee, these bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.4 (Place of Meetings; Meetings by Telephone), Section 3.5 (Regular Meetings), Section 3.6 (Special Meetings; Notice), Section 3.7 (Quorum), Section 3.8 (Waiver of Notice) and Section 3.9 (Board Action by Written Consent Without a Meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V.

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a chief executive officer, a president, one or more vice presidents, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, a treasurer, one or more assistant vice presidents, assistant secretaries and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect on the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

5.6 CHAIRMAN OF THE BOARD

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. If there is no president, then the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these bylaws.

5.7 PRESIDENT

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the board of directors. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

5.8 VICE PRESIDENT

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

5.9 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors’ meetings or committee meetings, the number of shares present or represented at stockholders’ meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation’s transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these bylaws. He or she shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.10 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. He or she shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

5.11 ASSISTANT SECRETARY

The assistant secretary, or, if there is more than one, the assistant secretaries in the order determined by the stockholders or board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors or the stockholders may from time to time prescribe.

5.12 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

ARTICLE VI.

INDEMNITY

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of the State of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by the General Corporation Law of the State of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the board of directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article 6.

6.4 INDEMNITY NOT EXCLUSIVE

The indemnification provided by this Article 6 shall not be deemed exclusive of any other rights which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that additional rights to indemnification are authorized in the certificate of incorporation.

6.5 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of the General Corporation Law of the State of Delaware.

6.6 CONFLICTS

No indemnification or advance shall be made under this Article 6, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(i) that it would be inconsistent with a provision of the certificate of incorporation, these bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limited indemnification; or

(ii) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII.

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares, held by each stockholder, a copy of these bylaws as amended to date, accounting books and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, the president, any vice president, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII.

GENERAL MATTERS

8.1 CHECKS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES

The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice-chairman of the board of directors, or the president or vice-president, and by the secretary or an assistant secretary, or the treasurer, if there be one, of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term “person” includes both a corporation and a natural person.

8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained in the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of the State of Delaware. Dividends may be paid in cash, in property or in shares of the corporation’s capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 SEAL

The seal of the corporation, if any, shall be such as from time to time may be approved by the board of directors.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of the State of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX.

AMENDMENTS

The original or other bylaws of the corporation may be adopted, amended or repealed by the holders of not less than 66-2/3% of the shares then entitled to vote at an election of directors; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

* * *

TESSERA

October 2, 2012

Dr. Robert A. Young
[address redacted]

Dear Bob:

I am pleased to confirm our offer for you to continue as President and CEO of Tessera Technologies, Inc. (the "Company") and to continue as an employee of Tessera Global Services, Inc. ("TGSI"). This letter is intended to amend the letter dated May 11, 2011 between you and Tessera, Inc. Except as specifically amended herein, the terms and conditions set forth in the May 11, 2011 letter continue in full force and effect.

- you will receive an annual salary of $684,000, which will be paid in accordance with TGSI's normal payroll procedures.
- you will be eligible to receive an annual MBO bonus of up to 100% of your base salary paid on an annual basis. This bonus will be based on objectives set forth and mutually agreed upon by you and the Company's Board of Directors.
- the Company's Board of Directors met today and granted you a performance-based option to purchase 550,000 shares of the Company's Common Stock at a price per share equal to the fair market value per share of the Common Stock on the date of grant. This option grant is subject to the terms and conditions of the Company's Stock Option Plan and Stock Option Agreement, including the performance-based vesting requirements set forth in the option grant.
- TGSI will pay you an additional $150,000 per year (paid in accordance with TGSI's normal payroll procedures) to offset expenses incurred by you related to the time you spend in California (e.g., apartment rental, travel to and from your home, car leasing, utilities, etc.). TGSI will not otherwise reimburse your for expenses related to the time you spend in California and no tax gross-up will be applied, either to the $150,000 or to your other compensation.

If you could please acknowledge your acceptance of the terms and conditions contained in this letter by signing in the space provided below, I would appreciate it.

Sincerely,

/s/ Edmundo Ruiz

Executive Vice President & Chief Administration Officer

Agreed to and accepted:

Signature: /s/ Robert A. Young

Printed Name: Robert A. Young
Date: October 3, 2012

Exhibit 10.46

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement and General Release (the " Agreement ") is made by and between Farzan (Bob) Roohparvar (" Executive ") and Tessera Technologies, Inc., on behalf of itself and its subsidiary, DigitalOptics Corporation (together, the " Company "), effective as of the eighth day following Executive's signature of this Agreement without revocation (the " Effective Date ") with reference to the following facts:

A. Executive was President of DigitalOptics Corporation from March 28, 2011 through September 4, 2012 (the " Separation Date ").

B. Executive and the Company want to end their relationship amicably and also to establish the obligations of the parties including all amounts due and owing to Executive, without limitation, under the terms of the offer letter dated March 22, 2011 and the Change of Control Severance Agreement and Severance Agreement, each dated as of March 28, 2011 (collectively, the " Employment Agreements ").

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. Separation Payments . Without admission of any liability, fact or claim, the Company hereby agrees, subject to the timely execution of this Agreement without revocation, and Executive's performance of his continuing obligations pursuant to this Agreement, the Consulting Agreement attached as Exhibit A hereto (the " Consulting Agreement "), the Employment Confidential Information, Invention Assignment and Arbitration Agreement attached hereto as Exhibit B (the " Confidentiality Agreement "), and any other material agreement between Executive and the Company, to provide Executive the separation payments and other benefits set forth below. Specifically, the Company and Executive agree as follows:

(a) *Initial Separation Payment* ; *Executive Attorney's Fees* . Within five (5) business days of the Effective Date, the Company shall tender checks in the aggregate amount of $500,000 (five hundred thousand dollars) to Executive and his attorneys, McGuinn, Hillsman & Palefsky, as follows:

(i) A check in the amount of $150,000 (one hundred fifty-thousand dollars) payable to McGuinn, Hillsman & Palefsky, and reported to the relevant taxing authorities on Forms 1099 issued to McGuinn, Hillsman & Palefsky and to Executive; and

(ii) A check in the amount of $350,000 (three hundred fifty-thousand dollars), less applicable tax withholding, payable to Executive.

(b) *Subsequent Separation Payments* . Provided that he complies with his obligations as set forth in this Agreement and the Confidentiality Agreement, Executive shall receive additional separation payments aggregating $440,000 (four hundred forty thousand dollars), less applicable tax withholding, to be paid in arrears on a monthly pro-rata basis beginning January 31, 2013 and ending December 31, 2013. For the avoidance of doubt, the payments to be made pursuant to this Section 1(b) are not subject to forfeiture or reduction solely by reason of any breach of Executive of his obligations under the Consulting Agreement.

(c) *Consulting Agreement and Consulting Payments* . Provided that he complies with his obligations as set forth in this Agreement, the Confidentiality Agreement, and the Consulting Agreement Executive shall receive consulting payments aggregating $60,000 (sixty thousand dollars), less applicable tax withholding, to be paid in arrears on a monthly basis beginning January 31, 2013 and ending December 31, 2013.

(d) *Taxes* . Executive understands and agrees that all payments under this Agreement will be subject to appropriate tax withholding and other deductions. To the extent any taxes may be payable by Executive for the benefits provided to him by this Agreement beyond those withheld by the Company, Executive agrees to pay them himself and to indemnify and hold the Company and the other entities released herein harmless for any tax claims or penalties, and associated attorneys' fees and costs, resulting from any failure by him to make required payments. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code "), such reimbursements shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(e) *Sole Separation Benefit* . Executive acknowledges and agrees that the payments referenced in this Section 1 fully satisfy Executive's rights under the Employment Agreements, and constitute adequate and valuable consideration, in and of themselves, for the promises contained in this Agreement.

2. Full Payment . Executive acknowledges that the payments and arrangements herein shall constitute full and complete satisfaction of any and all amounts properly due and owing to Executive as a result of his employment with the Company and the separation thereof.

3. Executive's Release of the Company . Executive understands that by agreeing to the release provided by this Section 3, Executive is agreeing not to sue, or otherwise file any claim against, the Company or any of its employees or other agents for any reason whatsoever based on anything that has occurred as of the date Executive signs this Agreement.

(a) On behalf of Executive and Executive's heirs and assigns, Executive hereby releases and forever discharges the " Company Releasees " hereunder, consisting of the Company, and each of its owners, affiliates, divisions, predecessors, successors, assigns, agents, directors, officers, partners, employees, and insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called " Claims "), which Executive now has or may hereafter have against the Company Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof, including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating in any manner to Executive's Employment Agreement, hire, employment, remuneration, equity grants, failure to grant to Executive equity to which he claims he was entitled, or separation of the Executive's employment by the Company Releasees, or any of them, Claims arising under federal, state, or local laws relating to employment, Claims of any kind that may be brought in any court or administrative agency, including any Claims arising under the Age Discrimination in Employment Act (" ADEA "), as amended, 29 U.S.C. § 621, et seq .; Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. § 2000 et seq. ; the Equal Pay Act, 29 U.S.C. § 206(d); the Civil Rights Act of 1866, 42 U.S.C. § 1981; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq. ; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. ; the False Claims Act , 31 U.S.C. § 3729 et seq. ; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq .; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq . the Fair Labor Standards Act, 29 U.S.C. § 215 et seq. , the Sarbanes-Oxley Act of 2002; the California Labor Code; the employment and civil rights laws of California; Claims for breach of contract; Claims arising in tort, including, without limitation, Claims of wrongful dismissal or discharge, discrimination, harassment, retaliation, fraud, misrepresentation, defamation, libel, infliction of emotional distress, violation of public policy, and/or breach of the implied covenant of good faith and fair dealing; and Claims for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees.

(b) Notwithstanding the generality of the foregoing, Executive does not release Claims for indemnification under the Company's Bylaws, California Labor Code Section 2802 or any other applicable law, any director and officer policies of insurance in effect as of the Separation Date; Executive's right to bring to the attention of the Equal Employment Opportunity Commission or the California Department of Fair Employment and Housing claims of discrimination, harassment or retaliation; provided , however , that Executive does release Executive's right to secure any damages for alleged discriminatory treatment; and any other Claims that cannot be released as a matter of law.

(c) In accordance with the Older Workers Benefit Protection Act of 1990, Executive has been advised of the following:

(i) Executive has the right to consult with an attorney before signing this Agreement;

(ii) Executive has been given at least twenty-one (21) days to consider this Agreement;

(iii) Executive has seven (7) days after signing this Agreement to revoke it, and Executive will not receive the severance benefits provided by Section 1 of this Agreement unless and until such seven (7) day period has expired. If Executive wishes to revoke this Agreement, Executive must deliver notice of Executive's revocation in writing, by facsimile or email, no later than 5:00 p.m. on the 7th day following Executive's execution of this Release to Linda M. Inscoe at 415-395-8028 or linda.inscoe@lw.com.

(d) EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

BEING AWARE OF SAID CODE SECTION, EXECUTIVE HEREBY EXPRESSLY WAIVES ANY RIGHTS EXECUTIVE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

4. Company's Release of Executive . The Company (on behalf of its predecessors, successors, and affiliates) releases and forever discharges Executive, his spouse, heirs, successors, assigns, representatives and agents, and all persons acting by, through, under or in concert with them, or any of them (the " Executive Releasees ") of and from any and all manner of Claims, which the Company now has or may hereafter have against the Executive Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The released claims include, but are not limited to, claims relating to Executive's employment or the discontinuance of Executive's employment and claims arising under federal, state or local statutory or common law, such as the California Labor Code and California Business & Professions Code Section 17200.

5. Additional Covenants . Executive and the Company further agree as follows:

(a) *Non-Disparagement* . Executive agrees that he shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, stockholders or employees, whether verbally or by non-verbal gesture or communication, either publicly or privately. The Company agrees that members of its Board of Directors and its Chief Executive Officer shall not disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 5(a) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

(b) *Non-Solicitation* . Executive agrees that during the Term of the Consulting Agreement he shall not solicit directly or indirectly, personally or through others, encourage, induce, attempt to induce, solicit or attempt to solicit (whether on Executive's own behalf or on behalf of any other person or entity) any employee, consultant, independent contractor, vendor, customer or known potential customer of the Company to leave his or her employment, consulting or independent contractor relationship with the Company or to adversely alter his, her or its business arrangements with the Company.

(c) *Non-Interference.* Executive agrees that during the Term of the Consulting Agreement, he shall not directly or indirectly, personally or through others, interfere or in any way seek to negatively influence the Company's relationship or business with any employee, consultant, independent contractor, vendor, customer or known potential customer of the Company.

(d) *Transfer of Company Property* . Executive represents and warrants that, on or before the Separation Date, he turned over to the Company all electronic or physical files, memoranda, records, and other documents, and any other electronic, physical or personal property of the Company which Executive had in his possession, custody or control.

(e) *Executive's Cooperation* . After the Effective Date, Executive shall cooperate with the Company and its affiliates, upon the Company's reasonable request, with respect to any (i) prosecution of or other filings and proceedings before the United States

Patent and Trademark Office or other patent office with respect to any pending or future patent applications or issued patents, (ii) pending or future internal investigation or administrative, regulatory or judicial proceeding involving matters within the scope of Executive's duties and responsibilities to the Company during his employment with the Company. Such cooperation shall include but is not limited to Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's reasonable request to give testimony without requiring service of a subpoena or other legal process, turning over to the Company all relevant Company documents which are or may have come into Executive's possession during his employment, and providing declarations as requested. Such cooperation shall be provided without additional charge during the Term of the Consulting Agreement, and at a pre-agreed consulting rate thereafter.

6. Representations . Executive and the Company warrant and represent that (a) neither has filed or authorized the filing of any complaints, charges or lawsuits against the other or any released party with any governmental agency or court, and that if, unbeknownst to Executive or the Company, such a complaint, charge or lawsuit has been filed on his or its behalf, he or it will immediately cause it to be withdrawn and dismissed, (b) the execution, delivery and performance of this Agreement by Executive and the Company does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which Executive or the Company is a party or any judgment, order or decree to which Executive or the Company is subject, and (c) upon the execution and delivery of this Agreement by the Company and Executive, this Agreement will be a valid and binding obligation of Executive and the Company, enforceable in accordance with its terms. Executive further represents that (d) he has reported all hours worked as of the date of this Agreement and has been paid all compensation, wages, bonuses, commissions, and/or benefits to which he may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to him, except as provided in this Agreement, (e) he has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested under the Family and Medical Leave Act or any similar state law, and (f) he is not aware of any complaint (including any whistleblower complaint), charge or lawsuit being prepared against the Company or any of its subsidiaries by any employee, former employee, or third party.

7. No Assignment . Executive and the Company warrant and represent that no portion of any of the matters released herein, and no portion of any recovery or settlement to which Executive or the Company might be entitled, has been assigned or transferred to any other person, firm or corporation not a party to this Agreement, in any manner, including by way of subrogation or operation of law or otherwise. If any claim, action, demand or suit should be made or instituted against the Company, Executive or any other released party because of any actual assignment, subrogation or transfer by Executive or the Company, Executive and the Company agree to indemnify and hold harmless the aggrieved party against such claim, action, suit or demand, including necessary expenses of investigation, attorneys' fees and costs.

8. Governing Law; Enforcement . This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California or, where applicable, United States federal law, in each case, without regard to any conflicts of laws provisions or those of any state other than California. Any action to enforce this Agreement shall be brought in the California Superior Court for the County of Santa Clara.

9. Entire Agreement . This Agreement and the Confidentiality Agreement constitute the entire agreement between the parties with regard to the subject matter hereof. The Company and Executive acknowledge that the termination of Executive's employment with the

Company was intended to constitute an involuntary separation from service for the purposes of Section 409A of the Code, and the related Department of Treasury regulations. Executive acknowledges that there are no other agreements, written, oral or implied, and that he may not rely on any prior negotiations, discussions, representations or agreements. This Agreement may be modified only in writing, and such writing must be signed by Executive and the Chief Executive Officer of the Company and recite that it is intended to modify this Agreement. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement. Fascimile and pdf signatures shall have and be given the same force and effect as original signatures.

(Signature page(s) follow)

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed and delivered as of the date indicated next to their respective signatures below.

DATED: December 10, 2012

/s/ Farzan Bob Roohparvar
Farzan (Bob) Roohparvar, Ph.D.

DATED: December 11, 2012

By: /s/ Robert A. Young
Title: President and CEO
Tessera Technologies, Inc.

Exhibit 10.47

Tessera Global Services, Inc.
Consulting Agreement

Farzan “Bob” Roohparvar
[redacted]

Date: December 11, 2012

Dear Bob:

1. Tessera Global Services, Inc. (hereinafter “Tessera” or the “Company”), a Delaware corporation, having a principal place of business at 3025 Orchard Parkway, San Jose, California 95134, wishes to obtain your services as an independent consultant/contractor (hereinafter “Consultant”, “you” or “your”) and you are willing to provide up to five (5) hours per month of advice regarding matters that were formerly within the scope of your responsibilities as President of Tessera’s affiliate, Digital Optics Corporation (the “Consulting Services”). Upon reasonable notice, the Company may request you provide Consulting Services, in person or via telephonic or other communication, and you will provide such Consulting Services; *provided, however*, that you shall not be required to provide Consulting Services at the Company’s business premises and Consulting Services shall be scheduled so as to not unreasonably interfere with your other business commitments. This letter shall constitute an agreement (the “Agreement”) between you and the Company, and contains all the terms and conditions relating to the services that you provide.

2. This Agreement shall terminate effective December 31, 2013 (the “Term”), unless you choose to terminate this Agreement earlier, or the Company terminates it for breach of the Settlement Agreement executed as of December 11, 2012 (the “Settlement Agreement”).

3. As consideration for your availability for and provision, if requested, of consulting services, you will be paid up to $60,000, payable as set forth in, and subject to the provisions of, the Settlement Agreement. You will not be eligible for any employee benefits, other than as elected and paid for by you pursuant to COBRA.

4. You shall have no authority to enter into contracts which bind the Company or create obligations on the part of the Company. No services shall be performed on the Company’s premises, unless specifically requested by the Company’s Chief Executive Officer and agreed to by you. You and the Company acknowledge that your services will be provided only upon request by the Company and that no continuing relationship is created by this Agreement.

5. The Company has selected you to provide consulting services based upon your experience and expertise and, accordingly, will not provide you with training or detailed instructions on all aspects of performing such services.

6. You confirm that you are doing business as an independent Consultant. In addition, you hereby represent and confirm that you will carry your own worker compensation insurance and other liability insurance coverages, as needed, and that the Company is not responsible for such liability and insurance. As an independent Consultant, you will have all the necessary expertise of your own to fulfill your obligations under this Agreement.

7. You shall keep in confidence and shall not disclose or make available to third parties or make any use of any information or documents relating to your services under this Agreement or to the products, methods of manufacture, trade secrets, processes, business practices, vendor or customer lists, or confidential or proprietary information of the Company (other than information already in the public domain), except with the prior written consent of the Company. You recognize that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. You agree that you owe the Company and such third parties, during the term of this Agreement and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in connection with your work under this Agreement and consistent with the Company's agreement with such third party. Upon termination of this Agreement you will return to the Company all documents, or other materials related to the services provided hereunder or furnished to you by the Company. Your obligations under this Section 7 shall survive termination of this Agreement.

8. You shall promptly disclose and hereby transfer and assign to the Company all right, title and interest to all techniques, methods, processes, formulae, improvements, inventions and discoveries (collectively, the "Inventions") made or conceived or reduced to practice by you, solely or jointly with others, in the course of providing services hereunder or with the use of materials or facilities of the Company during the period of this Agreement or which relate to the Company's business or its actual or demonstrably anticipated research or development (except as otherwise provided below) and agree that the Inventions are the sole property of the Company. When requested by the Company you will make available to the Company all notes, drawings, data and other information relating to the Inventions. You will promptly sign any document (including U.S. and Foreign Patent Assignments) requested by the Company related to the above assignment of the Inventions. Any Inventions that constitute copyrightable subject matter shall be considered "works made for hire" as that term is defined in the United States Copyright Act. You agree to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the above any copyrights, patents, mask work rights or other intellectual property rights relating to the Inventions in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to the Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. You agree that if the Company is unable because of your unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure your signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering any Inventions assigned to the Company above, then you hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as your agent and attorney in fact, to act for and in your behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by you. This Agreement does not apply to Inventions which were made prior to the date of this Agreement.

9. You agree that if in the course of your work under this Agreement you incorporate into any invention, improvement, development, concept, discovery or other proprietary information owned by you or in which you have an interest, the Company is hereby granted and shall have a nonexclusive, sublicensable, royalty-free, perpetual, irrevocable, worldwide license to make, have made, modify, use and sell such item as part of or in connection therewith.

10. Any amendment to this Agreement must be in writing signed by you and the Company.

11. All notices, requests or other communications called for by this Agreement shall be deemed to have been given if made in writing and mailed, postage prepaid, if to you at the address set forth above and if to the Company at the principal office shown above, or to such other addresses as either party shall specify to the other.

12. The validity, performance and construction of this Agreement shall be governed by the laws of the State of California. Any action to enforce this Agreement shall be brought in the California Superior Court for the County of Santa Clara.

13. This Agreement is the entire agreement of the parties and supersedes any prior agreements, whether verbal or written, whether express or implied, between them with respect to the subject matter hereof.

14. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement. Fascimile and pdf signatures shall have and be given the same force and effect as original signatures.

If this Agreement is satisfactory and acceptable to you, please execute and return one copy to us, retaining the second copy for your file.

Yours very truly,

COMPANY	AGREED AND ACCEPTED:
By: /s/ Robert A. Young	/s/ Farzan Bob Roohparvar Signature
Title: President and CEO	Farzan Bob Roohparvar Print Name

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement and General Release (the " Agreement ") is made by and between Richard Chernicoff (" Executive ") and Tessera Technologies, Inc., on behalf of itself and its subsidiaries and affiliates, including, without limitation, Tessera Intellectual Property Corp. (together, the " Company "), effective as of the eighth day following Executive's signature of this Agreement without revocation (the " Effective Date ") with reference to the following facts:

A. Executive was President of the Company's Intellectual Property business segment from July 11, 2011 through January 15, 2013 (the " Separation Date ").

B. Executive and the Company want to end their relationship amicably and also to establish the obligations of the parties including all amounts due and owing to Executive, without limitation, under the terms of the offer letter dated June 24, 2011 and the Change of Control Severance Agreement and Severance Agreement, each dated as of July 11, 2011 (collectively, the " Employment Agreement ").

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. Separation Payments .

(a) *Consulting Agreement.* Without admission of any liability, fact or claim, the Company hereby agrees, subject to the timely execution of this Agreement without revocation within twenty-one (21) days following the Separation Date, and Executive's performance of his continuing obligations pursuant to this Agreement, the Consulting Agreement attached as Exhibit A hereto (the " Consulting Agreement "), the Employment Confidential Information, Invention Assignment and Arbitration Agreement (the " Confidentiality Agreement ") executed as of June27, 2011, and any other material agreement between Executive and the Company, to provide Executive the payments set forth in the Consulting Agreement.

(b) *No Other Payments.* Except for the payment of all accrued but unused vacation in the total amount of $10,343.88 and payment from the beginning of the last pay period through the date hereof no additional compensation or payment is due and owing to Executive following the date hereof.

(c) COBRA. The Company shall pay the employee contribution for medical, dental, and vision coverage for the Executive and his covered dependents (if COBRA coverage is elected) for twelve (12) calendar months after the Separation Date, or until Executive accepts employment with an employer that offers alternative health coverage, whichever occurs first. No vacation and holiday pay will accrue after the Separation Date, and the Executive's participation in the Company's 401(k) program will cease after the Separation Date.

(d) *Taxes* . Executive understands and agrees that all payments under this Agreement will be subject to appropriate tax withholding and other deductions. To the extent any taxes may be payable by Executive for the benefits provided to him by this Agreement beyond those withheld by the Company, Executive agrees to pay them himself and to indemnify and hold the Company and the other entities released herein harmless for any tax claims or penalties, and associated attorneys' fees and costs, resulting from any failure by him to make required payments. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code "), such reimbursements shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(e) *Sole Separation Benefit* . Executive acknowledges and agrees that the payments referenced in this Section 1 fully satisfy Executive's rights under the Employment Agreement, and constitute adequate and valuable consideration, in and of themselves, for the promises contained in this Agreement.

2. Full Payment . Executive acknowledges that the payments and arrangements herein shall constitute full and complete satisfaction of any and all amounts properly due and owing to Executive as a result of his employment with the Company and the separation thereof, other than reimbursement of expenses incurred prior to the date hereof in the ordinary course of business.

3. Executive's Release of the Company . Executive understands that by agreeing to the release provided by this Section 3, Executive is agreeing not to sue, or otherwise file any claim against, the Company or any of its employees or other agents for any reason whatsoever based on anything that has occurred as of the date Executive signs this Agreement.

(a) On behalf of Executive and Executive's heirs and assigns, Executive hereby releases and forever discharges the " Company Releasees " hereunder, consisting of the Company, and each of its owners, affiliates, divisions, predecessors, successors, assigns, agents, directors, officers, partners, employees, and insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called " Claims "), which Executive now has or may hereafter have against the Company Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof, including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating in any manner to Executive's Employment Agreement, hire, employment, remuneration, equity grants, failure to grant to Executive equity to which he claims he was entitled, or separation of the Executive's employment by the Company Releasees, or any of them, Claims arising under federal, state, or local laws relating to employment, Claims of any kind that may be brought in any court or administrative agency, including any Claims arising under the Age Discrimination in Employment Act (" ADEA "), as amended, 29 U.S.C. § 621, et seq .; Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. § 2000 et seq. ; the Equal Pay Act, 29 U.S.C. § 206(d); the Civil Rights Act of 1866, 42 U.S.C. § 1981; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq. ; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. ; the False Claims Act , 31 U.S.C. § 3729 et seq. ; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq .; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq . the Fair Labor Standards Act, 29 U.S.C. § 215 et seq. , the Sarbanes-Oxley Act of 2002; the California Labor Code; the employment and civil rights laws of California; Claims for breach of contract; Claims arising in tort, including, without limitation, Claims of wrongful dismissal or discharge, discrimination, harassment, retaliation, fraud, misrepresentation, defamation, libel, infliction of emotional distress, violation of public policy, and/or breach of the implied covenant of good faith and fair dealing; and Claims for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees.

(b) Notwithstanding the generality of the foregoing, Executive does not release Claims for indemnification under the Company's Bylaws, California Labor Code Section 2802 or any other applicable law, any director and officer policies of insurance in effect as of the Separation Date; Executive's right to bring to the attention of the Equal Employment Opportunity Commission or the California Department of Fair Employment and Housing claims of discrimination, harassment or retaliation; provided , however , that Executive does release Executive's right to secure any damages for alleged discriminatory treatment; and any other Claims that cannot be released as a matter of law.

(c) In accordance with the Older Workers Benefit Protection Act of 1990, Executive has been advised of the following:

(i) Executive has the right to consult with an attorney before signing this Agreement;

(ii) Executive has been given at least twenty-one (21) days to consider this Agreement;

(iii) Executive has seven (7) days after signing this Agreement to revoke it, and Executive will not receive the severance benefits provided by Section 1 of this Agreement unless and until such seven (7) day period has expired. If Executive wishes to revoke this Agreement, Executive must deliver notice of Executive's revocation in writing, by email, no later than 5:00 p.m. on the 7th day following Executive's execution of this Release to Eric Schlezinger, at eschezinger@tessera.com.

(d) EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

BEING AWARE OF SAID CODE SECTION, EXECUTIVE HEREBY EXPRESSLY WAIVES ANY RIGHTS EXECUTIVE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

5. Company's Release of Executive . The Company (on behalf of its predecessors, successors, and affiliates) releases and forever discharges Executive, his spouse, heirs, successors, assigns, representatives and agents, and all persons acting by, through, under or in concert with them, or any of them (the " Executive Releasees ") of and from any and all manner of Claims, which the Company now has or may hereafter have against the Executive Releasees, or any

of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The released Claims include, but are not limited to, Claims relating to Executive's employment or the discontinuance of Executive's employment and claims arising under federal, state or local statutory or common law, such as the California Labor Code and California Business & Professions Code Section 17200.

(a) COMPANY ACKNOWLEDGES THAT COMPANY HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

BEING AWARE OF SAID CODE SECTION, COMPANY HEREBY EXPRESSLY WAIVES ANY RIGHTS COMAPNY MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

6. Additional Covenants . Executive and the Company further agree as follows:

(a) *Non-Disparagement* . Executive agrees that he shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, stockholders or employees, whether verbally or by non-verbal gesture or communication, either publicly or privately. Nothing in this Section 6(a) shall have application to any evidence or testimony required by any court, arbitrator or government agency. The Company agrees that the Tessera Technologies, Inc. Board of Directors ("Board") and its Chief Executive Officer shall not disparage, criticize or defame Executive, either publicly or privately. The Company will issue a press release in the form exchanged concurrently herewith with respect to Executive's separation and additional public disclosure shall be consistent with such press release or as otherwise required by applicable securities laws.

(b) *Non-Solicitation* . Executive agrees that during the Term of the Consulting Agreement he shall not (without the prior written consent of the Company) solicit, directly or indirectly, personally or through others, encourage, induce, attempt to induce, solicit or attempt to solicit (whether on Executive's own behalf or on behalf of any other person or entity) any employee, consultant, independent contactor, vendor or customer of the Company to leave his or her employment, consulting or independent contractor relationship with the Company or to adversely alter his, her or its business arrangements with the Company. The foregoing will not prohibit solicitation of employment where Executive can demonstrate by written records that the employee first initiated contact with Executive.

(c) *Non-Interference.* Executive agrees that during the Term of the Consulting Agreement, he shall not (without the prior written consent of the Company) directly or indirectly, personally or through others, interfere or in any way seek to negatively influence the Company's relationship or business with any employee, consultant, independent contractor, stockholder, vendor or customer of the Company. The foregoing will not prohibit solicitation of employment where Executive can demonstrate by written records that the employee first initiated contact with Executive.

(d) *Transfer of Company Property* . Executive represents and warrants that, on or before the Resignation Date, he left within his files and laptop turned over to the Company all electronic or physical files, memoranda, records, and other documents, and any other electronic, physical or personal property of the Company which Executive had in his possession, custody or control.

(e) *Executive's Cooperation* . After the Resignation Date, Executive shall cooperate with the Company and its affiliates, upon the Company's reasonable request (other than with respect to clause (iv) below, which Executive hereby agrees to comply with beginning as of the Resignation Date without any further request by the Company), with respect to any (i) prosecution of or other filings and proceedings before the United States Patent and Trademark Office or other patent office with respect to any pending or future patent applications or issued patents; (ii) pending or future internal investigation or administrative, regulatory or judicial proceeding involving matters within the scope of Executive's duties and responsibilities to the Company during his employment with the Company, including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's reasonable request to give testimony without requiring service of a subpoena or other legal process, turning over to the Company all relevant Company documents which are or may have come into Executive's possession during his employment, and providing declarations as requested; (iii) consulting as set forth in Consulting Agreement; and (iv) assistance and cooperation related to the Company's 2013 annual stockholder meeting, including not opposing, directly or indirectly, any incumbent director nominees or supporting, directly or indirectly any other nominee in connection with such stockholder meeting. Such cooperation shall be provided without charge during the period from the date hereof until the end of the term of the Consulting Agreement, and at a mutually agreeable rate after the term of the Consulting Agreement.

7. Representations . Executive and the Company warrant and represent that (a) neither has filed or authorized the filing of any complaints, charges or lawsuits against the other or any released party with any governmental agency or court, and that if, unbeknownst to Executive or the Company, such a complaint, charge or lawsuit has been filed on his or its behalf, he or it will immediately cause it to be withdrawn and dismissed, (b) the execution, delivery and performance of this Agreement by Executive and the Company does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which Executive or the Company is a party or any judgment, order or decree to which Executive or the Company is subject, and (c) upon the execution and delivery of this Agreement by the Company and Executive, this Agreement will be a valid and binding obligation of Executive and the Company, enforceable in accordance with its terms (subject to the uncertainties of California law, the enforceability exceptions and the discretion of a court or arbitrator in granting equitable or legal relief). Executive further represents that (i) he has reported all hours worked as of the date of this Agreement and has been paid all compensation, wages, bonuses, commissions, and/or benefits to which he may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to him, except as provided in this Agreement, and (ii) he has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested under the Family and Medical Leave Act or any similar state law.

8. No Assignment. Executive and the Company warrant and represent that no portion of any of the matters released herein, and no portion of any recovery or settlement to which Executive or the Company might be entitled, has been assigned or transferred to any other person, firm or corporation not a party to this Agreement, in any manner, including by way of subrogation or operation of law or otherwise, other than in connection with Executive's death. If any claim, action, demand or suit should be made or instituted against the Company, Executive or any other released party because of any unpermitted assignment, subrogation or transfer by Executive or the Company, Executive and the Company agree to indemnify and hold harmless the aggrieved party against such claim, action, suit or demand, including necessary expenses of investigation, attorneys' fees and costs.

9. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California or, where applicable, United States federal law, in each case, without regard to any conflicts of laws provisions or those of any state other than California.

10. Agreement to Arbitrate. Any dispute, claim or controversy based on, arising out of or relating to Executive's employment or this Agreement shall be settled by final and binding arbitration in San Jose, California, before a single neutral arbitrator in accordance with the National Rules for the Resolution of Employment Disputes (the "Rules") of the American Arbitration Association ("AAA"), and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction. Arbitration may be compelled pursuant to the California Arbitration Act (Code of Civil Procedure §§ 1280 et seq.). If the parties are unable to agree upon an arbitrator, one shall be appointed by the AAA in accordance with its Rules. Each party shall pay the fees of its own attorneys, the expenses of its witnesses and all other expenses connected with presenting its case; *provided*, *however*, Executive and the Company agree that, to the extent permitted by law, the arbitrator may, in his or her discretion, award reasonable attorneys' fees to the prevailing party; *provided*, *further*, that the prevailing party shall be reimbursed for such fees, costs and expenses within forty-five (45) days following any such award, but in no event later than the last day of the Executive's taxable year following the taxable year in which the fees, costs and expenses were incurred; *provided*, *further*, that the parties' obligations pursuant to this sentence shall terminate on the tenth (10^{th}) anniversary of the Separation Date. Other costs of the arbitration, including the cost of any record or transcripts of the arbitration, AAA's administrative fees, the fee of the arbitrator, and all other fees and costs, shall be borne by the Company. This Section 10 is intended to be the exclusive method for resolving any and all claims by the parties against each other for payment of damages under this Agreement or relating to Executive's employment; *provided*, *however*, that neither this Agreement nor the submission to arbitration shall limit the parties' right to seek provisional relief, including without limitation injunctive relief, in any court of competent jurisdiction pursuant to California Code of Civil Procedure § 1281.8 or any similar statute of an applicable jurisdiction. Seeking any such relief shall not be deemed to be a waiver of such party's right to compel arbitration. Both Executive and the Company expressly waive their right to a jury trial.

11. Entire Agreement. This Agreement, the Consulting Agreement and the Confidentiality Agreement constitute the entire agreement between the parties with regard to the subject matter hereof and the Confidentiality Agreement shall continue pursuant to its terms and conditions. The Company and Executive acknowledge that the termination of Executive's employment with the Company was an involuntary separation from service for the purposes of Section 409A of the Code, and the related Department of Treasury regulations. Executive acknowledges that there are no other agreements, written, oral or implied, and that he may not rely on any prior negotiations, discussions, representations or agreements. This Agreement may be

modified only in writing, and such writing must be signed by Executive and the Chief Executive Officer of the Company and recite that it is intended to modify this Agreement. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(Signature page(s) follow)

IN WITNESS WHEREOF, the undersigned have caused this Settlement Agreement and General Release to be duly executed and delivered as of the date indicated next to their respective signatures below.

DATED: January 15, 2013

/s/ Richard Chernicoff
Richard Chernicoff

DATED: January 15, 2013

By: /s/ Robert A. Young
Chief Executive Officer
Tessera Technologies, Inc.

Exhibit 10.49

Tessera Global Services, Inc.
Consulting Agreement

Richard Chernicoff
[redacted]

Date: January 15, 2013

Dear Rich:

1. Tessera Global Services, Inc. (together with its affiliates, hereinafter "Tessera" or the "Company"), a Delaware corporation, having a principal place of business at 3025 Orchard Parkway, San Jose, California 95134, wishes to obtain your services as an independent consultant/contractor (hereinafter "Consultant", "you" or "your") on projects agreed upon by you or to be assigned by the Company (hereinafter the "Projects"), and you as an independent Consultant desire to offer your services to the Company and accept the assignment to complete such Projects. The initial Projects are briefly outlined in Exhibit A attached hereto. This letter shall constitute an agreement (the "Agreement") between you and the Company, and contains all the terms and conditions relating to the services that you provide.

2. Either you or the Company may terminate this Agreement at any time, with or without good cause, and with or without notice. However, for prudent business reasons, it is expected that either party will give at least one week (5 working days) notice for termination of this Agreement, except for the termination that is due to poor performance, inability to complete Projects, and/or unfeasibility of Projects. If the Company terminates this Agreement for any reason, other than your material breach hereof or of the Settlement Agreement (as defined below) the Company's obligations to provide you with all the consideration set forth in Exhibit A including payments or vesting that are scheduled at a date after termination of this Agreement will continue and survive termination.

3. As consideration for your services, you will be paid as set forth in Exhibit A attached hereto for actual work performed on Projects.

4. According to the nature of Projects, you may be reimbursed for reasonable travel and other out-of-pocket expenses actually incurred by you in connection with your services under this Agreement, provided that you must obtain prior approval of the Company's Chief Financial Officer of the Company for such expenses, and provided that you submit proper receipts for reimbursement. Reimbursement will not be allowed for expenses incurred without prior approval. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such reimbursements shall be paid to you no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and your right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

5. Your relationship with the Company shall be that of an independent Consultant; and both parties agree and understand that it is not an employment relationship. You will not be eligible for any employee benefits, nor will the Company make deductions from payments made to you for taxes, which shall be your sole responsibility as an independent Consultant. In this regard, you hereby represent and confirm to the Company that you act as an independent Consultant and that you will pay all taxes, including federal, state and local income taxes, FICA, Medicare contributions, disability, and others.

6. As an independent Consultant, you shall have no authority to enter into contracts which bind the Company or create obligations on the part of the Company without the express prior written authorization of the Company. Such authorization must be signed by the Company's representative in accordance to the Company's signature and authorization policy or by the Chief Financial Officer. In addition, as an independent Consultant, you may establish your own work schedule, consistent with the needs of Projects. You may determine the location where you perform services under this Agreement, consistent with the timeliness and cost-effectiveness of completing Projects. If you desire to perform some part of the services on the Company's premises, the Company will make the appropriate arrangements to accommodate such needs. At times that you may work in the Company's premises and use Company's furniture and equipment to facilitate the completion of Projects, such should not be construed as a condition for employment as an employee.

7. You and the Company acknowledge that your services will be requested on a project by project basis and that no continuing relationship is created by this Agreement.

8. The Company has selected you to provide consulting services based upon your experience and expertise and, accordingly, does not anticipate providing you with training or detailed instructions on all aspects of performing such services. The Company is not retaining you for legal or accounting advice.

9. You confirm that you are doing business as an independent Consultant and that the Tax Identification Number given by you hereunder is the correct I.D. for tax reporting purpose. In addition, you hereby represent and confirm that you will carry your own worker compensation insurance and other liability insurance coverages as an independent contractor and that the Company is not responsible for such liability and insurance.

10. You shall keep in confidence and shall not disclose or make available to third parties or make any use of any information or documents relating to your services under this Agreement or to the products, methods of manufacture, trade secrets, processes, business practices, vendor or customer lists, or confidential or proprietary information of the Company (other than information already in the public domain), except with the prior written consent of the Company. The preceding sentence will not restrict: (i) information that is otherwise publicly disclosed, other than as a result of your breach of this Agreement or the Confidentiality Agreement (defined below), (ii) that you are requested by legal process to disclose; provided that you give prompt written notice to the Company prior to such disclosure so that the Company may seek an appropriate protective order, or (iii) that you subsequently independently developed without breach of this Agreement or the Confidentiality Agreement and without access to confidential or priority information of the Company. You recognize that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. You agree that you owe the Company and such third parties, during the term of this Agreement and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in connection with the Projects consistent with the Company's agreement with such third party. Upon termination of this Agreement you will return to the Company all documents, or other materials related to the services provided hereunder or furnished to you by the Company.

Your obligations under this Section 10 shall survive termination of this Agreement. You also hereby confirm your continuing obligations under the Employment Confidential Information, Invention Assignment and Arbitration Agreement (the " Confidentiality Agreement ") executed by you as of June 27, 2011.

11. As an independent Consultant, you will have all the necessary expertise of your own to complete Projects. You agree and represent that you will not use, copy, or otherwise incorporate any proprietary information of third parties to complete Projects. The Company will not authorize the use of third parties' confidential and proprietary information.

12. You shall promptly disclose and hereby transfer and assign to the Company all right, title and interest to all techniques, methods, processes, formulae, improvements, inventions and discoveries (collectively, the "Inventions") made or conceived or reduced to practice by you, solely or jointly with others, in the course of providing services hereunder or with the use of materials or facilities of the Company during the term of this Agreement and agree that such Inventions are the sole property of the Company. When requested by the Company you will make available to the Company all notes, drawings, data and other information relating to the Inventions. You will promptly sign any document (including U.S. and Foreign Patent Assignments) requested by the Company related to the above assignment of such Inventions. Any Inventions assignable hereunder that constitute copyrightable subject matter shall be considered "works made for hire" as that term is defined in the United States Copyright Act. You agree to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the above any copyrights, patents, mask work rights or other intellectual property rights relating to the assignable Inventions in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to the assignable Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. You agree that if the Company is unable because of your unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure your signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering any Inventions assigned to the Company above, then you hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as your agent and attorney in fact, to act for and in your behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by you.

13. You agree that if in the course of working on Projects you incorporate into any invention, improvement, development, concept, discovery or other proprietary information owned by you or in which you have an interest, the Company is hereby granted and shall have a nonexclusive, sublicensable, royalty-free, perpetual, irrevocable, worldwide license to make, have made, modify, use and sell such item as part of or in connection therewith.

14. The Company understands that you do not presently perform or intend to perform, during the term of this Agreement, consulting or other services for companies whose business or proposed businesses in any way involve the design or use of products that would be competitive with the products or proposed products of the Company. If, however, you decide to do so within the consulting period of this Agreement, you agree to notify the Company in writing in advance (specifying the organization with which you propose to consult) and provide general, but not

confidential, information sufficient to allow the Company to determine if such consulting would conflict with areas of interest to the Company or further services which the Company might request of you pursuant to this Agreement. This provision does not restrict you from providing consulting services to companies whose businesses do not involve the design or use of such competitive products.

15. Any amendment to this Agreement must be in writing signed by you and the Company.

16. All notices, requests or other communications called for by this Agreement shall be deemed to have been given if made in writing and mailed, postage prepaid, if to you at the address set forth above and if to the Company at the principal office shown above, or to such other addresses as either party shall specify to the other.

17. The validity, performance and construction of this Agreement shall be governed by the laws of the State of California. The Consultant warrants that (i) neither the execution nor performance of this Agreement will conflict with or constitute a default of any agreement to which the Consultant is a party, and (ii) no law, rule or ordinance of the United States, a state or any other governmental agency will be violated during performance of the Projects, and will defend and hold the Company harmless from any loss, cost or damage as a result of any actual or alleged breach of these warranties.

18. You agree that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the covenants set forth herein. Accordingly, you agree that if you breach any of the covenants set forth herein, the Company will have available, in addition to any other right or remedy available, the right to obtain from any court of competent jurisdiction an injunction restraining such breach or threatened breach and specific performance of any such provision. You further agree that no bond or other security shall be required in obtaining such equitable relief, and you hereby consent to the issuances of such injunction and to the ordering of such specific performance.

19. This Agreement, the Settlement Agreement and General Release of even date herewith between Tessera Technologies, Inc. and you (the " Settlement Agreement "), and the Confidentiality Agreement constitute the entire agreement of the parties with regard to the subject matter hereof and thereof and the Confidentiality Agreement shall continue pursuant to its terms and conditions and supersede any prior agreements, whether verbal or written, whether express or implied, between them with respect to the subject matter hereof.

20. The intent of the parties is that the payments and benefits under this Agreement be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, " Section 409A ") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. Your right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A.

If this Agreement is satisfactory and acceptable to you, please execute and return one copy to us, retaining the second copy for your file.

Yours very truly,

COMPANY	AGREED AND ACCEPTED:
By: /s/ Robert A. Young	/s/ Richard Chernicoff Signature
Title: President and CEO	Richard Chernicoff Print Name

EXHIBIT A
DESCRIPTION OF INITIAL CONSULTING PROJECTS
AND COMPENSATION

Projects

Ongoing cooperation with the Company as requested on all matters relating to:

1. Current and potential licensees and litigants of the Intellectual Property business of the Company with respect to the Company's patents.
2. Completion of performance evaluations for all employees of the Company who previously reported to Consultant.
3. The Company's upcoming annual stockholder meeting.

Except in connection with the foregoing and subject to your continuing obligations under the Confidentiality Agreement and your undertakings herein or in the Settlement Agreement and General Release dated as of the date hereof, nothing will restrict your other business activities or consulting arrangements during the term.

Schedule and Deliverables

The Agreement will become effective as of January15, 2013 and expire on December 31, 2013, unless terminated by one of the parties before such date.

Compensation

Subject to Consultant's execution and non-revocation of the Settlement Agreement, Company will pay the Consultant twelve monthly fees of $36,342 payable in arrears, with the first such monthly payment due on or about February 1, 2013 for payment for the period from January 15, 2013 through January 31, 2013 (without pro ration for the partial month). The final monthly payment will be due on or about January 1, 2014 for the period from December 1, 2013 through December 31, 2013. In no event will the payments to Consultant pursuant to this Agreement be paid after March 15, 2014.

As a consultant of the Company, Consultant's equity grants as described on Exhibit B , will continue to vest in accordance with the terms of such grants during the term of this Agreement and any exercise of such grants will be in accordance with the terms and conditions pursuant to which the grant was made.

A Company purchase order number will be provided for reference only, which must be stated on the Consultant's invoice. Consultant agrees to complete a Form W-9 prior to starting work under this Agreement.

[________] [________]
initial *initial*

EXHIBIT B

EQUITY AWARDS

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

ANSI Partners, LLC, a Delaware limited liability company
DigitalOptics Corporation, a Delaware corporation
DigitalOptics Corporation Asia Limited, a company organized under the laws of Hong Kong
DigitalOptics Corporation East, a Delaware corporation
DigitalOptics Corporation Europe Limited, an Irish limited corporation
DigitalOptics Corporation Europe SRL, a Romanian limited liability corporation
DigitalOptics Corporation Holdings, a Delaware corporation
DigitalOptics Corporation International, a Delaware corporation
DigitalOptics Corporation Israel Limited, a company organized under the laws of Israel
DigitalOptics Corporation Japan GK, a Goda Kaisha (GK) organized under the laws of Japan
DigitalOptics Corporation Korea Limited, a company organized under the laws of Republic of Korea
DigitalOptics Corporation MEMS, a Delaware corporation
DigitalOptics Corporation Taiwan Co., Ltd., a company organized under the laws of Taiwan
DigitalOptics Corporation Technology Zhuhai Co., Ltd., a company organized under the laws of the People's Republic of China
Eyesquad GmbH, a company organized under the laws of Germany
Eyesquad Limited, a company organized under the laws of Israel
FotoNation Vision Limited, an Irish limited corporation
Invensas Corporation, a Delaware corporation
Tessera, Inc., a Delaware corporation
Tessera Advanced Technologies, Inc., a Delaware corporation
Tessera Cayman, a company organized under the laws of The Cayman Islands
Tessera Electronic Miniaturization Technical Services (Shanghai) Limited, a company organized under the laws of the People's Republic of China
Tessera Global Services, Inc., a Delaware corporation
Tessera Intellectual Property Corp., a Delaware corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-168597, 333-151659, 333-137933, 333-131457, 333-116369, 333-115311, 333-112238) of Tessera Technologies, Inc of our report dated March 1, 2013 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 1, 2013

Exhibit 31.1

Certification of the Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Robert A. Young, certify that:

1. I have reviewed this annual report on Form 10-K of Tessera Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013

/s/ Robert A. Young
Robert A. Young
President and Chief Executive Officer

Exhibit 31.2

Certification of the Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, C. Richard Neely Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Tessera Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013

/s/ C. RICHARD NEELY JR.
C. Richard Neely Jr.
Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Annual Report of Tessera Technologies, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Robert A. Young, President and Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ ROBERT A. YOUNG
Robert A. Young
President and Chief Executive Officer
March 1, 2013

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Annual Report of Tessera Technologies, Inc, a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, C. Richard Neely, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ C. RICHARD NEELY JR.
C. Richard Neely Jr.
Executive Vice President and Chief Financial Officer
March 1, 2013

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.