

INTERDIGITAL INC.

FORM 10-Q (Quarterly Report)

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Sector	Technology
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

OR

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

For the transition period from _____ to _____

Commission File Number 1-11152

**INTERDIGITAL COMMUNICATIONS
CORPORATION**

(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

23-1882087
(I.R.S. Employer
Identification No.)

781 Third Avenue, King of Prussia, PA 19406-1409
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code (610) 878-7800

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 is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, par value \$.01 per share

53,563,579

Class

Outstanding at August 1, 2005

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INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

InterDigital[®] is a trademark of InterDigital Communications Corporation. All other trademarks, service marks and/or trade names appearing in this Form 10-Q are the property of their respective holders.

GLOSSARY OF TERMS

2G

“Second Generation.” A generic term usually used in reference to voice-oriented digital wireless products, primarily mobile handsets that provide basic voice services.

2.5G

A generic term usually used in reference to fully integrated voice and data digital wireless devices offering higher data rate services and features compared to 2G and enhanced Internet access.

3G

“Third Generation.” A generic term usually used in reference to the next generation of digital mobile devices and networks, which provide high speed data communications capability along with voice services.

CDMA

“Code Division Multiple Access.” A method of digital spread spectrum technology wireless transmission that allows a large number of users to share access to a single radio channel by assigning unique code sequences to each user.

cdmaOne

A wireless cellular system application based on 2G narrowband CDMA technologies (e.g., TIA/EIA-95).

cdma2000[®]

A standard which evolved from narrowband CDMA technologies (i.e., TIA/EIA-95 and cdmaOne). The CDMA family includes, without limitation, CDMA2000 1x, CDMA 1xEV-DO, CDMA2000 1xEV-DV and CDMA2000 3x. Although CDMA2000 1x is included under the IMT-2000 family of 3G standards, its functionality is similar to 2.5G technologies. CDMA2000[®] and cdma2000[®] are registered trademarks of the Telecommunications Industry Association (TIA – USA).

Circuit

The connection of channels, conductors and equipment between two given points through which an electric current may be established.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

EDGE

“Enhanced Data rates for GSM Evolution.” Technology designed to deliver data at rates up to 473.6 kbps, triple the data rate of GSM wireless services, and built on the existing GSM standard and core network infrastructure. EDGE systems built in Europe are considered a 2.5G technology.

FDMA

“Frequency Division Multiple Access.” A technique in which the available transmission of bandwidth of a channel is divided by frequencies into narrower bands over fixed time intervals resulting in more efficient voice or data transmissions over a single channel.

Frequency

The rate at which an electrical current or signal alternates, usually measured in Hertz.

GPRS

“General Packet Radio Systems.” A packet-based wireless communications service that enables high-speed wireless Internet and other data communications via GSM networks.

GSM

“Global System for Mobile Communications.” A digital cellular standard, based on TDMA technology, specifically developed to provide system compatibility across country boundaries.

Hertz

The unit of measuring radio frequency (one cycle per second).

HSDPA

“High Speed Downlink Packet Access.” An enhancement to WCDMA technology optimized for high speed packet-switched data and high-capacity circuit switched capabilities. A 3G technology enhancement.

Internet

A network comprised of more than 100,000 interconnected commercial, academic and governmental networks in over 100 countries.

IPR

Intellectual Property Right.

ITC

“InterDigital Technology Corporation,” one of our wholly-owned Delaware subsidiaries.

LAN

“Local Area Network.” A private data communications network linking a variety of data devices located in the same geographical area and which share files, programs and various devices.

Multiple Access

A methodology (e.g., FDMA, TDMA, CDMA) by which multiple users share access to a transmission channel. Most modern systems accomplish this through “demand assignment” where the specific parameter (frequency, time slot, or code) is automatically assigned when a subscriber requires it.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

RF

“Radio Frequency.” The range of electromagnetic frequencies above the audio range and below visible light.

Standards

Specifications that reflect agreements on products, practices, or operations by nationally or internationally accredited industrial and professional associations or governmental bodies in order to allow for interoperability.

TDMA

“Time Division Multiple Access.” A method of digital wireless transmission that allows a multiplicity of users to share access (in a time ordered sequence) to a single channel without interference by assigning unique time segments to each user within the channel.

TIA/EIA-95

A 2G CDMA standard.

WCDMA

“Wideband Code Division Multiple Access” or “Wideband CDMA.” The next generation of CDMA technology optimized for high speed packet-switched data and high-capacity circuit switched capabilities. A 3G technology.

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INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
PART I—FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	(unaudited) JUNE 30, 2005	DECEMBER 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,898	\$ 15,737
Short-term investments	88,135	116,081
Accounts receivable	15,569	11,612
Deferred tax assets	7,839	5,170
Prepaid and other current assets	6,535	8,017
	<u>129,976</u>	<u>156,617</u>
Total current assets	129,976	156,617
PROPERTY AND EQUIPMENT, NET	11,341	10,716
PATENTS, NET	54,171	40,972
DEFERRED TAX ASSETS	20,854	27,164
OTHER NON-CURRENT ASSETS	5,516	6,451
	<u>91,882</u>	<u>85,303</u>
TOTAL ASSETS	<u>\$ 221,858</u>	<u>\$ 241,920</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 338	\$ 212
Accounts payable	6,193	6,758
Accrued compensation and related expenses	10,498	9,264
Deferred revenue	21,638	28,075
Foreign and domestic taxes payable	88	379
Other accrued expenses	5,528	5,145
	<u>44,283</u>	<u>49,833</u>
Total current liabilities	44,283	49,833
LONG-TERM DEBT	1,750	1,672
LONG-TERM DEFERRED REVENUE	83,868	71,121
OTHER LONG-TERM LIABILITIES	405	3,635
	<u>130,306</u>	<u>126,261</u>
TOTAL LIABILITIES	130,306	126,261
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common Stock, \$.01 par value, 100,000 shares authorized, 60,006 and 59,662 shares issued and 53,500 and 55,156 shares outstanding	600	597
Additional paid-in capital	355,898	342,751
Accumulated deficit	(161,395)	(164,524)
Accumulated other comprehensive loss	(102)	(66)
Unearned compensation	(9,541)	(3,276)
	<u>185,460</u>	<u>175,482</u>
Treasury stock, 6,506 and 4,506 shares of common held at cost	93,908	59,823
	<u>91,552</u>	<u>115,659</u>
Total shareholders' equity	91,552	115,659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 221,858</u>	<u>\$ 241,920</u>

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

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INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
REVENUES	\$38,601	\$29,379	\$74,098	\$62,395
OPERATING EXPENSES:				
Sales and marketing	1,537	1,396	3,817	3,010
General & administrative	5,912	5,430	12,478	10,820
Patents administration and licensing	10,080	6,930	21,327	11,930
Development	14,921	12,828	31,094	25,742
Repositioning	—	604	—	604
	<u>32,450</u>	<u>27,188</u>	<u>68,716</u>	<u>52,106</u>
Income from operations	6,151	2,191	5,382	10,289
OTHER INCOME (EXPENSE):				
Interest and net investment income	720	315	1,549	810
Interest expense	(43)	(53)	(82)	(120)
	<u>6,828</u>	<u>2,453</u>	<u>6,849</u>	<u>10,979</u>
INCOME TAX PROVISION	(2,817)	(1,565)	(3,720)	(4,257)
Net income	4,011	888	3,129	6,722
PREFERRED STOCK DIVIDENDS	—	(32)	—	(66)
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	<u>\$ 4,011</u>	<u>\$ 856</u>	<u>\$ 3,129</u>	<u>\$ 6,656</u>
NET INCOME PER COMMON SHARE—BASIC	<u>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ 0.06</u>	<u>\$ 0.12</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING—BASIC	<u>53,642</u>	<u>55,596</u>	<u>54,344</u>	<u>55,371</u>
NET INCOME PER COMMON SHARE—DILUTED	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.11</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING— DILUTED	<u>56,790</u>	<u>59,112</u>	<u>57,799</u>	<u>59,419</u>

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

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INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before Preferred Stock dividends	\$ 3,129	\$ 6,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,493	4,848
Deferred revenue recognized	(28,795)	(30,613)
Increase in deferred revenue	35,105	49,784
Deferred income taxes	3,641	12
Tax benefit from stock options	—	1,156
Non-cash compensation expense	4,975	2,241
Decrease (increase) in deferred charges	1,258	(3,974)
Other	(89)	(81)
(Increase) decrease in assets:		
Receivables	(3,957)	(18,051)
Other current assets	1,042	2,309
Increase (decrease) in liabilities:		
Accounts payable	151	(2,300)
Accrued compensation	(1,726)	(392)
Other accrued expenses	(178)	4,162
Net cash provided by operating activities	<u>20,049</u>	<u>15,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(81,620)	(76,436)
Sales of short-term investments	109,736	78,747
Purchases of property and equipment	(3,011)	(1,488)
Patent costs	(8,607)	(5,526)
Acquisition of patents	(8,050)	—
Increase in notes receivable	—	—
Net cash provided (used) by investing activities	<u>8,448</u>	<u>(4,703)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options and warrants and employee stock purchase plan	1,910	9,075
Payments on long-term debt, including capital lease obligations	(161)	(100)
Dividends on Preferred Stock	—	(37)
Repurchase of Common Stock	(34,085)	(30)
Net cash (used) provided by financing activities	<u>(32,336)</u>	<u>8,908</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,839)	20,028
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,737	20,877
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 11,898	\$ 40,905
SUPPLEMENTAL CASH FLOW INFORMATION:		
Issuance of restricted Common Stock	\$ 494	\$ 450
Interest paid	\$ 106	\$ 82
Leased asset additions and related obligation	\$ 365	\$ —
Income taxes paid, including foreign withholding taxes	\$ 385	\$ 3,495

Non-cash dividends on Preferred Stock

\$ — \$ 29

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

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2005
(UNAUDITED)

1. BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited, condensed, consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the financial position of InterDigital Communications Corporation (collectively with its subsidiaries referred to as “InterDigital”, the “Company”, “we”, “us” and “our”) as of June 30, 2005, the results of our operations for the three and six months ended June 30, 2005 and 2004, and the cash flows for the six months ended June 30, 2005 and 2004. The accompanying unaudited, condensed, consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all of the detailed schedules, information and notes necessary to present fairly the financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s latest Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (2004 Form 10-K) as filed with the Securities and Exchange Commission (SEC) on March 31, 2005. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. The Company has one reportable segment.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain prior period amounts have been reclassified to conform to the current period presentation.

There have been no material changes in our existing accounting policies from the disclosures included in our 2004 Form 10-K.

The Company accounts for stock-based employee compensation under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-option-based employee compensation cost is reflected in net income, as all options granted have an exercise price equal to the market value of the underlying Common Stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-option-based employee compensation (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net income applicable to common shareholders—as reported	\$ 4,011	\$ 856	\$ 3,129	\$ 6,656
Add: Stock-based employee compensation expense included in reported net income	2,307	1,594	4,975	2,241
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,459)	(3,299)	(7,102)	(7,921)
Net Tax Effect	392	—	724	—
Net income (loss) applicable to common shareholders – pro forma	\$ 3,251	\$ (849)	\$ 1,726	\$ 976
Net income per share – as reported – basic	0.07	0.02	0.06	0.12
Net income per share – as reported – diluted	0.07	0.01	0.05	0.11
Net income (loss) per share – pro forma – basic	0.06	(0.02)	0.03	0.02
Net income (loss) per share – pro forma – diluted	0.06	(0.02)	0.03	0.02

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Expected option life (in years)	4.9	4.8	4.9	4.8
Risk-free interest rate	3.9%	3.7%	3.9%	3.4%
Volatility	80%	103%	80%	103%
Dividend yield	—	—	—	—
Weighted average fair value	\$12.36	\$14.73	\$12.52	\$20.12

In December 2004, the Financial Accounting Standards Board (FASB), issued SFAS No. 123 (revised 2004), *Share-Based Payment*. SFAS No. 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. The cost will be measured based on the fair value of the instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123(R) replaces SFAS No. 123 and supersedes APB Opinion No. 25. As originally issued in 1995, SFAS No. 123 established as preferable the fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25 as long as the accompanying footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. In April 2005, the SEC delayed the effective date of SFAS 123(R) for public companies to annual periods beginning after June 15, 2005. We plan to adopt SFAS 123(R) on January 1, 2006 using the modified-prospective method. We are currently evaluating the effect SFAS No. 123(R) will have on our results.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), which replaces APB Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for accounting for and reporting a change in accounting principle and a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company no later than January 1, 2006. The Company is currently evaluating the effect that the adoption of SFAS No. 154 will have on its consolidated financial position, results of operations or cash flows but does not expect it to have a material impact.

2. SIGNIFICANT AGREEMENTS AND EVENTS:

General Dynamics

In December 2004, we entered into an agreement with General Dynamics Decision Systems, Inc. (General Dynamics), to serve as a subcontractor on the Mobile User Objective System (MUOS) program for the U.S. military. MUOS is an advanced tactical terrestrial and satellite communications system utilizing 3G commercial cellular technology to provide significantly improved high data rate and assured communications for U.S. warfighters.

The Software License Agreement requires us to deliver to General Dynamics standards-compliant WCDMA modem technology, originating from the technology we developed under our agreement with Infineon Technologies AG, for incorporation into handheld terminals. Under the agreement, we expect to receive \$18.5 million for delivery of, and a limited license in, our commercial technology solution for use within the government's MUOS and Joint Tactical Radio System programs. Maintenance and product training are also covered by this amount. The agreement also includes options that are exercisable by General Dynamics at various times through March 2006 for additional deliverables valued at up to \$4.0 million. We anticipate that a majority of our MUOS program deliverables and related payments will occur in 2005, and after 2005, any significant revenue related to this contract as currently in place would occur only if the options are exercised by General Dynamics. We will provide maintenance and support to General Dynamics for three years following delivery of the technology. In addition to the deliverables specifically identified in the agreement, we have agreed to provide additional future services as requested by General Dynamics. The agreement may be terminated for convenience if the U.S. Government terminates, for convenience, that portion of the MUOS program that includes General Dynamics.

We are accounting for the delivery of and limited license in our commercial technology platform under the Software License Agreement using the percentage-of-completion method. This portion of the agreement is valued at \$16.5 million. From the inception of the contract through June 30, 2005, we recognized approximately \$10.3 million in revenue, including approximately \$5.5 million in second quarter 2005. At June 30, 2005, our accounts receivable included billed and unbilled amounts of approximately \$4.0 million and \$2.3 million respectively. At December 31, 2004 our accounts receivable included unbilled amounts of \$0.1 million. At June 30, 2005, our other current assets included approximately \$0.6 million of related costs which we deferred in accordance with our application of the percentage-of-completion method.

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During first half 2005, we completed milestones under the agreement totaling \$8 million and received \$4.0 million in related payments.

Subsequent to the delivery of our commercial technology platform, we will provide General Dynamics with support for a period of three years. This portion of the contract is valued at \$2 million and revenue related to this portion will be recognized evenly over the period of support.

Acquisition of Patents

In first quarter 2005, we acquired, for a purchase price of approximately \$8.0 million, selected patents, intellectual property blocks and related assets from an unrelated third party. These assets are designed to improve the range, throughput and reliability of wireless LAN and other wireless technology systems. The purchase price was allocated almost entirely to patent assets with a nominal amount being allocated to other assets. Based on our assessment in connection with the asset acquisition, these patents will be amortized over their expected useful lives of approximately 15 years.

3. INCOME TAXES:

Our accumulated tax losses, which include allowable deductions related to exercised employee stock options, generated federal net operating loss (NOL) credit carryforwards of approximately \$110 million as of December 31, 2004. These NOL credit carryforwards were the largest component of our deferred tax assets which, before any adjustment for valuation allowance, had a tax effected value of \$107.6 million. Generally accepted accounting principles require that we establish a valuation allowance for any portion of our deferred tax assets for which management believes it is more likely than not we will be unable to utilize the asset to offset future taxes.

In first half 2005, our effective tax rate, excluding foreign source withholding tax was approximately 34%. At December 31, 2004, we held a valuation allowance of approximately \$75.2 million against our deferred tax assets of approximately \$107.6 million. We will continue to evaluate the potential use of our deferred tax assets and, depending on various factors, could reverse all or a portion of the remaining valuation allowance in the future. We believe that the future utilization of our deferred tax assets, which are currently offset by a valuation allowance, continues to be dependent, in part, upon our success in three key areas: (1) the market acceptance of our technology products; (2) the outcome of outstanding patent license arbitrations and litigations; and (3) our ability to sign additional patent license agreements. We will continue to provide a valuation allowance on a portion of our deferred tax assets until our success in these or other areas provides evidence that our deferred tax assets will be more fully utilized. Subsequent revisions to the estimated realizable value of our deferred tax assets could cause our provision for income taxes to vary significantly from period to period, although our cash tax payments would remain unaffected until our NOL credit carryforward is fully utilized or has expired.

Under Internal Revenue Code Section 382, the utilization of a corporation's NOL credit carryforwards is limited following a change in ownership (as defined by the Internal Revenue Code) of greater than 50% within a three-year period. If it is determined that prior equity transactions limit the Company's NOL credit carryforwards, the annual limitation will be determined by multiplying the market value on the date of ownership change by the federal long-term tax-exempt rate. Any amount exceeding the annual limitation may be carried forward to future years for the balance of the NOL credit carryforward period.

In 1992, the Company experienced a more-than-50% cumulative change in ownership. As a result of such change in ownership, approximately \$20 million of the Company's NOL credit carryforwards were limited as of December 31, 2004. If the Company experiences an additional more-than-50% cumulative ownership change, the full amount of the NOL credit carryforward may become subject to annual limitation under Internal Revenue Code Section 382. There can be no assurance that the Company will realize the benefit of any NOL credit carryforward.

4. INCOME PER SHARE:

The following table sets forth a reconciliation of the shares used in the basic and diluted net income per share computations:

	(In thousands, except per share data)					
	Three Months Ended June 30, 2005			Three Months Ended June 30, 2004		
	Income (Numerator)	Shares (Denominator)	Per- Share Amount	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Income per share—basic:						
Income available to Common Shareholders	\$ 4,011	53,642	\$ 0.07	\$ 856	55,596	\$ 0.02
Effect of dilutive options, warrants and restricted stock units	—	3,148	—	—	3,516	(0.01)
Income per share—diluted:						
Income available to Common Shareholders + dilutive effects of options, warrants and restricted stock						

units

\$ 4,011

56,790

\$ 0.07

\$ 856

59,112

\$ 0.01

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	Six Months Ended June 30, 2005			Six Months Ended June 30, 2004		
	Income (Numerator)	Shares (Denominator)	Per- Share Amount	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Income per share—basic:						
Income available to Common Shareholders	\$ 3,129	54,344	\$ 0.06	\$ 6,656	55,371	\$ 0.12
Effect of dilutive options, warrants and restricted stock units	—	3,455	(0.01)	—	4,048	(0.01)
Income per share—diluted:						
Income available to Common Shareholders + dilutive effects of options, warrants and restricted stock units	\$ 3,129	57,799	\$ 0.05	\$ 6,656	59,419	\$ 0.11

For the three and six months ended June 30, 2005, options and warrants to purchase approximately 2.1 million and 1.9 million shares of Common Stock were excluded from the computation of diluted earnings per share because the exercise prices of these options and warrants were greater than the weighted-average market price of our Common Stock during this period and, therefore, their effect would have been anti-dilutive.

For the three and six months ended June 30, 2004, options and warrants to purchase approximately 1.9 million and 1.3 million shares of Common Stock were excluded from the computation of diluted earnings per share because the exercise prices of these options and warrants were greater than the weighted-average market price of our Common Stock during this period and, therefore, their effect would have been anti-dilutive.

5. LITIGATION AND LEGAL PROCEEDINGS :

Nokia

Nokia Arbitration

As previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (2004 Form 10-K) and Form 10-Q for the quarter ended March 31, 2005 (March 31, 2005 Form 10-Q), in July 2003, Nokia Corporation (Nokia) filed a Request for Arbitration against InterDigital Communications Corporation (IDCC) and InterDigital Technology Corporation (ITC), one of the Company's wholly-owned subsidiaries, regarding Nokia's royalty payment obligations for its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products under the existing patent license agreement with ITC (Nokia Arbitration). The arbitration was conducted by the International Court of Arbitration of the International Chamber of Commerce (ICC), in accordance with the dispute resolution provisions of the patent license agreement. The binding arbitration related to ITC's claim that the patent license agreements ITC signed with Telefonaktiebolaget LM Ericsson and Ericsson Inc. (Ericsson) and Sony Ericsson Mobile Communications AB (Sony Ericsson) in March 2003 defined the financial terms under which Nokia would be required to pay royalties on its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products commencing January 1, 2002.

In the Final Award, rendered in June 2005, the Arbitral Tribunal operating under the auspices of the ICC (Tribunal) held that ITC's patent license agreement with Ericsson constituted a Major Competitor License Agreement for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE infrastructure and that ITC's patent license agreement with Sony Ericsson constituted a Major Competitor License Agreement for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE terminal units. As such, the Tribunal determined that these agreements were properly applied to Nokia by ITC, and triggered Nokia's royalty obligations with respect to those products from 2002 through 2006.

As part of the Final Award, the Tribunal established royalty rates which are applicable to Nokia's sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE infrastructure and terminal unit products for the period beginning January 1, 2002 through December 31, 2006. In establishing those rates, the Tribunal favored all but one of InterDigital's positions on the interpretation of the rate-setting provisions of the patent license agreement, revising the Sony Ericsson rates to reflect Nokia's leading market position. Based on the royalty rates established by the Tribunal, InterDigital estimates that Nokia's royalty obligations for covered product sales from January 1, 2002 through December 31, 2003 are approximately \$112 million. In addition, InterDigital estimates that royalty obligations for covered product sales for the period January 1, 2004 through December 31, 2006 will be in the range of \$120 million to \$140 million depending upon the applicability of any prepayment option for some portion of that period. The Tribunal also identified the conditions for the application of prepayment discounts. IDCC's and ITC's positions are that no pre-payment discount applies. The above amounts are exclusive of awarded interest, net of any applicable contractual discount and based on Nokia achieving sales volume that entitles Nokia to obtain the lowest applicable royalty rate. Estimates of post-2003 royalty obligations are based on third party and InterDigital's estimates of Nokia's sales of covered products for the applicable periods and InterDigital's assumptions as to market forecasts and Nokia's sales mix, selling prices and market share.

On July 1, 2005, IDCC and ITC filed in the United States District Court for the Southern District of New York a Petition to confirm the Final Award. On August 1, 2005, Nokia filed an Opposition to our Petition and a Cross-Petition and Cross-Motion to vacate or modify the Final Award. As part of its filing, Nokia has requested that the Court refuse to enforce the Final Award and set aside or modify the Final Award. IDCC and ITC believe that Nokia's actions are without merit and intend to continue to vigorously pursue enforcement of the award. The Court has scheduled oral arguments on the foregoing matters for mid-October 2005.

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Other Nokia Proceedings

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in July 2003, Nokia filed in the United States District Court for the Northern District of Texas (District Court) a motion to intervene and to gain access to documents previously sealed by the District Court in the now-settled litigation between InterDigital Communications Corporation (the Company), ITC and Ericsson, Inc. (Ericsson Litigation). We filed a response opposing the request to intervene and opposing the request for access to the documents. The District Court granted Nokia's motion to intervene in the Ericsson Litigation and provided Nokia with document access on a limited basis. Nokia subsequently filed a motion to reinstate certain orders that were vacated in the Ericsson Litigation, which motion was granted by the trial court. We appealed that ruling to the U.S. Court of Appeals for the Federal Circuit (Circuit Court).

On August 4, 2005, the Circuit Court ruled in favor of the Company and reversed the District Court's order, finding that the District Court had committed error in permitting Nokia to intervene. The Circuit Court reversed the District Court's decisions which had both granted intervention and reinstated the prior vacated orders, which orders had been vacated as part of the settlement of the Ericsson Litigation.

In late 2004, Nokia sought to enforce two subpoenas issued by the Nokia Tribunal to Ericsson and Sony Ericsson seeking certain documents. Those enforcement actions were commenced in the Federal District Court for the Northern District of Texas and the Federal District Court for the Eastern District of North Carolina. Nokia has withdrawn both enforcement actions.

During the Nokia Arbitration, on June 14, 2004, Nokia commenced a patent revocation proceeding in the United Kingdom High Court of Justice, Chancery Division, Patents Court, seeking to have three of ITC's UK patents declared invalid (UK Revocation Proceeding). Nokia also seeks a Declaration that manufacture and sale of GSM mobiles and infrastructure equipment compliant with the ETSI GSM Standard (Release 4) without license from ITC does not require infringement of the 3 UK patents, so that none of the patents are essential IPR for that standard.

In connection with the UK Revocation Proceeding, in September 2004, Nokia filed an action against Sony Ericsson in the Federal District Court for the Eastern District of North Carolina, and an action against Ericsson in the Federal District Court for the Eastern District of Texas. The actions are based upon 28 United States Code Section 1782 which provides for discovery in a United States court for use in a foreign proceeding and addresses jurisdictional, procedural and evidentiary matters associated with such foreign proceeding. In both actions, Nokia sought documents related to the ITC patents and patent licenses. Both the Federal District Court for the Eastern District of North Carolina and the Eastern District of Texas have denied Nokia's motions with respect to any documents not previously produced in the Nokia Arbitration.

During the Nokia Arbitration, in January 2005, Nokia and Nokia, Inc. filed a complaint in the United States District Court for the District of Delaware against the Company and ITC for declaratory judgments of patent invalidity and non-infringement of certain claims of certain patents, and violations of the Lanham Act. We have filed a motion to dismiss the complaint to which Nokia has responded. The Court has not ruled on the motion.

On July 29, 2005, Nokia filed a claim in the United Kingdom High Court of Justice, Chancery Division, Patents Court against ITC. Nokia's claim seeks a Declaration that the importation, manufacture and sale of mobile phones and/or infrastructure equipment compliant with the 3GPP Standard TS 41.101 Release 5 without license from ITC does not require infringement of any of thirty-one of ITC's UMTS European Patents registered in the UK, such that none of the patents are essential IPR for that standard. InterDigital intends to vigorously defend its position.

Samsung

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in November 2003, Samsung Electronics Co. Ltd. (Samsung) filed a Request for Arbitration against IDCC and ITC with the ICC regarding Samsung's royalty payment obligations for its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products under its existing patent license agreement with ITC (Samsung Arbitration). The binding Samsung Arbitration relates to ITC's claim that the patent license agreements ITC signed with Ericsson and Sony Ericsson in March 2003 defined the financial terms under which Samsung would be required to pay royalties on its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products commencing January 1, 2002 through December 31, 2006. The ICC Arbitral Tribunal overseeing this matter has scheduled the evidentiary hearing to commence in October 2005.

Lucent

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in March 2004, Tantivy Communications, Inc., one of our wholly-owned subsidiaries, filed a lawsuit in the United States District Court for the Eastern District of Texas against Lucent Technologies, Inc. (Lucent), a leading manufacturer of cdma2000[®] equipment. The case is based on our assertions of infringement by Lucent of three of our subsidiary's patents issued in the United States. The lawsuit seeks damages for past infringement and an injunction against future infringement, as well as interest, costs, and attorneys' fees. Lucent has responded to

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the lawsuit seeking a declaration of non-infringement and alleging that the patents are invalid. Lucent has requested attorneys' fees and costs. In May 2005, a Markman hearing (for claim construction) was held. No ruling in the Markman hearing has been issued as of the date of this filing. Lucent has filed two motions for summary judgment on the basis of patent invalidity to which we have responded or intend to respond. The Court has not ruled on these motions. While we continue to contest Lucent's positions, any adverse rulings from the Markman hearing or from any other aspect of the lawsuit, including the motions for summary judgment, could result in an award of decreased damages or the dismissal of the lawsuit, and could have a material impact on our future licensing efforts with respect to certain of our technologies. The parties are currently in the discovery phase of the litigation and the trial is scheduled to commence in September 2005.

Federal

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in October 2003, Federal Insurance Company (Federal), the insurance carrier for the now-settled litigation involving Ericsson Inc., delivered to us a demand for arbitration under the Pennsylvania Uniform Arbitration Act. Federal claims, based on their determination of expected value to the Company resulting from our settlement involving Ericsson Inc., that an insurance reimbursement agreement requires us to reimburse Federal approximately \$28.0 million for attorneys' fees and expenses it claims were paid by it. On November 4, 2003, the Company filed an action in United States District Court for the Eastern District of Pennsylvania seeking a declaratory judgment that the reimbursement agreement is void and unenforceable, seeking reimbursement of attorneys' fees and expenses which have not been reimbursed by Federal and which were paid directly by the Company in connection with the Ericsson Inc. litigation, and seeking damages for Federal's bad faith and breach of its obligations under the insurance policy. In the alternative, in the event the reimbursement agreement is found to be valid and enforceable, the Company is seeking a declaratory judgment that Federal is entitled to reimbursement based only on certain portions of amounts received by the Company from Ericsson Inc. pursuant to the settlement of the litigation involving Ericsson Inc. Federal has requested the Court to dismiss the action and/or to have the matter referred to arbitration. We have opposed such requests. Prior to Federal's demand for arbitration, we had accrued a contingent liability of \$3.4 million related to the insurance reimbursement agreement.

Other

We have filed patent applications in the United States and in numerous foreign countries. In the ordinary course of business, we currently are, and expect from time to time to be, subject to challenges with respect to the validity of our patents and with respect to our patent applications. We intend to continue to vigorously defend the validity of our patents and defend against any such challenges. However, if certain key patents are revoked or patent applications are denied, our patent licensing opportunities could be materially and adversely affected.

We and our licensees, in the normal course of business, have disagreements as to the rights and obligations of the parties under the applicable patent license agreement. For example, we could have a disagreement with a licensee as to the amount of reported sales of covered products and royalties owed. Our patent license agreements typically provide for arbitration as the mechanism for resolving disputes. Arbitration proceedings can be resolved through an award rendered by an arbitration panel or through private settlement between the parties.

In addition to disputes associated with enforcement and licensing activities regarding our intellectual property, including the litigation and other proceedings described above, we are a party to other disputes and legal actions not related to our intellectual property but also arising in the ordinary course of our business. Based upon information presently available to us, we believe that the ultimate outcome of these other disputes and legal actions will not materially affect us.

6. STOCK REPURCHASE :

In October 2004, our Board of Directors authorized the repurchase of one million shares of the Company's common stock (Repurchase Program). In March 2005, the Board of Directors expanded the Repurchase Program by an additional one million shares to a total of two million shares. We began activity under the Repurchase Program early in first quarter 2005 and repurchased a total of 500,000 shares in the first quarter at a cost of approximately \$9.0 million. We repurchased the remaining 1.5 million shares under the Repurchase Program in early second quarter 2005 at a cost of approximately \$25.1 million.

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7. **COMPREHENSIVE INCOME :**

The following table summarizes comprehensive income for the periods presented (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
Net income	\$4,011	\$ 856	\$3,129	\$6,656
Unrealized gain (loss) on investments	97	(374)	(36)	(339)
Total comprehensive income	\$4,108	\$ 482	\$3,093	\$6,317

8. **CHANGE IN MANAGEMENT :**

Effective May 2, 2005, Mr. Howard E. Goldberg's employment as Chief Executive Officer and President of the Company terminated, and Mr. Charles R. Tilden's employment as Chief Operating Officer of the Company terminated. The Company has recorded a charge of approximately \$1.2 million in second quarter 2005 associated with such terminations, which is comprised primarily of severance payments and other benefits associated with such terminations under the provisions of Messrs. Goldberg's and Tilden's respective employment agreements.

9. **REPOSITIONING ACTIVITIES :**

On August 4, 2005, we announced plans to close our Melbourne, Florida design facility in third quarter 2005 and relocate certain development efforts and personnel to other Company locations. At that date, there were thirty-three full or part-time employees at this facility, of which sixteen have been offered continued employment elsewhere within our organization. In connection with the closure, we expect to recognize repositioning charges over the next twelve months beginning in third quarter 2005. The majority of these charges should be recognized in third quarter 2005. The charges will be comprised primarily of severance, relocation costs, lease termination costs and other cash benefits paid in connection with the repositioning. The total amount of the charges will be largely dependent upon the actual number of positions eliminated and the timing of relocations. These actions should result in minimum annual pre-tax cost savings of \$4.0 million.

In second quarter 2004, we reduced our headcount by 25 employees to enhance productivity. We recorded a charge of approximately \$0.6 million in second quarter 2004 associated with this repositioning. The charge was comprised primarily of severance and other cash benefits associated with the workforce reduction. During the balance of 2004, we adjusted our repositioning charge by less than \$0.1 million and paid off all associated liabilities.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The following discussion should be read in conjunction with the unaudited, condensed consolidated financial statements and notes thereto contained elsewhere in this document, in addition to InterDigital Communications Corporation's (collectively with its subsidiaries referred to as InterDigital, the Company, we, us and our) Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (2004 Form 10-K) as filed with the Securities and Exchange Commission (SEC) on March 31, 2005, other reports filed with the SEC, and the "Statement Pursuant to the Private Securities Litigation Reform Act of 1995" below. Please refer to the Glossary of Terms located after the Table of Contents for a list and detailed description of the various technical, industry and other defined terms that are used in this Form 10-Q for the quarter ended June 30, 2005.

2G Patent License and Technology Revenue

We will complete the amortization of \$53 million of royalty revenue associated with our TDMA patent license agreement (2G) with NEC Corporation of Japan (NEC) in February 2006. Telefonaktiebolaget LM Ericsson and Ericsson Inc. (Ericsson) and Sony Ericsson Mobile Communications AB (Sony Ericsson) obligations to pay royalties under their respective 2G/2.5G patent license agreements will end on December 31, 2006. Together, these three licenses contributed approximately \$17.1 million or 23% of our revenue in first half 2005. In addition, on December 31, 2005, we will complete amortization of deferred revenue from other 2G agreements, which collectively contributed \$1.9 million or 2.6% of our revenue in first half 2005.

We also anticipate that a majority of our deliverables under the Mobile User Objective System (MUOS) program for the U.S. military and related payments under our contract with General Dynamics Decision Systems, Inc. (General Dynamics) will occur in 2005, and after 2005 any significant revenue related to this contract as currently in place would occur only if the options provided for in such contract are exercised by General Dynamics.

We continue to focus our patent licensing efforts on both expanding our base of 3G licensees and resolving outstanding patent license arbitrations and litigations. We also continue to seek to add additional 2G licensees. We believe that these efforts will result in additional patent license revenues. Furthermore, in 2005 we have diversified our revenue base to include technology offerings to customers such as General Dynamics and Philips Semiconductors B.V. (Philips) and will seek to continue such diversification through additional agreements.

General Dynamics

In December 2004, we entered into an agreement with General Dynamics, to serve as a subcontractor on the MUOS program for the U.S. military. MUOS is an advanced tactical terrestrial and satellite communications system utilizing 3G commercial cellular technology to provide significantly improved high data rate and assured communications for U.S. warfighters.

The Software License Agreement requires us to deliver to General Dynamics standards-compliant WCDMA modem technology, originating from the technology we developed under our agreement with Infineon Technologies AG, for incorporation into handheld terminals. Under the agreement, we expect to receive \$18.5 million for delivery of, and a limited license in, our commercial technology solution for use within the government's MUOS and Joint Tactical Radio System programs. Maintenance and product training are also covered by this amount. The agreement also includes options that are exercisable by General Dynamics at various times through March 2006 for additional deliverables valued at up to \$4.0 million. We anticipate that a majority of our MUOS program deliverables and related payments will occur in 2005, excluding the exercise of options for additional deliverables, should such options be exercised. We will provide maintenance and support to General Dynamics for three years following delivery of the technology. In addition to the deliverables specifically identified in the agreement, we have agreed to provide additional future services as requested by General Dynamics. The agreement may be terminated for convenience if the U.S. Government terminates, for convenience, that portion of the MUOS program that includes General Dynamics.

We are accounting for the delivery of and limited license in our commercial technology platform under the Software License Agreement using the percentage-of-completion method. This portion of the agreement is valued at \$16.5 million. From the inception of the contract through June 30, 2005, we recognized approximately \$10.3 million in revenue, including approximately \$5.5 million in second quarter 2005. At June 30, 2005 and December 31, 2004, our accounts receivable included unbilled amounts of approximately \$2.3 million and \$0.1 million, respectively. At June 30, 2005, our other current assets included approximately \$0.6 million of related costs which we deferred in accordance with our application of the percentage-of-completion method.

During first half 2005, we completed the first milestones under the agreement and received \$4.0 million in related payments.

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Subsequent to the delivery of our commercial technology platform, we will provide General Dynamics with support for a period of three years. This portion of the contract is valued at \$2 million and revenue related to this portion will be recognized evenly over the period of support.

Acquisition of Patents

In first quarter 2005, we acquired, for a purchase price of approximately \$8.0 million, selected patents, intellectual property blocks and related assets from an unrelated third party. These assets are designed to improve the range, throughput and reliability of wireless LAN and other wireless technology systems. The purchase price was allocated almost entirely to patent assets with a nominal amount being allocated to other assets. Based on our assessment in connection with the asset acquisition, we are amortizing these patents over their expected useful lives of approximately 15 years.

Stock Repurchase

In October 2004, our Board of Directors authorized the repurchase of one million shares of the Company's common stock (Repurchase Program). In March 2005, the Board of Directors expanded the Repurchase Program by an additional one million shares to a total of two million shares. We began activity under the Repurchase Program early in first quarter 2005 and repurchased a total of 500,000 shares in the quarter at a cost of approximately \$9.0 million. We repurchased the remaining 1.5 million shares under the Repurchase Program early in second quarter 2005 at a cost of approximately \$25.1 million.

Repositioning

On August 4, 2005, we announced plans to close our Melbourne, Florida design facility in third quarter 2005 and relocate certain development efforts and personnel to other Company locations. At that date, there were thirty-three full or part-time employees at this facility, of which sixteen have been offered continued employment elsewhere within our organization. In connection with the closure, we expect to recognize repositioning charges over the next twelve months beginning in third quarter 2005. The majority of these charges should be recognized in third quarter 2005. The charges will be comprised primarily of severance, relocation costs, lease termination costs and other cash benefits paid in connection with the repositioning. The total amount of the charges will be largely dependent upon the actual number of positions eliminated and the timing of relocations. These actions should result in minimum annual pre-tax cost savings of \$4.0 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in our 2004 Form 10-K. A discussion of our critical accounting policies, and the related estimates, are included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2004 Form 10-K. There have been no material changes in our existing accounting policies from the disclosures included in our 2004 Form 10-K. We have updated our estimates surrounding our Long-Term Compensation Program (LTCP).

Performance-Based Compensation

We use a variety of compensation programs to both attract and retain engineers and other key employees and more closely align employee compensation with Company performance. These programs include, but are not limited to, an annual bonus tied to performance goals, cash awards to inventors for filed patent applications and patent issuances, as well as an LTCP that includes restricted stock units (RSUs) and a performance-based cash incentive component. The LTCP was originally designed to include three year cycles that overlap by one year. The first cycle under the program covers the period from April 1, 2004 through January 1, 2006 ("Cycle 1"). The second cycle under the LTCP originally covered the period from January 1, 2005 through January 1, 2008 ("Cycle 2"). In second quarter 2005, the Compensation Committee of our Board of Directors amended the LTCP to revise the performance-based cash award portion of Cycle 2 to cover a 3 ½ year period from July 1, 2005 through January 1, 2009, and authorized a pro-rated interim payment, of approximately \$0.9 million, related to first half 2005. Because we had previously accrued a total of approximately \$0.9 million related to the Cycle 2 performance based cash award, no additional expense was recorded in second quarter 2005 related to the pro-rated interim payment.

In second quarter 2005, we adjusted our assessment of progress towards the achievement of certain qualitative goals relating to the Cycle 1 performance-based cash award. As a result of this updated assessment, we recorded a cumulative adjustment of approximately \$1.6 million to reduce related expenses in the quarter. If we had continued to accrue for the Cycle 1 performance-based cash award based on a 100% payout, as we had prior to the second quarter, our second quarter expense associated with the Cycle 1 performance-based cash award would have been approximately \$0.7 million. Based on our current assessment, we expect that our total expenses related to all long-term compensation will be approximately \$0.5 million less, in each of the third and fourth quarters of this year, than we experienced in first quarter 2005.

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New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB), issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment*. SFAS No. 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. The cost will be measured based on the fair value of the instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123(R) replaces SFAS No. 123 and supersedes Accounting Principles Board (APB) Opinion No. 25. As originally issued in 1995, SFAS No. 123 established as preferable the fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. In April 2005, the SEC delayed the effective date of SFAS 123(R) for public companies to annual periods beginning after June 15, 2005. We plan to adopt SFAS 123(R) on January 1, 2006 using the modified-prospective method. We are currently evaluating the effect SFAS No. 123(R) will have on our results.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), which replaces APB Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for accounting for and reporting a change in accounting principle and a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company no later than January 1, 2006. The Company is currently evaluating the effect that the adoption of SFAS No. 154 will have on its consolidated financial position, results of operations or cash flows but does not expect it to have a material impact.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

We generated positive cash flow from operating activities of \$20.0 million in the six month period ended June 30, 2005 (first half 2005) compared to \$15.8 million in the six month period ended June 30, 2004 (first half 2004). The positive operating cash flow in first half 2005 arose principally from receipts of approximately \$72.5 million from patent licensing agreements. This included approximately \$27.9 million from Sony Ericsson, the majority of which represents a new prepayment under our 2003 patent license agreement, \$15.1 million from Sharp Corporation (Sharp) related to our 2G and 3G patent license agreements, \$19.0 million from NEC associated with our 3G patent license agreement, and approximately \$10.5 million from other licensees related to their respective patent license agreements, including \$6.4 million related to a new prepayment under an existing 3G patent license agreement. These receipts were partially offset by cash operating expenses (operating expenses less depreciation of fixed assets, amortization of intangible assets and non-cash compensation) of \$58.2 million, and changes in working capital during first half 2005. The positive operating cash flow in first half 2004 arose principally from net receipts of approximately \$60.3 million from patent licensing agreements. This included approximately \$14.5 million from Ericsson and approximately \$11.6 million from Sony Ericsson under their respective 2003 patent license agreements, \$16.5 million from NEC associated with our 3G patent license agreement, \$10.0 million from Sharp related to our 3G patent license agreement, and \$7.7 million from other licensees related to their respective patent license agreements. These receipts were partially offset by cash operating expenses (operating expenses less depreciation of fixed assets, amortization of intangible assets and non-cash compensation) of \$45.0 million, and changes in working capital during first half 2004.

Net cash provided by investing activities in first half 2005 was \$8.4 million compared to a use of cash by investing activities of \$4.7 million in first half 2004. Our net sales of short-term marketable securities in first half 2005 were \$28.1 million compared to net sales of \$2.3 million in first half 2004. This change resulted from first half 2005 cash requirements of approximately \$34.1 million and \$8.1 million, respectively, to finance both our Repurchase Program and an acquisition of patents from a third party. Our purchases of property and equipment of \$3.0 million during first half 2005 increased approximately \$1.5 million compared to first half 2004 and primarily consisted of investments necessary to support our engineering information systems network. Our pace of investment associated with patent filings increased \$3.1 million to \$8.6 million in first half 2005 compared to first half 2004, reflecting continued growth in our development of intellectual property over recent years.

A use of approximately \$34.1 million related to our Repurchase Program contributed to a \$32.3 million use of cash by financing activities in first half 2005. In first half 2004, our financing activities generated cash of approximately \$8.9 million, primarily from proceeds resulting from stock option exercises and employee stock purchase plan activity.

As of June 30, 2005, we had \$100.0 million of cash, cash equivalents and short-term investments, compared to \$131.8 million as of December 31, 2004. The decrease was mainly due to the Repurchase Program described above. Our working capital, adjusted to exclude cash, cash equivalents, short-term investments, current deferred tax assets, current maturities of debt and current deferred revenue, increased to \$(0.2) million at June 30, 2005 from \$(1.9) million at December 31, 2004.

We are capable of supporting our operating requirements for the near future, including costs associated with our repositioning activities, through cash and short-term investments on hand, as well as other internally generated funds, primarily from 2G and 3G patent licensing royalties. We would not expect that an adverse resolution of our dispute with Federal Insurance Company (See, Part II, "Item 1. Legal Proceedings-Federal") would prevent us from supporting our operating requirements for the near future. Although we do not, at present, anticipate any need for additional financing through either bank facilities or the sale of debt or equity securities, we may seek to establish a bank facility to provide us with additional flexibility in managing our business.

As of December 31, 2004, we had federal net operating loss (NOL) credit carryforwards of approximately \$110 million. Our obligation to pay foreign source withholding taxes to Japan on the collection of Japanese sourced royalties ceased effective July 1,

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2004. We will continue to pay local and state income taxes, and alternative minimum taxes (AMT) when applicable, however we do not expect to pay federal income tax (other than AMT) until these NOL credit carryforwards are fully utilized.

RESULTS OF OPERATIONS

Second Quarter 2005 Compared to Second Quarter 2004

Revenues

Revenues of \$38.6 million for second quarter 2005 increased \$9.2 million or 31% over second quarter 2004 revenues of \$29.4 million. This increase was primarily due to the recognition of \$5.5 million of revenue from our Software License Agreement with General Dynamics and an increase in recurring patent license royalty revenue.

Recurring patent license royalty revenue in second quarter 2005 of \$33.1 million increased 14% over second quarter 2004. This increase was primarily driven by a \$3.5 million increase in royalties from NEC. Second quarter 2005 recurring patent license royalty revenues from Sharp and Sony Ericsson each decreased by \$1.2 million from second quarter 2004. NEC (36%) and Sharp (20%) collectively contributed 56% of our total revenue in second quarter 2005.

We did not record any royalty revenue in first quarter 2005 associated with a licensee that did not submit its royalty report covering fourth quarter 2004 sales until early second quarter 2005. As a result, in second quarter 2005, for this licensee, we recognized approximately \$1.1 million of royalty revenue associated with fourth quarter 2004 sales as well as royalties for first quarter 2005 which were reported in second quarter 2005.

Operating Expenses

Operating expenses increased 19% to \$32.5 million in second quarter 2005 from \$27.2 million in second quarter 2004. Legal fees associated with patent license arbitrations and litigations contributed \$3.4 million of this increase. Other contributors were executive severance charges (\$1.2 million), increased headcount (\$1.2 million), travel (\$0.6 million) and amortization of patent costs (\$0.5 million). These and other cost increases were partly offset by a \$2.6 million reduction from second quarter 2004 in expense associated with structural changes to the second cycle (2005—2008) of the performance-based element of the Company's Long-Term Compensation Program (LTCP) and adjustments to expense accruals related to the first cycle (2004—2005) of the LTCP.

Development expenses in second quarter 2005 of \$14.9 million increased 16% from \$12.8 million in second quarter 2004. This increase was due primarily to a \$1.0 million increase in wages resulting from increased headcount and a \$1.1 million increase in outsourced services and operations expense. Our increased levels of expense related to outsourced services and other costs related to work associated with our HSDPA platform development.

Sales and marketing expenses increased 10% to \$1.5 million in second quarter 2005 from \$1.4 million in second quarter 2004, primarily as a result of higher travel and trade show costs.

General and administrative expenses in second quarter 2005 increased 9% to \$5.9 million from \$5.4 million in second quarter 2004, primarily due to a \$1.2 million severance charge associated with a second quarter change in executive management.

Patents administration and licensing expenses increased 45% from \$6.9 million in second quarter 2004 to \$10.1 million in second quarter 2005. Our patent enforcement costs increased approximately \$3.1 million as a result of our respective arbitrations and litigations with Nokia, Samsung and Lucent.

Net Investment Income and Interest Expense

Net investment income of \$0.7 million in second quarter 2005 increased \$0.4 million compared to \$0.3 million in second quarter 2004 due to higher rates of return on our investments in 2005.

Income Taxes

Our income tax provision increased from \$1.6 million in second quarter 2004 to \$2.8 million in second quarter 2005. The income tax provision for second quarter 2005 consisted of an approximate \$2.3 million federal income tax accrual and \$0.5 million of foreign source withholding tax expense. The income tax provision for second quarter 2004 consisted primarily of withholding taxes associated with patent licensing royalties from Japan. The decrease in our foreign source withholding tax expense in second quarter 2005 compared to second quarter 2004 resulted from a July 2004 tax treaty between the U.S. and Japan that eliminated the foreign source withholding tax requirements between those countries, provided certain conditions are met.

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First Half 2005 Compared to First Half 2004

Revenues

Revenues in first half 2005 increased \$11.7 million to \$74.1 million from \$62.4 million in first half 2004. This increase was primarily due to the recognition of \$10.2 million of revenue from our Software License Agreement with General Dynamics, and a \$2.4 million increase in recurring patent license royalty revenue.

Recurring patent license royalty revenue in first half 2005 of \$63.9 million increased 4% from second half 2004. This increase was driven by higher royalties from Sharp and another licensee of \$1.1 million and \$1.5 million, respectively. First half 2005 recurring patent license royalty revenues from NEC and Sony Ericsson decreased by \$1.6 million and \$1.0 million, respectively, from first half 2004. NEC (34%), Sharp (23%) and Sony Ericsson (10%) collectively contributed 67% of our total revenue in first half 2005.

Operating Expenses

Operating expenses increased 32% to \$68.7 million in first half 2005 from \$52.1 million in first half 2004. Legal fees primarily associated with patent license arbitrations and litigations contributed \$9.1 million of this increase and costs associated with compensation programs introduced in second quarter 2004 contributed another \$2.0 million of the increase. Other contributors were executive severance charges (\$1.2 million), increased headcount (\$1.4 million), and amortization of patent costs (\$0.9 million).

Development expenses increased 21% in first half 2005 to \$31.1 million from \$25.7 million in second quarter 2004. This increase was due primarily to a \$2.4 million increase in personnel costs resulting from increased headcount and the LTCP. The remaining increase resulted from outsourced services and other costs related to work associated with our HSDPA platform development.

Sales and marketing expenses of \$3.8 million increased 27% from \$3.0 million in first half 2004. Approximately one half of this increase was attributable to personnel costs while the remaining increase was primarily due to increased trade show activities.

General and administrative expenses in first half 2005 increased 15% to \$12.5 million from \$10.8 million in first half 2004, primarily due to a \$1.2 million severance charge associated with a second quarter change in executive management.

Patents administration and licensing expenses of \$21.3 million increased 79% from \$11.9 million in first half 2004. This increase resulted primarily from an \$8.1 million increase in patent enforcement costs associated with our respective arbitrations and litigations with Nokia, Samsung and Lucent.

Net Investment Income and Interest Expense

Net investment income of \$1.5 million in first half 2005 increased \$0.7 million compared to \$0.8 million in first half 2004 due to higher rates of return on our investments in 2005.

Income Taxes

Our income tax provision decreased from \$4.3 million in first half 2004 to \$3.7 million in first half 2005. The income tax provision for first half 2005 consisted of an approximate \$2.3 million federal income tax accrual and \$1.4 million of foreign source withholding tax expense. The income tax provision for first half 2004 consisted primarily of withholding taxes associated with patent licensing royalties from Japan. The decrease in foreign source withholding tax expense in second quarter 2005 compared to second quarter 2004 resulted from a July 2004 tax treaty between the U.S. and Japan that eliminated the foreign source withholding tax requirements between those countries, provided certain conditions are met.

Expected Trends

We expect to provide guidance on third quarter 2005 revenue shortly, after we receive and review the applicable royalty reports and update our forecast on expected progress associated with work for both General Dynamics and Philips. We anticipate that third and fourth quarter costs associated with the performance-based element of the Company's long-term compensation program should return to a level slightly lower than that recorded in first quarter 2005. We are also currently assessing the potential level of third quarter 2005 expenses associated with current arbitrations and litigations, including the recently announced new litigation matter involving Nokia in the United Kingdom and our enforcement proceeding over the Nokia Final Award in the U.S. District Court for the Southern District of New York. If these expenses remain at the average level experienced over the first six months of the year, our overall third quarter 2005 operating expenses could be in the range experienced in first quarter 2005. We should see the full benefits of the repositioning initiative beginning in fourth quarter 2005. Lastly, we expect that our book tax rate for third quarter 2005 will approximate 34% to 38%, plus an amount for deferred foreign source withholding tax expense which is, in part, dependent on the level and geographic mix of per-unit royalties.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q (Form 10-Q), including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2, contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, reflecting, among other things, the Company’s beliefs, plans and expectations as to: (i) the timing of deliverables and associated revenue under our contract with General Dynamics and any related additional services; (ii) the focus of our patent licensing efforts and the impact thereof on revenues, and increased diversity of our revenues from technology solution agreements; (iii) the timing, benefit and nature of repositioning charges and minimum annual pre-tax cost savings associated with our repositioning relating to our Melbourne, Florida facility; (iv) third and fourth quarter 2005 expenses associated with our long-term compensation program and third quarter 2005 expenses associated with current arbitration and litigation matters; (v) the effect of our January 1, 2006 adoption of SFAS 123(R) on our financial results; (vi) the impact of any resolution of our dispute with Federal on our ability to meet our near term operating requirements; (vii) our lack of need to seek additional financing; (viii) our future federal income tax obligations, our expected utilization of our federal NOL credit carryforwards, and our third quarter 2005 book tax rate and deferred foreign source withholding tax expense; and (ix) our current patent litigation and arbitrations including: the estimated amount of Nokia’s royalty obligations pursuant to the Final Award; our belief that no pre-payment discount applies; our plans to oppose Nokia’s attempt to vacate or modify the Final Award and our belief that such motions are without merit; our plans to vigorously defend our position in the July 29, 2005 claim filed by Nokia in the UK Patents Court; the impact of an adverse ruling from the Markman hearing or motion to dismiss in the Lucent litigation. Words such as “expect,” “anticipate,” “assessing,” “evaluating,” “may,” “will,” “plan,” “future,” “should,” “could,” “seek,” “continue,” or similar expressions are intended to identify such forward-looking statements.

Although forward-looking statements in this Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are subject to risks and uncertainties. We caution readers that actual results and outcomes could differ materially from those expressed in or anticipated by such forward-looking statements. You should not place undue reliance on these forward-looking statements, which are only as of the date of this Form 10-Q. In addition to the associated risks and uncertainties identified in this Form 10-Q as well as other information contained herein, each of the following factors should be considered in evaluating our business and prospects.

The timing of deliverables and associated payments under our contract with General Dynamics and any related additional services may be impacted by our ability to satisfactorily meet milestones, changes in delivery schedules, the needs of General Dynamics, or an exercise of termination by convenience on the part of the U.S. Government.

The focus of our patent licensing efforts and the impact thereof on revenues and the increased diversity of our revenue base from technology solution agreements may be affected by: (i) unanticipated delays or difficulties in executing agreements; (ii) the market relevance of our technologies and expiration of 2G patents; (iii) changes in technology preferences of strategic partners or consumers; (iv) the availability or development of substitute or competitive technologies; (v) the economy and sales trends in the wireless market; (vi) unanticipated difficulties in our ability to resolve patent licensing disputes or enforce awards; and (viii) our ability to monetize our investments in technology development.

The timing, amount, benefit and nature of repositioning charges and minimum annual pre-tax cost savings associated with the closing of our Melbourne, Florida facility may be impacted by: (i) the termination dates of certain employees; (ii) the number of employees who accept relocation packages and stay bonuses; (iii) our ability to move or dispose of certain equipment; and (iv) our ability to negotiate favorable terminations of various contracts and leases.

Third and fourth quarter 2005 expenses associated with our long-term compensation program may be impacted by: (i) significant changes in personnel eligible to participate in the long-term compensation program, or (ii) changes to the terms of the program. Third quarter 2005 expenses associated with current arbitration and litigation matters may be effected by: (i) unanticipated additional legal proceedings or costs associated with legal proceedings; (ii) changes in the schedules or costs associated with the Nokia legal proceedings, the Samsung arbitration or the Lucent litigation, or adverse rulings in such legal proceedings; or (iii) any adverse ruling arising from the Markman hearing or on summary judgment with regard to the Lucent litigation which, in turn, could adversely impact our award of damages and could impact the Company’s licensing program with respect to certain of our technologies.

Our January 1, 2006 adoption of SFAS 123(R) using the modified-prospective method may impact our financial results by significantly increasing our compensation costs relating to share-based payment transactions depending on: (i) the valuation method used; and (ii) the amount of outstanding share-based compensation arrangements the Company has at such time.

Our ability to support our operating requirements in the near future, and our belief that any resolution of our dispute with Federal would not affect our operating requirements in the near future may be affected by the factors listed herein, as well as our cash flow and our recurring royalties which are dependent on: (i) the market share and performance of our primary licensees in realizing our projections for sales of covered products; (ii) the economy and sales trends in the wireless market; (iii) our ability to expand our customer, partner and licensing relationships; (iv) whether new licensees or existing licensees make past payments for royalties due or pre-payments against future royalties; (v) our ability to successfully prosecute, enforce and protect our patents and other intellectual property rights; (vi) unanticipated changes in the schedule or costs associated with the Nokia and Samsung arbitrations and Lucent litigation; and (vii) expenses associated with our long-term compensation program. Further, our failure to generate sufficient cash flows over the long-term, based on the factors listed herein and those set forth in our 2004 Form 10-K, could adversely impact operating requirements and our current lack of need to seek additional financing.

Our deferred foreign source withholding tax expense may be affected by: (i) changes in federal and/or state tax regulations; (ii) changes

to international tax treaties and foreign and domestic tax laws and regulations; (iii) changes in our expectations of the amount and composition of full-year taxable income; and (iv) the amount of per-unit royalties paid by new and existing licensees. In addition to the above risks, our future federal income tax obligations, and our third quarter 2005 book tax rate may also be affected by: (i) the cost of litigation; and (ii) our level of continued self-funding in technology development activities. Our expected utilization of our federal NOL credit carryforwards are dependent on: (i) changes in the market share and the performance of our primary licensees in selling their products; (ii) the market acceptance of our technology products; (iii) our ability to effectively manage costs; (iv) the costs and outcome of ongoing litigation/arbitration; (v) changes to our tax planning strategies; (vi) changes to existing federal tax regulations; and (vii) our ability to enter into new or expand existing patent license agreements.

Our plans to enforce the Final Award could be affected by a decision by the U.S. District Court to grant Nokia's motion to vacate or modify the Award, in whole or in part, or an agreement by the parties to resolve issues upon terms other than those set forth in the award. The amounts we believe are due from Nokia may be impacted by: (i) our interpretation of and Nokia's compliance with the Final Award; (ii) adjustments in the estimated and actual amounts of sales of Nokia covered products derived from InterDigital or third party data or assumptions, or inaccuracies in sales figures supplied during the Nokia arbitration; (iii) our application of an available prepayment option; and (iv) unanticipated results in enforcement proceedings relating to the Final Award. Our defense in the UK patents court could be impacted by a decision by the UK patents court to grant the requested Declaration in whole or in part and unanticipated costs. An adverse impact from the Markman hearing in the Lucent litigation or any other aspect of the lawsuit could result in an award of decreased damages or the dismissal of the lawsuit and could have a material impact on our licensing program with respect to certain of our technologies.

Factors affecting one forward-looking statement may affect other forward-looking statements. We undertake no duty to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in quantitative and qualitative market risk from the disclosures included in our 2004 Form 10-K.

Item 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the Company's management carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that information required to be disclosed by the Company in the reports that it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC. There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2005 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

Nokia

Nokia Arbitration

As previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (2004 Form 10-K) and Form 10-Q for the quarter ended March 31, 2005 (March 31, 2005 Form 10-Q), in July 2003, Nokia Corporation (Nokia) filed a Request for Arbitration against InterDigital Communications Corporation (IDCC) and InterDigital Technology Corporation (ITC), one of the Company's wholly-owned subsidiaries, regarding Nokia's royalty payment obligations for its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products under the existing patent license agreement with ITC (Nokia Arbitration). The arbitration was conducted by the International Court of Arbitration of the International Chamber of Commerce (ICC), in accordance with the dispute resolution provisions of the patent license agreement. The binding arbitration related to ITC's claim that the patent license agreements ITC signed with Telefonaktiebolaget LM Ericsson and Ericsson Inc. (Ericsson) and Sony Ericsson Mobile Communications AB (Sony Ericsson) in March 2003 defined the financial terms under which Nokia would be required to pay royalties on its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products commencing January 1, 2002.

In the Final Award, rendered in June 2005, the Arbitral Tribunal operating under the auspices of the ICC (Tribunal) held that ITC's patent license agreement with Ericsson constituted a Major Competitor License Agreement for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE infrastructure and that ITC's patent license agreement with Sony Ericsson constituted a Major Competitor License Agreement for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE terminal units. As such, the Tribunal determined that these agreements were properly applied to Nokia by ITC, and triggered Nokia's royalty obligations with respect to those products from 2002 through 2006.

As part of the Final Award, the Tribunal established royalty rates which are applicable to Nokia's sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE infrastructure and terminal unit products for the period beginning January 1, 2002 through December 31, 2006. In establishing those rates, the Tribunal favored all but one of InterDigital's positions on the interpretation of the rate-setting provisions of the patent license agreement, revising the Sony Ericsson rates to reflect Nokia's leading market position. Based on the royalty rates established by the Tribunal, InterDigital estimates that Nokia's royalty obligations for covered product sales from January 1, 2002 through December 31, 2003 are approximately \$112 million. In addition, InterDigital estimates that royalty obligations for covered product sales for the period January 1, 2004 through December 31, 2006 will be in the range of \$120 million to \$140 million depending upon the applicability of any prepayment option for some portion of that period. The Tribunal also identified the conditions for the application of prepayment discounts. IDCC's and ITC's positions are that no pre-payment discount applies. The above amounts are exclusive of awarded interest, net of any applicable contractual discount and based on Nokia achieving sales volume that entitles Nokia to obtain the lowest applicable royalty rate. Estimates of post-2003 royalty obligations are based on third party and InterDigital's estimates of Nokia's sales of covered products for the applicable periods and InterDigital's assumptions as to market forecasts and Nokia's sales mix, selling prices and market share.

On July 1, 2005, IDCC and ITC filed in the United States District Court for the Southern District of New York a Petition to confirm the Final Award. On August 1, 2005, Nokia filed an Opposition to our Petition and a Cross-Petition and Cross-Motion to vacate or modify the Final Award. As part of its filing, Nokia has requested that the Court refuse to enforce the Final Award and set aside or modify the Final Award. IDCC and ITC believe that Nokia's actions are without merit and intend to continue to vigorously pursue enforcement of the award. The Court has scheduled oral arguments on the foregoing matters for mid-October 2005.

Other Nokia Proceedings

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in July 2003, Nokia filed in the United States District Court for the Northern District of Texas (District Court) a motion to intervene and to gain access to documents previously sealed by the District Court in the now-settled litigation between InterDigital Communications Corporation (the Company), ITC and Ericsson, Inc. (Ericsson Litigation). We filed a response opposing the request to intervene and opposing the request for access to the documents. The District Court granted Nokia's motion to intervene in the Ericsson Litigation and provided Nokia with document access on a limited basis. Nokia subsequently filed a motion to reinstate certain orders that were vacated in the Ericsson Litigation, which motion was granted by the trial court. We appealed that ruling to the U.S. Court of Appeals for the Federal Circuit (Circuit Court).

On August 4, 2005, the Circuit Court ruled in favor of the Company and reversed the District Court's order, finding that the District Court had committed error in permitting Nokia to intervene. The Circuit Court reversed the District Court's decisions which had both granted intervention and reinstated the prior vacated orders, which orders had been vacated as part of the settlement of the Ericsson Litigation.

In late 2004, Nokia sought to enforce two subpoenas issued by the Nokia Tribunal to Ericsson and Sony Ericsson seeking certain documents. Those enforcement actions were commenced in the Federal District Court for the Northern District of Texas and the Federal District Court for the Eastern District of North Carolina. Nokia has withdrawn both enforcement actions.

During the Nokia Arbitration, on June 14, 2004, Nokia commenced a patent revocation proceeding in the United Kingdom High Court of Justice, Chancery Division, Patents Court, seeking to have three of ITC's UK patents declared invalid (UK Revocation Proceeding). Nokia also seeks a Declaration that manufacture and sale of GSM mobiles and infrastructure equipment compliant with the ETSI GSM Standard (Release 4) without license from ITC does not require infringement of the 3 UK patents, so that none of the patents are essential IPR for that standard.

In connection with the UK Revocation Proceeding, in September 2004, Nokia filed an action against Sony Ericsson in the Federal District Court for the Eastern District of North Carolina, and an action against Ericsson in the Federal District Court for the Eastern District of Texas. The actions are based upon 28 United States Code Section 1782 which provides for discovery in a United States court for use in a foreign proceeding and addresses jurisdictional, procedural and evidentiary matters associated with such foreign proceeding. In both actions, Nokia sought documents related to the ITC patents and patent licenses. Both the Federal District Court for the Eastern District of North Carolina and the Eastern District of Texas have denied Nokia's motions with respect to any documents not previously produced in the Nokia Arbitration.

During the Nokia Arbitration, in January 2005, Nokia and Nokia, Inc. filed a complaint in the United States District Court for the District of Delaware against the Company and ITC for declaratory judgments of patent invalidity and non-infringement of certain claims of certain patents, and violations of the Lanham Act. We have filed a motion to dismiss the complaint to which Nokia has responded. The Court has not ruled on the motion.

On July 29, 2005, Nokia filed a claim in the United Kingdom High Court of Justice, Chancery Division, Patents Court against ITC, a wholly-owned subsidiary of the Company. Nokia's claim seeks a Declaration that the importation, manufacture and sale of mobile phones and/or infrastructure equipment compliant with the 3GPP Standard TS 41.101 Release 5 without license from ITC does not require infringement of any of thirty-one of ITC's UMTS European Patents registered in the UK, such that none of the patents are essential IPR for that standard. InterDigital intends to vigorously defend its position.

Samsung

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in November 2003, Samsung Electronics Co. Ltd. (Samsung) filed a Request for Arbitration against IDCC and ITC with the ICC regarding Samsung's royalty payment obligations for its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products under its existing patent license agreement with ITC (Samsung Arbitration). The binding Samsung Arbitration relates to ITC's claim that the patent license agreements ITC signed with Ericsson and Sony Ericsson in March 2003 defined the financial terms under which Samsung would be required to pay royalties on its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products commencing January 1, 2002 through December 31, 2006. The ICC Arbitral Tribunal overseeing this matter has scheduled the evidentiary hearing in this matter to commence in October 2005.

Lucent

As previously reported in the Company's 2004 Form 10-K and March 31, 2005 Form 10-Q, in March 2004, Tantivy Communications, Inc., one of our wholly-owned subsidiaries, filed a lawsuit in the United States District Court for the Eastern District of Texas against Lucent Technologies, Inc. (Lucent), a leading manufacturer of cdma2000[®] equipment. The case is based on our assertions of infringement by Lucent of three of our subsidiary's patents issued in the United States. The lawsuit seeks damages for past infringement and an injunction against future infringement, as well as interest, costs, and attorneys' fees. Lucent has responded to the lawsuit seeking a declaration of non-infringement and alleging that the patents are invalid. Lucent has requested attorneys' fees and costs. In May 2005, a Markman hearing (for claim construction) was held. No ruling in the Markman hearing has been issued as of the date of this filing. Lucent has filed two motions for summary judgment on the basis of patent invalidity to which we have responded or intend to respond. The Court has not ruled on these motions. While we continue to contest Lucent's positions, any adverse rulings from the Markman hearing or from any other aspect of the lawsuit, including the motions for summary judgment, could result in an award of decreased damages or the dismissal of the lawsuit, and could have a material impact on our future licensing efforts with respect to certain of our technologies. The parties are currently in the discovery phase of the litigation and the trial is scheduled to commence in September 2005.

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Other

We have filed patent applications in the United States and in numerous foreign countries. In the ordinary course of business, we currently are, and expect from time to time to be, subject to challenges with respect to the validity of our patents and with respect to our patent applications. We intend to continue to vigorously defend the validity of our patents and defend against any such challenges. However, if certain key patents are revoked or patent applications are denied, our patent licensing opportunities could be materially and adversely affected.

We and our licensees, in the normal course of business, have disagreements as to the rights and obligations of the parties under the applicable patent license agreement. For example, we could have a disagreement with a licensee as to the amount of reported sales of covered products and royalties owed. Our patent license agreements typically provide for arbitration as the mechanism for resolving disputes. Arbitration proceedings can be resolved through an award rendered by an arbitration panel or through private settlement between the parties.

In addition to disputes associated with enforcement and licensing activities regarding our intellectual property, including the litigation and other proceedings described above, we are a party to other disputes and legal actions not related to our intellectual property but also arising in the ordinary course of our business. Based upon information presently available to us, we believe that the ultimate outcome of these other disputes and legal actions will not materially affect us.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(c) Issuer Purchases of Equity Securities.

The following table provides information regarding the Company's purchases of its Common Stock, \$0.01 par value, during second quarter 2005:

Period	Total Number of Shares (or Units) Purchased (1)	Average Price paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2005 – April 30, 2005	1,500,000	\$ 16.70	1,500,000	0
May 1, 2005 – May 31, 2005	—	\$ —	—	—
June 1, 2005 – June 30, 2005	—	\$ —	—	—
Total	1,500,000	\$ 16.70	1,500,000	0

- (1) On October 25, 2004, we announced that our Board of Directors authorized the repurchase of up to one million shares of our outstanding Common Stock from time-to-time through open-market purchases or prearranged plans (Repurchase Program). On March 10, 2005, we announced that the Board of Directors expanded the Repurchase Program, by an additional one million shares, to a total of two million shares, to be purchased from time-to-time through open-market purchases or prearranged plans. We began activity under the Repurchase Program early in first quarter 2005 and repurchased a total of 500,000 shares in the quarter at a cost of approximately \$9.0 million. We repurchased the remaining 1.5 million shares under the Repurchase Program in early second quarter 2005 at a cost of approximately \$25.1 million.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At our 2005 Annual Meeting of Shareholders (the Meeting) held on June 2, 2005, our Shareholders elected Messrs. Harry G. Campagna, Steven T. Clontz and Edward B. Kamins as directors of the Company, approved a non-binding Shareholder proposal regarding the annual election of directors, and ratified the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2005. Our Shareholders elected Mr. Campagna as a director by a vote of 39,673,985 shares in favor and 11,505,755 shares withheld. Our Shareholders elected Mr. Clontz as a director by

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a vote of 45,061,410 shares in favor and 6,118,330 shares withheld. Our Shareholders elected Mr. Kamins as a director by a vote of 45,056,339 shares in favor and 6,123,401 shares withheld. Messrs. D. Ridgely Bolgiano, William J. Merritt, Robert S. Roath, Robert W. Shaner, and Alan P. Zabarsky also continue to serve their terms as directors of the Company. The vote approving the shareholder proposal to elect directors on an annual basis was 15,738,269 shares in favor, 7,759,363 shares against, and 313,519 shares abstaining. The vote ratifying the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2005 was 50,541,997 shares in favor, 586,443 shares against, and 51,300 shares abstaining. There were 364,819 abstentions and 27,368,589 broker non-votes with respect to matters voted on at this Meeting.

Item 6. **EXHIBITS.**

The following is a list of Exhibits filed as part of this Quarterly Report on Form 10-Q:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.2	By-laws, as amended June 1, 2005.
†10.62	1999 Restricted Stock Plan, Form of Restricted Stock Unit Agreement [Awarded to Independent Directors Upon Re-Election] (Exhibit 10.62 to InterDigital's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 "September 2004 Form 10-Q").
†10.63	1999 Restricted Stock Plan, Form of Restricted Stock Unit Agreement [Annual Award to Independent Directors] (Exhibit 10.63 to September 2004 Form 10-Q).
†10.70	InterDigital Communications Corporation Long-Term Compensation Program, as amended June 2005 (Exhibit 10.70 to InterDigital's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005).
†10.74	InterDigital Communications Corporation 2000 Stock Award and Incentive Plan, as amended June 1, 2005.
†10.75	InterDigital Communications Corporation 2002 Stock Award and Incentive Plan, as amended June 1, 2005.
[**]10.76	Patent License Agreement between InterDigital Communications Corporation, InterDigital Technology Corporation and Nokia Corporation dated January 29, 1999.
†10.77	Severance Agreement and General Release between InterDigital Communications Corporation and Charles R. Tilden dated May 26, 2005.
†10.78	Severance Agreement and General Release between InterDigital Communications Corporation and Howard E. Goldberg dated May 26, 2005.
*10.79	Amended and Restated Employment Agreement dated May 16, 2005, by and between InterDigital Communications Corporation and William J. Merritt (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated May 20, 2005).
*10.80	Employment Agreement dated June 20, 2005, by and between InterDigital Communications Corporation and Bruce Bernstein (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated June 22, 2005).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William J. Merritt.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Richard J. Fagan.

[**] Confidential portions of this document have been redacted and filed separately with the Securities and Exchange Commission.

* Incorporated by reference to the previous filing indicated.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERDIGITAL COMMUNICATIONS CORPORATION

Date: August 9, 2005

/s/ William J. Merritt
William J. Merritt
President and Chief Executive Officer

Date: August 9, 2005

/s/ R.J. Fagan
Richard J. Fagan
Chief Financial Officer

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Exhibit 3.2

INTERDIGITAL COMMUNICATIONS CORPORATION

(a Pennsylvania corporation)

BY-LAWS

(as amended through June 1, 2005)

Section 1.1 Registered Office :

The Registered Office of the Corporation shall be at 781 Third Avenue, King of Prussia, Pennsylvania until otherwise changed by the Board of Directors.

Section 2.1 Place of Shareholders' Meetings :

Meetings of the shareholders shall be held at the Registered Office of the Corporation or at such other place within or without Pennsylvania as the Board of Directors may fix.

Section 2.2 Annual Meeting of Shareholders :

An Annual Meeting of shareholders shall be held in every calendar year at such time as the Board of Directors may fix. At the Annual Meeting of shareholders, directors shall be elected to serve for the ensuing year or until their successors shall be duly elected and qualified, and there shall be transacted such other business as may properly be brought before the Meeting.

A financial report of the Corporation's business as of the close of the preceding fiscal year shall be presented at the Annual Meeting, and shall be sent to shareholders.

Section 2.3 Special Meetings of Shareholders :

Special Meetings of shareholders may be called at any time by the Chairman of the Board, the President, the Board of Directors, or by the shareholders if permitted by, and in accord with, the Pennsylvania Business Corporation Law, as then in effect. At any time, upon written request of any person entitled to call a Special Meeting, it shall be the duty of the Secretary to fix the date of such Special Meeting to be held not less than five or more than sixty days after the receipt of the request and to give due notice thereof. If the Secretary shall neglect or refuse to fix the date of the meeting and give notice thereof, the person or persons making the request may do so.

Section 2.4 Notice of Shareholders' Meetings :

At least five days' written notice shall be given of any meeting of shareholders, unless a greater period of notice is required by law. Such notice shall specify the place, day and hour of the meeting, and in the case of a Special Meeting of shareholders, the general nature of the business to be transacted.

Section 2.5 Waiver of Notice of Shareholders' Meetings :

Whenever written notice is required to be given by law, by the Articles or these By-Laws, a written waiver thereof signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a Special Meeting of shareholders, neither the business to be transacted nor the purpose of the meeting need be specified in the Waiver of Notice of such Meeting.

Attendance of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.6 Quorum for Shareholders' Meetings :

The presence, in person or by proxy, of the shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast on a matter to be voted upon at a meeting of shareholders shall constitute a quorum, and the acts of such quorum, at a duly organized meeting of shareholders, shall constitute the acts of all the shareholders. The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 2.7 Conduct of Shareholders' Meetings :

Meetings of the shareholders shall be presided over by the Chairman of the Board, or if he is not present, by the President or, if he is not present, by a Vice-President or, if none of the Chairman of the Board or the President or Vice-President is present, by a Chairman to be chosen at the meeting. The Secretary of the Corporation, or in his absence, an Assistant Secretary or one temporarily designated as such shall act as Secretary of the meeting.

Section 2.8 Shareholders Participation by Telephone :

One or more shareholders may participate in any meeting of shareholders by means of conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other.

Section 2.9 Voting by Shareholders :

Except as otherwise provided by law or in the Articles, every shareholder of record shall have the right, at every shareholders' meeting, to one vote for every share standing in his name on the books of the Corporation. Every shareholder entitled to vote at a meeting of shareholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy.

All voting and elections shall be taken viva voce unless a vote by ballot shall be demanded by a shareholder before the voting or election begins, or unless otherwise required by law or by the Articles.

Section 2.10 Judges of Election :

In advance of any meeting of shareholders, the Board of Directors may appoint Judges of Election, who need not be shareholders, to act at such meeting or any adjournment thereof. If Judges of Election be not so appointed, the Chairman of the meeting may, and on the request of any shareholder or his proxy shall, make such appointment at the meeting. The number of Judges shall be one or three, and no candidate shall act as a Judge. On request of the Chairman of the meeting or of any shareholder or his proxy, the Judges shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them.

Section 2.11 Adjournment of Meetings :

Adjournment of any meeting may be taken, but any meeting at which Directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding fifteen days each, as may be directed by the holders of at least a majority of the shares entitled to be voted at an election of directors, until such Directors have been elected. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted thereat, other than by

announcement at the meeting at which such adjournment is taken. In case of any meeting called for the election of Directors, those who attend the second of such adjourned meeting, although less than a quorum, shall nevertheless constitute a quorum for the purpose of electing Directors.

Section 2.12. Notice of Shareholder Business and Nominations :

(a) Annual Meetings of Shareholders.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders at an annual meeting of shareholders may be made (A) pursuant to the Corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Section 2.12, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.12.

(ii) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (a)(i) of this Section 2.12, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice must be received by the Secretary at the principal executive offices of the Corporation not later than the 60th day nor earlier than the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder must be so received not earlier than the 90th day prior to the annual meeting and not later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which public announcement of the date of the meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a shareholder's notice as described above. A shareholder's notice shall set forth (A) as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 ("Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any

other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner; (2) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner; and (3) a representation that such shareholder and beneficial owner intend to appear in person or by proxy at the meeting.

(iii) Notwithstanding anything in paragraph (a)(ii) of this Section 2.12 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at the annual meeting is increased pursuant to an act of the Board of Directors of the Corporation and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors on or before the date which is 15 days before the latest date by which a shareholder may timely notify the Corporation of nominations or other business to be brought by a shareholder in accordance with paragraph (a)(ii) of this Section 2.12, a shareholder's notice required by this Section 2.12 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the 15th day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this paragraph (b), who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this paragraph (b). In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons

(as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (a)(ii) of this Section 2.12 shall be received by the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the later of the 60th day prior to such special meeting or the 15th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.12 shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.12. Except as otherwise provided by law, the Certificate of Incorporation or these bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.12 and, if any proposed nomination or business is not in compliance with this Section 2.12, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 2.12, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) If the Corporation is required under Rule 14a-8 under the Exchange Act to include a shareholder's proposal in its proxy statement, such shareholder shall be deemed to have given timely notice for purposes of this Section 2.12 with respect to such proposal.

Nothing in this Section 2.12 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors.

Section 3.1 Board of Directors, Number, Qualification, Elections, Term of Office and Compensation:

The business and affairs of the Corporation shall be managed by a Board of not less than five (5) nor more than fifteen (15) Directors, as may be fixed from time to time by the vote of a majority of the whole Board. Directors shall be of full age, but need not be residents of Pennsylvania or shareholders of the Corporation.

Any nominee for any vacancy on the Board of Directors which has not been proposed by this Board of Directors or by the Nomination and Search Committee of this Board may be proposed by a nominator only if (i) such nominator is a shareholder of this corporation, (ii) such nominator supplies the Nomination and Search Committee with such information concerning such candidate or candidates as would be required to be included in the form of proxy statement filed with the Securities and Exchange Commission with respect to such nominee, (iii) the foregoing is sent to the attention of the Nomination and Search Committee, c/o the Secretary of the Corporation, at least 120 days prior to the date of the meeting at which such nominee, if permitted to stand for election, would be voted upon by the shareholders of this Corporation, and (iv) such proposed nominee has been approved to stand for election by a majority of the members of the Nomination and Search Committee and by a majority of the Board of Directors of this Corporation, which approval does not require that he be the only nominee for a particular vacancy and does not require that such Board or Committee recommend his election to such vacancy.

The Directors, other than any who may be elected by the holders of shares of any class or series of stock entitled to elect Directors separately pursuant to the terms of Articles Fifth of the Articles of Incorporation or any resolution or resolutions providing for the issuance of such stock adopted by the Board of Directors shall be classified, with respect to the duration of the term for which they severally hold office, into three classes as nearly equal as possible (each, individually a "Three Year Class", and collectively the "Three Year Classes"). Such Three Year Class which shall be elected at the Annual Meeting of Shareholders held in 1993 for a term expiring at the Annual Meeting of Shareholders to be held in 1996 shall be designated as "Class A"; the second Three Year Class to be elected at the Annual Meeting of Shareholders held in 1994 for a term expiring at the Annual Meeting of Shareholders to be held in 1997 shall be designated as "Class B"; and the third Three Year Class to be elected at the Annual Meeting of Shareholders held in 1995 for a term expiring at the Annual Meeting of Shareholders to be held in 1998 shall be

designated as “Class C”. The Board of Directors shall increase or decrease the number of Directors in one or more classes as may be appropriate whenever it increases or decreases the number of Directors pursuant to this Section 3.1, in order to ensure that the three Three Year Classes shall be as nearly equal in number as possible. At each Annual Meeting of Shareholders, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the Annual Meeting of Shareholders held in the third year following the year of their election.

The Board of Directors shall have the authority to fix the compensation of Directors for their services and to authorize payment for expenses of attendance at meetings. A Director may also be a salaried officer or employee of the Corporation.

The Board of Directors may elect a Chairman who shall, when present, preside at all meetings of the Board of Directors and at all meetings of shareholders. The Chairman may appoint another member of the Board to preside in his absence.

Section 3.2 Quorum for Directors’ Meetings :

A majority of the Directors in office shall be necessary to constitute a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. A Director who is present at a meeting shall be counted in determining the presence of a quorum even though a contract or transaction between the Corporation and such Director or another business in which such Director has a financial interest is authorized at the meeting.

Section 3.3 Directors’ Consent in Lieu of Meeting :

Any action which may be taken at a meeting of the Board of Directors or of any Committee thereof may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the Directors or the members of the Committee, as the case may be, and shall be filed with the Secretary of the Corporation. One or more Directors may participate in a meeting of the Board of Directors or a Committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other.

Section 3.4 Vacancies in Board of Directors :

Except as otherwise provided for or fixed pursuant to the Articles of Incorporation of the Corporation, newly created directorships resulting from an increase in the number of Directors, and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the vote of a majority of the remaining members of the Board, even though less than a quorum. Any person so elected shall hold office for the remainder of the full term of the class of Directors in which the directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 3.5 Place of Meeting of Board of Directors :

The meetings of the Board of Directors may be held at such place within Pennsylvania, or elsewhere, as a majority of the Directors may from time to time appoint or as may be designated in the notice calling the meeting.

Section 3.6 Organization Meeting of the Board of Directors:

After the election of Directors by the shareholders, the newly elected Board may meet for the purpose of organization or otherwise:

(a) Immediately following their election, or at such time and place as shall be fixed by vote of the shareholders at the Annual Meeting (and in either such case no notice of such meeting to the newly elected Directors shall be necessary in order legally to constitute the meeting, provided a majority of the whole Board shall be present); or

(b) At such time and place as may be fixed by consent in writing of all the Directors.

Section 3.7 Regular Meetings of the Board of Directors :

Regular Meetings of the Board of Directors shall be held at such time and place as shall be determined by a majority of the Board.

Section 3.8 Special Meetings of the Board of Directors :

Special Meetings of the Board of Directors may be called by the Chairman of the Board, President or Secretary on at least two days' notice to each Director, either personally or by mail or by facsimile transmission, of the time and place of such Special Meeting. At the written request of two Directors, Special Meetings shall be called by the Chairman of the Board or President or Secretary in like manner and on like notice.

Section 3.9 Adjournments of Meetings of the Board of Directors :

If a meeting of the Board of Directors is adjourned, it shall not be necessary to give any notice of the adjourned meeting, or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

Section 3.10 Powers of Board of Directors :

a. Organizational Meeting: At the first meeting of the Board of Directors in each year (at which a quorum shall be present) held next after the Annual Meeting of shareholders, it shall be the duty of the Board of Directors to elect or appoint the officers of the Corporation.

b. General Powers: The Board of Directors shall have all the power and authority granted by law to Directors except as may be specifically excepted by the Articles or by these By-Laws.

c. Committees: The Board of Directors, by Resolution adopted by a majority thereof, may designate an Executive Committee and one or more other committees, each of which shall consist of at least two Directors and such other Directors as shall be appointed by the Board of Directors to serve as alternate members of any such Committee to replace any absent or disqualified member at any Committee Meeting. In the event that any member of any such Committee shall be absent from or disqualified at such Meeting, the member or members thereof present at any such Meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the Meeting in the place of any such absent or disqualified member. Any such Committee shall have and exercise the authority of the Board of Directors in the management of the business and affairs of the Corporation to the extent provided in the Resolution creating such Committee.

Section 3.11 Removal of Directors by Shareholders :

Subject to the right of any class or series of stock entitled to elect Directors separately, any Director may be removed from office, without assigning any cause, but only by the affirmative vote of the holders of at least 80 percent of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors, voting together as a single class.

Section 3.12 The Chairman of the Board - Powers and Duties:

The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and at all meetings of shareholders. Unless otherwise directed by the Board of Directors, the Chairman of the Board shall have full power and authority on behalf of the Corporation to attend and act and vote at any meeting of the shareholders of any corporation in which the corporation may hold stock, and at any such meeting he shall possess and may exercise any and all of the rights and powers incident to the ownership of such stock which the Corporation, as the owner thereof, might have possessed and exercised if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons. He shall also do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 4.1 Officers :

The Officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary, and a Treasurer, all of whom shall be elected or appointed by the Board of Directors. The Board of Directors may also elect one or more Vice-Presidents, one or more Assistant Treasurers and one or more Assistant Secretaries. Any two or more offices may be held by the same person.

The Board of Directors may at any time also elect or appoint such other officers, assistant officers and agents as it shall deem necessary and as the needs of the Corporation may require. Such other officers, assistant officers and agents shall have such authority and shall perform such duties as from time to time may be prescribed by the Board of Directors.

The Officers shall be elected each year at the organization meeting of the Board of Directors, but if not so elected, they, and any assistant officers or agents the Board of Directors shall desire to appoint, may be elected from time to time

during the year. It shall not be necessary for any officer of the Corporation to be a Director.

Section 4.2 The Chief Executive Officer - Powers and Duties:

The Chief Executive Officer shall have responsibility for general supervision and direction of the business of the Corporation, subject to the overall supervision of the Board of Directors. Unless otherwise directed by the Board of Directors, the Chief Executive Officer shall have full power and authority on behalf of the Corporation to attend and act and vote at any meeting of the shareholders of any corporation in which the Corporation may hold stock, and at any such meeting he shall possess and may exercise any and all of the rights and powers incident to the ownership of such stock which the Corporation, as owner thereof, might have possessed and exercised if present. Further, unless otherwise directed by the Board of Directors, the Chief Executive Officer is authorized to execute in the name of the Corporation contracts and other documents requiring the signature of the Corporation. He shall also do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 4.3 The President - Powers and Duties :

The President shall have responsibility for day-to-day supervision and direction of the regular business and operations of the Corporation, subject to the overall supervision of the Board of Directors and the Chief Executive Officer. Unless otherwise directed by the Board of Directors, the President shall have full power and authority on behalf of the shareholders of the Corporation to attend and act and vote at any meeting of the shareholders of any corporation in which the Corporation may hold stock, and at any such meeting shall possess and may exercise any and all of the rights and powers incident to the ownership of such stock which the Corporation, as the owner thereof, might have possessed and exercised if present. Further, unless otherwise directed by the Board of Directors, the President is authorized to execute in the name of the Corporation contracts and other documents requiring the signature of the Corporation. He shall also do and perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 4.4 General Patent Counsel – Powers and Duties :

The General Patent Counsel shall have the responsibility for the intellectual property portfolio and the management and enforcement of the intellectual property of the

Corporation, subject to the policies and directions of the Chief Executive Officer and the Board of Directors. General Patent Counsel shall manage the day-to-day operation of the Patent Department of the Corporation, shall act as the chief legal advisor to the Board of Directors and the Chief Executive Officer in administering the patent and intellectual property matters of the Corporation, and shall have such powers and shall perform such duties as may be from time-to-time assigned to him by the Board of Directors or by the Chief Executive Officer.

Section 4.5 General Counsel – Powers and Duties :

The General Counsel shall have the responsibility for supervision of the legal activities of the Corporation, subject to the policies and directions of the Chief Executive Officer and the Board of Directors. General Counsel shall manage the day-to-day operation of the Legal Department of the Corporation, shall act as the chief legal advisor to the Board of Directors, the Chief Executive Officer and other officers of the Corporation in formulating and administering the legal policies of the Corporation, and shall have such powers and shall perform such duties as may be from time-to-time assigned to him by the Board of Directors or by the Chief Executive Officer.

Section 4.6 The Vice-President - Powers and Duties :

A Vice-President or Vice-Presidents shall be elected by the Board of Directors, if the Board of Directors determines that such offices shall be created. The Vice-President (or, if there are more than one, then each Vice-President) shall have such powers and shall perform such duties as may from time to time be assigned to him or them by the Board of Directors or by the Chairman of the Board or by the President.

Section 4.7 Treasurer - Powers and Duties :

The Treasurer shall have the custody of all the funds and securities of the Corporation which may come into his hands. When necessary or proper (unless otherwise ordered by the Board of Directors) he shall (a) endorse for collection on behalf of the Corporation, checks, notes and other obligations, (b) deposit the same to the credit of the Corporation in such banks or depositories as the Board of Directors may designate and (c) sign all receipts and vouchers for payments made by the Corporation. He shall, at all reasonable times, exhibit his books and accounts to the Board of Directors of the Corporation upon the request of any Director, and

he shall also, if so directed by the Board of Directors, annually prepare and submit to the Annual Meeting of the shareholders a full statement of the assets and liabilities of the Corporation and of its transactions during the preceding year, and he shall have such other powers and shall perform such other duties as may be assigned to him from time to time by the Board of Directors. He shall give such bond for the faithful performance of his duties as may be required by the Board of Directors.

Section 4.8 Assistant-Treasurer - Powers and Duties :

Each Assistant-Treasurer shall have such powers and perform such duties as may be assigned to him by the Board of Directors.

Section 4.9 Secretary – Powers and Duties :

Unless otherwise ordered by the Board of Directors, the Secretary shall keep the minutes of all meetings of the shareholders and of the Board of Directors in proper minute books to be kept for such purpose, and shall attend to the giving of all notices by the Corporation, including notices of meetings, the administration of certificate books, transfer books, the capital stock ledger and such other books and papers of the Corporation as the Board of Directors may direct. The Secretary shall in general perform all the duties incident to the office of Secretary and shall have such other powers and perform such other duties as may be assigned by the Board of Directors. Absent a separate appointment by the Board of Directors, the General Counsel of the Corporation shall serve as the Secretary of the Corporation. In the event the Board of Directors appoints as Secretary someone other than the General Counsel, such person shall report to and work under the supervision of the General Counsel with respect to the duties of the Secretary.

Section 4.10 Assistant Secretary - Powers and Duties :

Each Assistant Secretary shall have such powers and perform such duties as may be assigned to him or them by the Board of Directors.

Section 4.11 Removal and Vacancies :

The Board of Directors shall have power to remove any officer from office at any time and shall also have the power to fill any vacancies in any office occurring from whatever reason. Such power shall be exercised by a majority vote of the Directors

in office at the time of such removal or vacancy, although less than a quorum.

Section 5.1 Share Certificates :

Every shareholder of record shall be entitled to a share certificate representing the shares owned by him, provided that the shares represented thereby shall have been fully paid for. Such share certificate shall be signed by the Chairman of the Board, President, or a Vice-President, and by the Secretary or Treasurer except where such share certificate is signed by a transfer agent or a registrar, in which case the signature of any officer of the Corporation upon such share certificate may be a facsimile, engraved or printed.

Section 5.2 Transfer of Share Certificates :

The transfer of a share certificate and the shares represented thereby shall be made on the books of the Corporation only by the registered owner thereof or by his attorney duly authorized in writing to make such transfer, and only upon surrender of such share certificate, which shall be canceled at the time of transfer.

The Corporation shall be entitled to treat the holder of record of any share certificate or certificates and the shares represented thereby as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share certificate or certificates and shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law or by the Articles.

Section 5.3 Lost Share Certificate :

The holder of any certificate representing shares of stock of the Corporation shall immediately notify the Corporation of any mutilation, loss or destruction thereof, and the Board of Directors may, in its discretion, cause one or more new certificates for the same number of shares in the aggregate to be issued to such holder upon the surrender of the mutilated certificate, or in the case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and deposit of indemnity by bond or otherwise in such form and amount and with such surety or sureties as the Board of Directors may require to indemnify the Corporation against loss or liability by reason of the issuance of such new certificate, but the Board

may, in its discretion, refuse to issue such new certificates save upon the order of some court having jurisdiction in such matters.

Section 6.1 Fiscal Year :

The fiscal year of the Corporation shall be established by the Board of Directors.

Section 7.1 Indemnification :

(a) The Corporation shall indemnify and hold harmless to the fullest extent permitted under the Pennsylvania Business Corporation Law, the Directors' Liability Act (the "DLA") and other applicable law, as such laws existed on the date this Section 7.1 was adopted by the Board Of Directors or, except as provided in Section 7.1(f) hereof, as such laws may thereafter be amended ("Pennsylvania Law"), any person who was or is a party or was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation (collectively, for purposes of this Section 7.1 and Section 7.2 hereof, "Proceeding"), by reason of the fact that he is or was or has agreed to become a director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, or if a director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, and may indemnify and hold harmless to the fullest extent permitted under Pennsylvania Law any person who was or is a party or was or is threatened to be made a party to such a Proceeding by reason of the fact that he is or was or has agreed to become an employee or agent of the Corporation, or, if any employee or agent of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, liability and loss (including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature) incurred by him in connection with such Proceeding and any appeal therefrom: *provided* , that such indemnification shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court in a final, binding

adjudication to have constituted willful misconduct or recklessness.

(b) The Corporation may indemnify and hold harmless to the fullest extent permitted under Pennsylvania Law any person who was or is a party or was or is threatened to be made a party to any Proceeding, by reason of any of his actions in a non-official capacity while serving as a director, officer, employee or agent of the Corporation, against expenses, liability and loss including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature incurred by him in connection with such Proceeding and any appeal therefrom: *provided*, that such indemnification shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court in a final, binding adjudication to have constituted willful misconduct or recklessness.

(c) The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of guilty or *nolo contendere*, or its equivalent, shall not, of itself, create a presumption that the persons' conduct constituted willful misconduct or recklessness.

(d) Expenses incurred by a director or officer in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of the Proceeding, provided that, if Pennsylvania Law requires, the payment of such expenses shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as mandated in this Section 7.1 or otherwise. Expenses incurred by other employees and agents may be so paid to the extent provided by the Board of Directors, upon receipt of the foregoing undertaking by or on behalf of the employee or agent.

(e) The indemnification provided by this Section 7.1 shall be in addition to and not exclusive of any other rights to which those seeking indemnification may be entitled under Pennsylvania Law, or under any By-Law, agreement executed by the Corporation, insurance policy, fund of any nature established by the Corporation, vote of shareholders or disinterested directors or otherwise. The indemnification so provided by this Section 7.1 or otherwise, may be granted whether or not the Corporation would have the power to indemnify such person under any provision of Pennsylvania Law other than the DLA.

(f) The indemnification provisions of this Section 7.1 shall constitute a contract between the Corporation and each of its directors, officers, employees and agents who are or may be entitled to indemnification hereunder and who serve in any such capacity at any time while such provisions are in effect. Any appeal or modification of the indemnification provisions of this Section 7.1 shall not limit any such person's rights to indemnification (including the advancement of expenses) then existing or arising out of events, acts or omissions occurring prior to such repeal or modification, including, without limitation, the right to indemnification with respect to Proceedings commenced after such repeal or modification based in whole or in part upon any such event, act or omission.

(g) The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Section 7.1 or otherwise.

(h) The Corporation may purchase and maintain insurance to insure its indemnification obligations on behalf of any person who is or was or has agreed to become 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 expense, liability or loss asserted against him and incurred by him or on his behalf 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 this Section 7.1 or under any provision of Pennsylvania Law other than the DLA.

(i) The indemnification provided by this Section 7.1 shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(j) If Section 7.1 or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director or officer, and may indemnify each employee or agent of the Corporation, as to expenses, liability and loss (including, without limitation, attorneys' fees and disbursements, punitive and other damages, judgments, fines, penalties, excise taxes assessed with respect to an employee benefit plan, amounts paid or to be paid in settlement and costs and expenses of any nature) incurred by him in

connection with any Proceeding, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Section 7.1 that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 7.2 Limitation on Directors' Personal Liability :

(a) To the fullest extent permitted under the DLA, as it existed on the date this Section 7.2 was adopted or, except as provided in subsection 7.2(e), as such law may thereafter be amended, a director of this Corporation shall not be personally liable for monetary damages as a result of any action or failure to act unless both: (1) the director has breached or failed to perform the duties of his office under Section 8363 of the DLA; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(b) The provisions of this Section 7.2 shall not apply to: (1) the responsibility or liability of a director pursuant to any criminal statute; or (2) the liability of a director for the payment of taxes pursuant to local, state or federal law.

(c) The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of guilty or *nolo contendere*, or its equivalent, shall not, of itself, create a presumption that the director breached or failed to perform the duties of his office under Section 8363 of the DLA and that the breach or failure to perform constituted self-dealing, willful misconduct or recklessness.

(d) Notwithstanding the date of adoption of this Section 7.2, the provisions of Section 7.2 shall apply to any action filed or breaches of performance of duty or any failure of performance of duty by any director on or after January 27, 1987.

(e) No amendment to or repeal of this Section 7.2 or the relevant provisions of the DLA shall reduce the limitation on directors' personal liability for or with respect to any events, acts or omissions of such director occurring prior to such amendment or repeal, including, without limitation, the limitation on personal liability with respect to any Proceedings commenced after such repeal or modification based in whole or in part upon any such event, act or omission.

Section 8.1 Amendments to By-Laws :

The holders of all the shares outstanding and entitled to vote may, by a majority vote, make, alter, amend or repeal any

provision of these By-Laws at any Annual or Special Meeting duly convened after notice to the shareholder of the meeting to be held for such purpose, provided, however, that the affirmative vote of the holders of at least 80 percent of the combined voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class shall be required to alter, amend or repeal Sections 3.1, 3.4, 3.11 or this Section 8.1, or to adopt any provision inconsistent therewith.

The Board of Directors, by a majority vote of the members thereof, may make, alter, amend or repeal any provisions of these By-Laws at any Regular or Special Meeting, duly convened after notice to the Directors of such purpose. The shareholders shall have the right to change such action by a majority vote of the shareholders entitled to vote thereon at any Annual Meeting which may be duly convened for the purpose of changing such action, after notice to the shareholders entitled to notice thereof, provided, however, that the vote of the holders of at least 80 percent of the combined voting power of all of the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to change such action with respect to Sections 3.1, 3.4, 3.11 or this Section 8.1.

Section 9.1 Control-Share Acquisitions :

Subchapter G - "Control-Share Acquisitions" of Chapter 25 of Title 15 of the Pennsylvania Consolidated Statutes, as existing on July 18, 1990 or as may thereafter be amended, shall not be applicable to the Corporation.

Section 10.1 Disgorgement by Certain Controlling Shareholders :

Subchapter H - "Disgorgement by Certain Controlling Shareholders Following Attempts to Acquire Control" of Chapter 25 of Title 15 of the Pennsylvania Consolidated Statutes, as existing on July 18, 1990 or as may thereafter be amended, shall not be applicable to the Corporation.

INTERDIGITAL COMMUNICATIONS CORPORATION
RESTRICTED STOCK UNIT AWARD

This is a Restricted Stock Unit Award is made as of _____ (the "Date of Grant") by InterDigital Communications Corporation (the "Company") to _____ ("Grantee").

1. Definitions . Capitalized terms shall have the meanings set forth below or in the Plan. As used herein:

- (a) "Account" shall mean a bookkeeping account reflecting Grantee's ownership interest in restricted stock units.
- (b) "Change in Control Event" means any transaction or series of transactions that constitutes:
 - (i) a change in the ownership of the Company, within the meaning of Q&A 12 of *IRS Notice 2005-1*;
 - (ii) a change in effective control of the Company, within the meaning of Q&A 13 of *IRS Notice 2005-1*; or
 - (iii) a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Q&A 14 of *IRS Notice 2005-1*.
- (c) "Committee" shall mean the Compensation & Stock Option Committee of the Board or, in the event the Grantee is serving on the Compensation & Stock Option Committee at the relevant time, the Board.
- (d) "Disability" shall have the meaning set forth in Section 409A(a)(2)(C) of the Internal Revenue Code, or any successor provision.
- (e) "Dividend Equivalent" means payments equivalent to dividends paid on Shares, as described in Section 7 herein.
- (f) "Fair Market Value" means the closing price of a Share on the exchange or on NASDAQ, as reported in *The Wall Street Journal* on the relevant valuation date or, if there is no trading on that date, on the next preceding trading date.
- (g) "Plan" means the InterDigital Communications Corporation 1999 Restricted Stock Plan, as amended, incorporated herein by reference.

(h) “ Restricted Period ” means, with respect to each Share of Restricted Stock, the period beginning on the Date of Grant and ending on the Vesting Date.

(i) “ Restricted Stock Units ” means a right to receive _____ Shares issued pursuant to the Plan.

(j) “ Share ” or “ Shares ” means shares of the common stock of the Company, par value \$0.01.

(k) “ Vesting Date ” means the earliest of (i) _____ (2,000 Shares vest); _____ (2,000 Shares vest); or _____ (2,000 Shares vest), (ii) the consummation of a Terminating Event, as defined in the Plan, (iii) Grantee’s death or Disability, or (iv) the date on which Grantee suffers an Unforeseeable Emergency.

(l) “Unforeseeable Emergency” means an unforeseeable emergency within the meaning of Section 409A(a)(2)(B)(ii) of the Internal Revenue Code, or any successor provision.

2. Grant of Restricted Stock Units .

(a) Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to Grantee the Restricted Stock Units. The Company shall maintain an Account for Grantee reflecting the number of Restricted Stock Units credited to Grantee hereunder as a result of this grant of Restricted Stock Units and any crediting of additional Restricted Stock Units to Grantee pursuant to Dividend Equivalents.

(b) All of the terms, conditions and other provisions of the Plan are hereby incorporated by reference into this Agreement. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. Grantee acknowledges receipt of a copy of the Plan and hereby agrees to be bound by the Plan (as presently in effect or hereafter amended) and this Agreement, and by all decisions and determinations of the Committee thereunder. (For purposes of this provision and other provisions of this Agreement, references to the Committee include any persons or administrative body to whom the Committee has delegated authority.)

3. Restrictions on Restricted Stock Units . Subject to the terms and conditions set forth herein and in the Plan, during the Restricted Period, Grantee shall not be permitted to sell, transfer, pledge or assign the Restricted Stock Units except by will or by the laws of descent and distribution. No such transfer occurring as a result of the Grantee’s death shall be effective to

bind the Company unless the Committee shall have been furnished with a copy of the applicable will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

4. Vesting and Forfeiture.

(a) Unless forfeited under Section 4(b) herein, Restricted Stock Units granted hereunder shall vest (meaning that the risk of forfeiture of such Restricted Stock Units shall lapse) at the earliest of (i) the Vesting Date, or (ii) to the extent determined by the Committee, in its sole discretion. Each Restricted Stock Unit credited as a result of Dividend Equivalents under Sections 7(b)(i) and (ii) herein shall be fully vested and nonforfeitable from and after the date of grant (which date shall be deemed the Vesting Date of the Units so credited under sections 7(b)(i) or (ii) for purposes of settlement under Section 6). Each Restricted Stock Unit credited as a result of Dividend Equivalents under Section 7(b)(iii) shall vest at the time of vesting of the forfeitable Restricted Stock Unit which gives rise, directly or indirectly, to the crediting of such Dividend Equivalent Restricted Stock Unit (which date shall be deemed the Vesting Date of the Units so credited under sections 7(b)(iii) for purposes of settlement under Section 6).

(b) If Grantee's service as a director of the Company ends prior to the Vesting Date, all unvested Restricted Stock Units shall be forfeited.

5. Nontransferability. Until the Restricted Stock Units become settleable under Section 4 herein, Restricted Stock Units shall not be transferable. No such transfer occurring as a result of the Grantee's death shall be effective to bind the Company unless the Committee shall have been furnished with a copy of such will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

6. Settlement and Election to Defer Settlement. Restricted Stock Units granted hereunder, together with Restricted Stock Units credited as a result of Dividend Equivalents, shall be settled by delivery of one share of the Company's Common Stock for each Restricted Stock Unit being settled. Settlement of a Restricted Stock Unit granted hereunder shall occur upon the lapse of the risk of forfeiture of such Restricted Stock Unit under Section 4 herein, except settlement shall be deferred in certain cases if so elected by Grantee in accordance with this Section 6. Settlement of Restricted Stock Units, which directly or indirectly result from Dividend Equivalents on Restricted Stock Units granted hereunder, shall occur at the time of settlement of the granted Restricted Stock Unit. By filling out, signing, and returning Exhibit "A" to this Agreement, Grantee may elect to defer the date of settlement of Restricted Stock Units vested under Section 4(a) or (b) above as described in Exhibit "A". If Exhibit "A" is not

signed and returned, settlement of all Restricted Stock Units will occur upon the lapse of the risk of forfeiture under Section 4 herein. Grantee may elect to defer delivery.

7. Dividend Equivalents and Adjustments.

(a) Dividend Equivalents shall be credited on Restricted Stock Units (other than Restricted Stock Units that, at the relevant record date, previously have been settled or forfeited) in accordance with this Section 7.

(b) Dividend Equivalents shall be credited on Restricted Stock Units (other than Restricted Stock Units that, at the relevant record date, previously have been settled or forfeited), as follows:

- (i) *Cash Dividends* . If the Company declares and pays a dividend or distribution on its Shares in the form of cash, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the amount of cash actually paid as a dividend or distribution on each outstanding Share at such payment date, divided by the Fair Market Value of a Share at such payment date.
- (ii) *Non-Cash Dividends* . If the Company declares and pays a dividend or distribution on Shares in the form of property other than Shares, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding Share at such payment date, divided by the Fair Market Value of a Share at such payment date.
- (iii) *Stock Dividends* . If the Company declares and pays a dividend or distribution on Shares in the form of additional Shares, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the number of additional Shares actually paid as a dividend or distribution in respect of each outstanding Share.

8. Other Terms Relating to Restricted Stock Units.

(a) The number of Restricted Stock Units credited to a Grantee's Account shall include fractional Restricted Stock Units calculated to at least three decimal places, unless otherwise determined by the Committee. Upon settlement of Restricted Stock Units, Grantee shall be paid, in cash, an amount equal to the value of any fractional share that would have otherwise been deliverable in settlement of such Restricted Stock Units.

(b) It shall be a condition to the Company's obligation to issue and deliver Shares in settlement of the Restricted Stock Units that the Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying any liability to withhold federal, state, or local income or other taxes. If the amount requested is not paid, the Company may refuse to deliver the Shares in settlement of the Restricted Stock Units until such amount is paid. The Committee may, in its discretion, permit a Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) to pay all or a portion of the amount required by the Company for such taxes, at such time and in such manner as the Committee shall deem to be appropriate, including by authorizing the Company to withhold from the Shares to be delivered in settlement, or by agreeing to surrender to the Company on or about the date such tax liability is determinable, Shares having a Fair Market Value on such date equal to the amount of such tax liability or a specified portion of such tax liability.

9. Absence of Tax Gross-Up Payment. There shall be no tax gross-up on the Restricted Stock Units.

10. Notices. Any notice to the Company under this Agreement shall be made in care of the Committee to the office of the General Counsel, at the Company's main office in King of Prussia, Pennsylvania. All notices under this Agreement shall be deemed to have been given when hand-delivered or mailed, first class postage prepaid, and shall be irrevocable once given.

11. Securities Laws. The Committee may from time to time impose any conditions on the Restricted Stock Units or the underlying Shares as it deems necessary or advisable to comply with applicable securities laws.

12. Award Not to Affect Service. The Award granted hereunder shall not confer upon Grantee any right to continue as a director of the Company.

13. Miscellaneous.

(a) The address for Grantee to which notice, demands and other communications to be given or delivered under or by reason of the provisions hereof shall be the Grantee's address as reflected in the Company's personnel records.

(b) The Grantee acknowledges receipt of a copy of the Plan, a copy of which is annexed hereto, and represents that he/she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions thereof. Grantee agrees to hereby accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement. Grantee authorizes the Company to withhold in accordance with applicable law from any compensation payable to him/her any taxes required to be withheld by federal, state or local law in connection with the Award.

(c) Any provision for distribution in settlement of Grantee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Grantee or any person to whom ownership right may have passed any right to, or claim against any specific assets of the Company, nor result in the creation of any trust or escrow account for Grantee or any person to whom ownership rights may have passed. Grantee or any other person entitled to a distribution hereunder shall be a general creditor of the Company.

(d) To the extent not preempted by federal law, the validity, performance, construction and effect of this Award shall be governed by the laws of Pennsylvania, without giving effect to principles of conflicts of law.

IN WITNESS WHEREOF, this Restricted Stock Award has been duly executed.

ATTEST:

INTERDIGITAL COMMUNICATIONS CORPORATION

BY: _____

GRANTEE

**INTERDIGITAL COMMUNICATIONS CORPORATION
RESTRICTED STOCK UNIT ELECTION TO DEFER SETTLEMENT
(Form for Multiple Vesting Periods - Directors)**

Grant Date: _____
_____ Shares

Please Check Only One Election For Each Vesting Period:

First Vesting Period: _____ shares

- I hereby elect to have my Restricted Stock Units settled upon the lapse of the risk of forfeiture under Section 4 of the Restricted Stock Units Agreement between myself and InterDigital Communications Corporation dated as of _____ (this election will apply if no box is checked).
- I hereby elect to defer the settlement of my Restricted Stock Units until _____ (subject to accelerated settlement upon the consummation of a Terminating Event * or my cessation of service as a director of the Company).
- I hereby elect to defer the settlement of my Restricted Stock Units until my cessation of service as a director of the Company (subject to accelerated settlement upon the consummation of a Terminating Event *).

Second Vesting Period: _____ shares

- I hereby elect to have my Restricted Stock Units settled upon the lapse of the risk of forfeiture under Section 4 of the Restricted Stock Units Agreement between myself and InterDigital Communications Corporation dated as of _____ (this election will apply if no box is checked).
- I hereby elect to defer the settlement of my Restricted Stock Units until _____ (subject to accelerated settlement upon the consummation of a Terminating Event * or my cessation of service as a director of the Company).
- I hereby elect to defer the settlement of my Restricted Stock Units until my cessation of service as a director of the Company (subject to accelerated settlement upon the consummation of a Terminating Event *).

Third Vesting Period (if applicable): _____ shares

- I hereby elect to have my Restricted Stock Units settled upon the lapse of the risk of forfeiture under Section 4 of the Restricted Stock Units Agreement between myself and InterDigital Communications Corporation dated as of _____ (this election will apply if no box is checked).
- I hereby elect to defer the settlement of my Restricted Stock Units until _____ (subject to accelerated settlement upon the consummation of a Terminating Event * or my cessation of service as a director of the Company).
- I hereby elect to defer the settlement of my Restricted Stock Units until my cessation of service as a director of the Company (subject to accelerated settlement upon the consummation of a Terminating Event *).

* As defined in the 1999 Restricted Stock Plan, as amended.

**INTERDIGITAL COMMUNICATIONS CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT**

This Restricted Stock Unit Award Agreement (this "Agreement") is made as of _____, 2005 (the "Date of Grant") by InterDigital Communications Corporation (the "Company") to _____ ("Grantee").

1. **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings set forth below or in the Plan. As used herein:

- (a) "**Account**" shall mean a bookkeeping account reflecting Grantee's interest in restricted stock units.
- (b) "**Change in Control Event**" means any transaction or series of transactions that constitutes:
 - (i) a change in the ownership of the Company, within the meaning of Q&A 12 of *IRS Notice 2005-1* ;
 - (ii) a change in effective control of the Company, within the meaning of Q&A 13 of *IRS Notice 2005-1* ; or
 - (iii) a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Q&A 14 of *IRS Notice 2005-1* .
- (c) "**Committee**" shall mean Committee, as defined in the Plan; provided, however, that in the event the Grantee is serving on the Compensation Committee at the relevant time, then "Committee" shall mean the Board.
- (d) "**Disability**" shall have the meaning set forth in Section 409A(a)(2)(c) of the Internal Revenue Code, or any successor provision.
- (e) "**Dividend Equivalent**" means credits arising in respect of dividends paid on Shares, as described in Section 6 herein.
- (f) "**Fair Market Value**" means the closing price of a Share on the exchange or on NASDAQ, as reported in *The Wall Street Journal* on the relevant valuation date or, if there is no trading on that date, on the next preceding trading date.
- (g) "**Plan**" means the InterDigital Communications Corporation 1999 Restricted Stock Plan, as amended.
- (h) "**Restricted Stock Units**" means a right to receive _____ Shares issued pursuant to the Plan.

(i) “ Vesting Date ” means the earliest of (i) _____, (ii) the consummation of a Change in Control Event, (iii) Grantee’s death or Disability, or (iv) the date on which Grantee suffers an Unforeseeable Emergency.

(j) “ Unforeseeable Emergency ” means an unforeseeable emergency within the meaning of Section 409A(a)(2)(B)(ii) of the Internal Revenue Code, or any successor provision.

2. Grant of Restricted Stock Units .

(a) Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to Grantee the Restricted Stock Units. The Company shall maintain an Account for Grantee reflecting the number of Restricted Stock Units credited to Grantee hereunder.

(b) All of the terms, conditions and other provisions of the Plan are hereby incorporated by reference into this Agreement. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. Grantee acknowledges receipt of the Plan, a copy of which is annexed hereto, represents that he/she is familiar with the terms and provisions thereof and hereby agrees to be bound by the Plan (as presently in effect or hereafter amended) and this Agreement, and by all decisions and determinations of the Committee thereunder. (For purposes of this provision and other provisions of this Agreement, references to the Committee include any persons or administrative body to whom the Committee has delegated authority.)

3. Restrictions on Restricted Stock Units . Subject to the terms and conditions set forth herein and in the Plan, Grantee shall not be permitted to sell, transfer, pledge or assign the Restricted Stock Units except by will or by the laws of descent and distribution. No such transfer occurring as a result of the Grantee’s death shall be effective to bind the Company unless the Committee shall have been furnished with a copy of the applicable will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

4. Vesting and Forfeiture .

(a) Unless forfeited under Section 4(b) herein, Restricted Stock Units granted hereunder shall vest (meaning that the risk of forfeiture of such Restricted Stock Units shall lapse) at the earliest of (i) the Vesting Date, or (ii) to the extent determined by the Committee, in its sole discretion. Each Restricted Stock Unit credited as a result of Dividend Equivalents under Sections 7(a) and (b) herein shall be fully vested and nonforfeitable from and after the date of grant (which date shall be deemed the Vesting Date of the Units so credited under Section 7(a) or (b) for purposes for settlement under Section 6). Each Restricted Stock Unit credited as a result of Dividend Equivalents under Section 7(c) shall vest at the time of vesting of the forfeitable Restricted Stock Unit which gives rise, directly or indirectly, to the crediting of such Dividend Equivalent Restricted Stock Unit (which date shall be deemed the Vesting Date of the Units so credited under Section 7(c) for purposes for settlement under Section 6).

(b) If Grantee's service as a director of the Company ends prior to the Vesting Date, all unvested Restricted Stock Units shall be forfeited.

5. Nontransferability. Until the Restricted Stock Units become settleable under Section 4 herein, Restricted Stock Units shall not be transferable. In the event the Restricted Stock Units vest as a result of Grantee's death transfer may occur pursuant to Grantee's will or the laws of descent and distribution provided, however, no such transfer occurring as a result of the Grantee's death shall be effective to bind the Company unless the Committee shall have been furnished with a copy of such will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

6. Settlement.

Restricted Stock Units credited hereunder (including Restricted Stock Units credited in respect of Dividend Equivalents) will be settled by delivery of one share of the Company's Common Stock for each Restricted Stock Unit being settled. Settlement will occur as soon as practicable following the applicable Vesting Date; provided, however, that if the Vesting Date is described in clause (iii) of Section 1(i), then settlement will occur on the Vesting Date only to the extent permitted by Section 409A(a)(2)(B)(ii)(II) of the Internal Revenue Code (or any successor provision), and any Restricted Stock Units, or portion thereof, that are not then settled will be settled on the date on which all of the Restricted Stock Units would have been settled in the absence of the Unforeseen Emergency.

7. Dividend Equivalents and Adjustments. Dividend Equivalents shall be credited on Restricted Stock Units (other than Restricted Stock Units that, at the relevant record date, previously have been settled or forfeited) in accordance with this Section 7:

(a) *Cash Dividends*. If the Company declares and pays a dividend or distribution on its Shares in the form of cash, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the amount of cash actually paid as a dividend or distribution on each outstanding Share at such payment date, divided by the Fair Market Value of a Share as of such payment date.

(b) *Non-Cash Dividends*. If the Company declares and pays a dividend or distribution on Shares in the form of property other than Shares, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding Share at such payment date, divided by the Fair Market Value of a Share as of such payment date.

(c) *Stock Dividends* . If the Company declares and pays a dividend or distribution on Shares in the form of additional Shares, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the number of additional Shares actually paid as a dividend or distribution in respect of each outstanding Share.

8. Other Terms Relating to Restricted Stock Units .

(a) The number of Restricted Stock Units credited to a Grantee's Account shall include fractional Restricted Stock Units calculated to at least three decimal places, unless otherwise determined by the Committee. Upon settlement of Restricted Stock Units, Grantee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Restricted Stock Units.

(b) It shall be a condition to the Company's obligation to issue and deliver Shares in settlement of the Restricted Stock Units that Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold federal, state, or local income or other taxes. If the amount required is not paid, the Company may refuse to deliver the Shares in settlement of the Restricted Stock Units until such amount is paid. The Committee may, in its discretion, permit a Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) to pay all or a portion of the amount required by the Company for such tax withholding, at such time and in such manner as the Committee shall deem to be appropriate, including by authorizing the Company to withhold from the Shares to be delivered in settlement, or by agreeing to surrender to the Company on or about the date such tax liability is determinable, Shares having a Fair Market Value on such date equal to the amount of such tax liability or a specified portion of such tax liability.

9. Absence of Tax Gross-Up Payment . There shall be no tax gross-up on the Restricted Stock Units.

10. Notices . Any notice to the Company under this Agreement shall be made in care of the Committee to the office of the General Counsel, at the Company's main office in King of Prussia, Pennsylvania. All notices under this Agreement shall be deemed to have been given when hand-delivered or mailed, first class postage prepaid, and shall be irrevocable once given.

11. Securities Laws . The Committee may from time to time impose any conditions on the Restricted Stock Units (or the underlying Shares) as it deems necessary or advisable to comply with applicable securities laws.

12. Award Not to Affect Service . The award granted hereunder shall not confer upon Grantee any right to continue service as a director of the Company.

13. Miscellaneous.

(a) The address for Grantee to which notice, demands and other communications to be given or delivered under or by reason of the provisions hereof shall be the Grantee's address as reflected in the Company's personnel records.

(b) The Grantee acknowledges receipt of a copy of the Plan, a copy of which is annexed hereto, and represents that he/she is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions thereof. Grantee agrees to hereby accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement. Grantee authorizes the Company to withhold in accordance with applicable law from any compensation payable to him/her any taxes required to be withheld by federal, state or local law in connection with this Award.

(c) Any provision for distribution in settlement of Grantee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Grantee or any person to whom ownership right may have passed any right to, or claim against any specific assets of the Company, nor result in the creation of any trust or escrow account for Grantee or any person to whom ownership rights may have passed. Grantee (or any other person entitled to a distribution hereunder) shall be a general creditor of the Company.

(d) To the extent not preempted by federal law, the validity, performance, construction and effect of this award shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of law.

IN WITNESS WHEREOF, the Company has caused this Restricted Stock Unit Award Agreement to be executed by its duly authorized officer, and Grantee has executed this Restricted Stock Unit Award Agreement, in each case as of the date first above written.

ATTEST:

INTERDIGITAL COMMUNICATIONS
CORPORATION

BY: _____

Name

ATTEST:

GRANTEE

-5-

Exhibit 10.70

**I N T E R D I G I T A L C O M M U N I C A T I O N S C O R P O R A T I O N
L O N G T E R M C O M P E N S A T I O N P R O G R A M**

The Company implemented the Long Term Compensation Program (the "Program") to encourage management and executive level employees to continue to exercise their best efforts toward ensuring the success of the Company. All regular full-time or regular part-time employees (as defined in the Employee Handbook) at or above a manager or technical equivalent level are eligible to participate in the Program.

Compensation Components. As further described below, the Program consists of two compensation components: (1) a Long-Term Incentive Plan providing performance-based cash bonuses (the "LTIP"), and (2) an award of restricted stock units ("RSUs") under the Company's 1999 Restricted Stock Plan.

The LTIP component of the Program rewards grantees based on the Company's achievement of performance goals established/approved by the Compensation Committee of the Board of Directors (the "Compensation Committee").

The RSU awards provide recipients with an opportunity to share in the growth of the Company's value in the marketplace. An RSU is a contractual right to receive a share(s) of InterDigital Common Stock after completion of a specified vesting period.

Program Cycle. The Program operates in cycles (the "Program cycle"). The first Program cycle began on April 1, 2004 and will end on January 1, 2006. Subsequent Program cycles are intended to be overlapping three-year cycles, beginning January 1, 2005 and recurring every other year thereafter.

LTIP Cash Bonuses . The LTIP cash bonus targets are established based on a percentage of annual base salary and a payout under the LTIP is based on the Company's achievement of certain performance goals associated with each Program cycle, established by the Compensation Committee at the start of each Program cycle. Your cash LTIP payout may exceed or be less than your targeted amount depending on achievement of the performance goals, or no payout may be made if the Company fails to meet the minimum performance goals for the Program cycle. To be eligible for a cash payout you must remain continuously employed by the Company (or an Affiliate of the Company) through the end of the Program cycle. For purposes of this Program, an Affiliate means any other individual, corporation, partnership, association, trust or other entity that, directly or indirectly, is in control of or is controlled by or is under common control with the Company. Payout of the LTIP cash bonus will be made no later than March 15 of the year following the end of each Program cycle.

RSU Terms. RSUs will be granted under, and subject to the terms of, the Company's 1999 Restricted Stock Plan (the "Plan"). You will receive an RSU Award Agreement setting forth in detail the terms of your RSU grant along with a copy of the prospectus for the Plan. In the event of any conflict between this summary and your RSU award agreement, the RSU award agreement will govern.

For all non-executives/officers, the RSUs granted in connection with each Program cycle will vest incrementally based on the duration of the Program cycle. For the first cycle, vesting will

occur over a two-year period with half of the RSUs vesting on January 1, 2005 and half vesting on January 1, 2006, so long as you remain continuously employed by the Company (or an Affiliate) through the applicable vesting dates. For subsequent Program cycles, currently intended to be three years in duration, vesting will occur 25% at the end of years one and two, and 50% at the end of year three. For all executive/officer level participants, the RSUs granted in connection with each Program cycle will vest 100% at the end of each cycle, so long as you remain employed by the Company or an Affiliate of the Company through the applicable vesting date. Settlement for RSUs that become vested will occur, subject to section 8 of the 1999 Restricted Stock Plan, on the first business day following the applicable vest date; provided, however, that in no event will settlement of your RSUs be made before the date which is six months after the date of your termination of employment if you are a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Internal Revenue Code, or any successor provision.

New Program Participants . If you are promoted to a level which qualifies you to participate in the Program for the first time or you are newly hired within the first two years of a three-year Program cycle (or within the first year of a two-year cycle), you will be eligible to receive a pro rata LTIP cash bonus and RSU award. The pro rata target LTIP cash bonus and RSU award will be determined based on the amount of time (number of pay periods) remaining in the first year of the LTCP cycle in which you are hired or promoted to a qualifying level plus the full amount associated with any ensuing years that remain in such cycle. By way of example, if you are a non-executive employee hired October 1st of the first year of a two year LTCP cycle, you would be eligible to receive 3/12 of that year's LTCP eligibility in addition to the full-year eligibility for the second year of the LTCP cycle. The LTIP (cash) and RSU awards will be paid out and vest respectively, as described under the sections entitled "LTIP Cash Bonuses" and "RSU Terms".

Promotion during Program Cycle. If you are promoted during a Program cycle and such promotion results in an accompanying increase in your Program payout target (LTIP target and RSU award), you will realize the benefit of the Program target increase at the beginning of the next applicable Program cycle unless the Compensation Committee, in its sole discretion, authorizes such an adjustment at a different time.

Effect of Termination of Employment. If, during a Program cycle, your employment with the Company terminates due to your death, "disability," "retirement," or termination by the Company without "cause" (each as defined below), you will earn a pro-rata portion of your LTIP cash bonus and RSU award. That pro-rata portion will be determined by multiplying both the amount of the LTIP cash bonus and the number of RSUs awarded to you under the Program by a fraction equal to the portion of the Program cycle that has transpired prior to the cessation of your employment over the entire Program cycle. Such pro-rata payment and distribution will be made to you (or, if applicable, your estate) at the same time as bonus payments and share distributions are made to active employees participating in the Program.

If your employment ceases for any other reason, all your rights under the Program (other than RSUs that have previously vested) will be forfeited. This means that if you voluntarily leave the Company, you will forfeit your rights to all compensation under the Program (other than any RSUs which may have previously vested.)

For purposes of the Program:

* “cause” means: (a) willful and repeated failure of an employee to perform substantially his or her duties (other than any such failure resulting from incapacity due to physical or mental illness); (b) an employee’s conviction of, or plea of guilty or nolo contendere to, a felony which is materially and demonstrably injurious to the Company or an Affiliate; (c) willful misconduct or gross negligence by an employee in connection with his or her employment; or (d) an employee’s breach of any material obligation or duty owed to the Company or an Affiliate.

* “disability” means: (a) a disability entitling the employee to long-term disability benefits under the applicable long-term disability plan of the Company (or an Affiliate if employee is employed by such Affiliate); or (b) if the employee is not covered by such a plan, a physical or mental condition or illness that renders the employee incapable of performing his or her duties for a total of 180 days or more during any consecutive 12-month period.

* “retirement” means resignation after attaining a combination of age plus years of service at the Company (and Affiliates) equal to 70.

Effect of a Terminating Event . If a Terminating Event (meaning a Change of Control—as defined in the Plan—or liquidation of the Company) occurs during the Program cycle and while you are actively employed by the Company, then:

* immediately prior to (but contingent on the occurrence of) that Terminating Event all your RSUs will become fully vested and you will receive a distribution of InterDigital shares with respect to those RSUs; and

* you will be entitled to an early payment of your LTIP cash bonus in an amount equal to the greater of (i) your target LTIP cash bonus, or (ii) the LTIP cash bonus that would have been due to you at the end of the Program cycle (but for the Terminating Event), assuming performance through the remainder of the Program cycle would be consistent with performance in the portion of the Program cycle prior to the Terminating Event. Payment of this amount will be made not later than 30 days after the Terminating Event.

Taxation of Awards. The following is a brief description of the federal income and employment tax treatment of Program awards. The rules governing these awards are complex and their application may vary depending upon your individual circumstances. Moreover, statutory and regulatory provisions and their interpretations are subject to change. You are therefore encouraged to consult with your personal tax advisor regarding the tax consequences of participation in the Program.

For federal income and employment tax purposes, the full amount of any LTIP cash bonus will be taxable to you at the time the cash is paid to you.

For federal income tax purposes, you will recognize ordinary income with respect to the value of shares distributed in respect of RSUs at the time the shares are distributed to you based on the value of those shares at that time. For employment tax and possibly state income tax purposes, you will be taxed on the value of the shares subject to your RSUs at the time those RSUs vest,

based on the value of those shares at that time. Further information regarding the taxation of your RSUs is contained in the Plan's prospectus.

Future Program Cycles . While the Company reserves the right to alter or discontinue the Program at any time, its present intent is to continue the Program for future cycles. The Company expects future Program cycles to include both an LTIP component and an RSU component. If you are eligible to participate in a future Program cycle, additional information will be distributed to you at the start of that cycle.

Administration. The Program is administered by the Compensation Committee. The Compensation Committee has the right to terminate or amend the Program and its components at any time for any reason. The Compensation Committee also has the authority to select employees to receive awards, to create, amend, and rescind rules regarding the operation of the Program, to determine whether LTIP performance goals have been achieved, to reconcile inconsistencies, to supply omissions and to otherwise make all determinations necessary or desirable for the operation of the Program.

Election to Defer Settlement of RSUs. Participants who are eligible to defer settlement of their RSUs must make such election in the calendar year preceding the date of grant of the RSUs to be deferred. Eligibility to defer shall be made by the Company, in its sole discretion.

No Assignment. You may not assign, pledge or otherwise transfer any right relating to a cash or RSU award under the Program and any attempt to do so will be void.

No Right to Continued Employment. Your participation in the Program does not give you any right to continue in employment or limit in any way the right of the Company to terminate your employment at any time, for any reason.

Questions. If you have questions regarding the Program, please contact Gary Isaacs, Sr. Human Resources Officer, at 610-878-5721.

April 2005

I N T E R D I G I T A L C O M M U N I C A T I O N S C O R P O R A T I O N
L O N G T E R M C O M P E N S A T I O N P R O G R A M

S U P P L E M E N T A L P R O G R A M S U M M A R Y

In addition to the Company's Long Term Compensation Program (the "Program") Terms and Conditions as amended April 2005 (the "Terms and Conditions"), the provisions outlined in this Supplemental Program Summary apply to the Program. Taken together, the Terms and Conditions and this supplemental document (along with the terms contained in the Company's 1999 Restricted Stock Plan and associated prospectus (collectively, the "Plan") as such terms relate to the grant of restricted stock units ("RSU") made under the Program), represents a comprehensive written description of the Program.

Program Goals

- Introduces a new compensation program to attract, motivate and retain employees; and
- Ensures alignment with market/industry practices and shareholder interests.

Program Cycles

As described in the Terms and Conditions, the initial Program cycle is a two-year cycle commencing April 1, 2004, with subsequent Program cycles occurring in overlapping three-year cycles. Under the initial two-year Program cycle, all participants will receive two-thirds of a full three-year cycle. The opportunity for non-executive/officer-level participants as well as executive/officer-level participants to receive the Long-Term Incentive Plan performance-based cash bonus component of the Program ("LTIP") occurs at the end of each Program cycle.

On June 30, 2005, the Compensation Committee of the Board of Directors ("Committee") revised Cycle 2 of the cash award portion of the Program which was scheduled to cover the period of January 1, 2005 to January 1, 2008 ("Cycle 2") as follows:

- Effective June 30, 2005, the cash award portion of Program Cycle 2 is revised to cover a 3 ½ year period beginning July 1, 2005 to January 1, 2009 ("New Cycle 2"). Only persons eligible to participate in the Program and actively employed on or after July 1, 2005 will be eligible to participate in New Cycle 2.
- New performance goals covering New Cycle 2 will be approved by the Compensation Committee.
- Each employee eligible to participate in Cycle 2 at June 30, 2005 and each former employee who was vested in a pro rata portion of the cash award of Cycle 2 at June 30, 2005 will receive a cash award covering the period of time from January 1, 2005 to June 30, 2005 ("Interim Period").
- Cash awards covering the Interim Period ("Interim Awards") will be paid on or before August 1, 2005.

-
- Interim Awards for each eligible person will be equal to 50% of the Pro Rata Amount.
 - Pro Rata Amount = Target Cash Award multiplied by the Applicable Fraction.
 - Target Cash Award = the total cash award an individual would have been eligible to receive at the end of Cycle 2 based upon such individual's target and assuming 100% of corporate goals had been met.
 - Applicable Fraction = the number of pay dates during the Interim Period a person was participating in the Program under Cycle 2, divided by 72 (the total number of pay dates during Cycle 2).

Future Program cycles are expected to be overlapping three-year periods (with the next cash award cycle beginning January 1, 2009) such that performance-based cash award cycles will cover a three year period which begins one calendar year later than the RSU award cycle.

Program Targets

The following Program targets are based on organizational levels (or a specific officer position within the Company) and that organizational level's (or the specific officer's) base salary. The percentages are used to calculate the opportunity to receive the LTIP cash bonus component of the Program and the amount of the RSU award component of the Program:

- Manager/Sr. Manager & Technical Equivalent – 40%
- Director/Sr. Director & Technical Equivalent – 45%
- Functional VP – 50%
- Chief Executive Officer – 120%
- General Patent Counsel – 80%
- Chief Financial Officer – 90%
- Chief Technology Officer – 90%
- Sr. Business Development Officer – 90%
- General Counsel – 80%
- Chief Strategic Standards Officer – 80%
- Sr. Engineering & Programs Officer – 80%
- Sr. Human Resources Officer – 80%
- Fellow, ASIC/DSP – 70%

RSU awards are calculated based on the target percentage of base salary of an eligible participant divided by the Company's closing share price on the date of the RSU award (i.e., April 1, 2004 for the initial Program cycle).

INTERDIGITAL COMMUNICATIONS CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement (this “Agreement”) is made as of _____ (the “Date of Grant”) by InterDigital Communications Corporation (the “Company”) to _____ (“Grantee”).

1. Definitions. Capitalized terms shall have the meanings set forth below or in the Plan. As used herein:

(a) “Account” means a bookkeeping account reflecting Grantee’s interest in restricted stock units.

(b) “Cause” means: (a) willful and repeated failure of Grantee to perform substantially his or her duties (other than any such failure resulting from incapacity due to physical or mental illness); (b) Grantee’s conviction of, or plea of guilty or nolo contendere to, a felony which is materially and demonstrably injurious to the Company or an Affiliate; (c) willful misconduct or gross negligence by Grantee in connection with his or her service to the Company; or (d) Grantee’s breach of any material obligation or duty owed to the Company or an affiliate.

(c) “Change in Control Event” means any transaction or series of transactions that constitutes both a Change of Control as defined in the Plan and at least one of the following:

(i) a change in the ownership of the Company, within the meaning of Q&A 12 of IRS Notice 2005-1;

(ii) a change in effective control of the Company, within the meaning of Q&A 13 of IRS Notice 2005-1; or

(iii) a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Q&A 14 of IRS Notice 2005-1.

(d) “Disability” means a disability entitling Grantee to long-term disability benefits under the applicable long-term disability plan of the Company (or its Affiliate if Grantee is employed by such Affiliate); or (b) if Grantee is not covered by such a plan, a physical or mental condition or illness that renders Grantee incapable of performing his or her duties for a total of 180 days or more during any consecutive 12-month period.

(e) “Dividend Equivalent” means credits arising in respect of dividends paid on Shares, as described in Section 6 herein.

(f) “ Fair Market Value ” means the closing price of a Share on the exchange or on NASDAQ, as reported in *The Wall Street Journal* on the relevant valuation date or, if there is no trading on that date, on the next preceding trading date.

(g) “ Plan ” means the InterDigital Communications Corporation 1999 Restricted Stock Plan, as amended.

(h) “ Restricted Period ” means the period beginning on the Date of Grant and ending on _____.

(i) “ Restricted Stock Units ” means a right to receive _____ Shares issued pursuant to the Plan.

(j) “ Retirement ” means resignation by Grantee after attaining a combination of age plus years of service at the Company (and Affiliates) equal to 70 with the consent of the Company.

(k) “ Vesting Date ” means the earlier of (i) _____ or (ii) the consummation of a Change in Control Event.

2. Grant of Restricted Stock Units .

(a) Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to Grantee the Restricted Stock Units. The Company shall maintain an Account for Grantee reflecting the number of Restricted Stock Units credited to Grantee hereunder.

(b) All of the terms, conditions and other provisions of the Plan are hereby incorporated by reference into this Agreement. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. Grantee acknowledges receipt of the Plan, a copy of which is annexed hereto, represents that he/she is familiar with the terms and provisions thereof and hereby agrees to be bound by the Plan (as presently in effect or hereafter amended) and this Agreement, and by all decisions and determinations of the Committee thereunder. (For purposes of this provision and other provisions of this Agreement, references to the Committee include any persons or administrative body to whom the Committee has delegated authority.)

3. Restrictions on Restricted Stock Units . Subject to the terms and conditions set forth herein and in the Plan, Grantee shall not be permitted to sell, transfer, pledge or assign the Restricted Stock Units except by will or by the laws of descent and distribution. No such transfer occurring as a result of the Grantee’s death shall be effective to bind the Company unless the Committee shall have been furnished with a

copy of the applicable will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

4. Vesting and Forfeiture.

(a) Restricted Stock Units granted hereunder shall vest (meaning that the risk of forfeiture of such Restricted Stock Units shall lapse) on the Vesting Date if Grantee remains continuously employed by the Company through that date. Each Restricted Stock Unit credited under Section 6 in respect of Dividend Equivalents shall vest at the time of vesting of the Restricted Stock Unit that gives rise, directly or indirectly, to such Dividend Equivalent.

(b) If Grantee's service as a director and/or employee of the Company ends prior to the Vesting Date due to a termination for Cause or a resignation for any reason other than Retirement, all Restricted Stock Units granted hereunder will be forfeited.

(c) If Grantee's service or employment with the Company ceases prior to the Vesting Date due to death, Disability, Retirement, or termination by the Company without Cause, Grantee will become vested in a pro-rata portion of his or her Restricted Stock Units. That pro-rata portion will be determined by multiplying the number of Restricted Stock Units by a fraction equal to the portion of the Restricted Period that has transpired prior to such cessation of service or employment. Settlement for Restricted Stock Units that become vested pursuant to this Section 4(c) will occur subject to the terms of the Plan on the first business day following the Vesting Date; provided, however, that in no event will settlement of Grantee's Restricted Stock Units be made before the date which is six months after the date of Grantee's termination of employment if Grantee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Internal Revenue Code, or any successor provision.

5. Settlement and Election to Defer Settlement.

(a) Restricted Stock Units credited hereunder (including Restricted Stock Units credited in respect of Dividend Equivalents) will be settled by delivery of one share of the Company's Common Stock for each Restricted Stock Unit being settled. Subject to Section 4(c) of this Agreement, settlement will occur on the first business day following the applicable Vesting Date, unless Grantee has elected to defer settlement in accordance with Section 5(b).

(b) By completing, signing and returning Exhibit "A" to this Agreement within 30 days of the date of this Agreement, Grantee may elect to defer the date of settlement of Restricted Stock Units credited hereunder. If a Grantee elects to defer settlement, such deferred settlement must occur on or after _____. Notwithstanding the foregoing, no deferral election made pursuant to this Section 5(b) will be effective until the first anniversary of the date on which such election was made.

6. Dividend Equivalents and Adjustments. Dividend Equivalents shall be credited on Restricted Stock Units (other than Restricted Stock Units that, at the relevant record date, previously have been settled or forfeited) in accordance with this Section 6:

(a) *Cash Dividends* . If the Company declares and pays a dividend or distribution on its Shares in the form of cash, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the amount of cash actually paid as a dividend or distribution on each outstanding Share at such payment date, divided by the Fair Market Value of a Share as of such payment date.

(b) *Non-Cash Dividends* . If the Company declares and pays a dividend or distribution on Shares in the form of property other than Shares, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution, multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding Share at such payment date, divided by the Fair Market Value of a Share as of such payment date.

(c) *Stock Dividends* . If the Company declares and pays a dividend or distribution on Shares in the form of additional Shares, then a number of additional Restricted Stock Units shall be credited to Grantee's Account as of the payment date for such dividend or distribution equal to the number of Restricted Stock Units credited to the Account as of the record date for such dividend or distribution or split, multiplied by the number of additional Shares actually paid as a dividend or distribution or issued in such split in respect of each outstanding Share.

7. Other Terms Relating to Restricted Stock Units .

(a) The number of Restricted Stock Units credited to a Grantee's Account shall include fractional Restricted Stock Units calculated to at least three decimal places, unless otherwise determined by the Committee. Upon settlement of Restricted Stock Units, Grantee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Restricted Stock Units.

(b) It shall be a condition to the Company's obligation to issue and deliver Shares in settlement of the Restricted Stock Units that Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold federal, state, or local income or other taxes. If the amount required is not paid, the Company may refuse to deliver the Shares in settlement of the Restricted Stock Units until such amount is paid. The

Committee may, in its discretion, permit a Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) to pay all or a portion of the amount required by the Company for such tax withholding, at such time and in such manner as the Committee shall deem to be appropriate, including by authorizing the Company to withhold from the Shares to be delivered in settlement, or by agreeing to surrender to the Company on or about the date such tax liability is determinable, Shares having a Fair Market Value on such date equal to the amount of such tax liability or a specified portion of such tax liability.

8. Absence of Tax Gross-Up Payment. There shall be no tax gross-up on the Restricted Stock Units.

9. Notices. Any notice to the Company under this Agreement shall be made in care of the Committee to the office of the General Counsel, at the Company's main office in King of Prussia, Pennsylvania. All notices under this Agreement shall be deemed to have been given when hand-delivered or mailed, first class postage prepaid, and shall be irrevocable once given.

10. Securities Laws. The Committee may from time to time impose any conditions on the Restricted Stock Units (or the underlying Shares) as it deems necessary or advisable to comply with applicable securities laws.

11. Award Not to Affect Service. The award granted hereunder shall not confer upon Grantee any right to continue service as an employee and/or director of the Company

12. Miscellaneous.

(a) The address for Grantee to which notice, demands and other communications to be given or delivered under or by reason of the provisions hereof shall be the Grantee's address as reflected in the Company's personnel records.

(b) Grantee authorizes the Company to withhold in accordance with applicable law from any compensation payable to him/her any taxes required to be withheld by federal, state or local law in connection with this award.

(c) Any provision for distribution in settlement of Grantee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Grantee or any person to whom ownership right may have passed any right to, or claim against any specific assets of the Company, nor result in the creation of any trust or escrow account for Grantee or any person to whom ownership rights may have passed. Grantee (or any other person entitled to a distribution hereunder) shall be a general creditor of the Company.

(d) To the extent not preempted by federal law, the validity, performance, construction and effect of this award shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of law.

(e) To the extent Grantee elects to defer settlement of Restricted Stock Units pursuant to Section 5(b), this Agreement is intended to constitute part of a “top-hat” plan described in Section 201(2) of ERISA.

13. Claims Procedure .

(a) To initiate a claim with respect to the settlement of Restricted Stock Units deferred in accordance with Section 5(b), Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) (the “Claimant”) must file a written request with the Company. Upon receipt of such claim, the Company will advise the Claimant within ninety (90) days of receipt of the claim whether the claim is denied. If special circumstances require more than ninety (90) days for processing, the Claimant will be notified in writing within ninety (90) days of filing the claims than the Company requires up to an additional ninety (90) days to reply. The notice will explain what special circumstances make an extension necessary and indicate the date a final decision is expected to be made.

(b) If the claim is denied in whole or in part, the Claimant will be provided a written opinion, in language calculated to be understood by the Claimant, setting forth (i) the specific reason(s) for the denial of the claim, or any part of it, (ii) specific reference(s) to pertinent provisions of the Plan or this award upon which such denial was based, (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary, (iv) an explanation of the claim appeal procedure set forth in Section 13(c), below ; and (v) a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon appeal.

(c) Within sixty (60) days after receiving a notice from the Company that a claim has been denied, in whole or in part, a Claimant (or the Claimant’s duly authorized representative) may file with the Company a written request for a review of the denial of the claim. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Company. If the Claimant does not request a review of the initial determination within such sixty (60) days period, the Claimant will be barred and estopped from challenging the determination.

(d) Within sixty (60) days after the Company’s receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, without regard to whether such materials were submitted or considered in the initial review, the Company will render a written opinion. The manner and content of the final decision will include the same information described above in Section 13(b)

with respect to the initial determination. If special circumstances require that the sixty (60) day time period be extended, the Company will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review. The notice will explain what special circumstances make an extension necessary and indicate the date a final decision is expected to be made. Any decision on appeal will be final, conclusive and binding upon all parties.

IN WITNESS WHEREOF, the Company has caused this Restricted Stock Unit Award Agreement to be executed by its duly authorized officer, and Grantee has executed this Restricted Stock Unit Award Agreement, in each case as of the date first above written.

ATTEST:

INTERDIGITAL COMMUNICATIONS
CORPORATION

BY: _____

BY: _____

Name: Adrienne G. Juskalian

Name: William J. Merritt

ATTEST:

GRANTEE:

BY: _____

BY: _____

Name: _____

Name: _____

**INTERDIGITAL COMMUNICATIONS CORPORATION
RESTRICTED STOCK UNIT DEFERRAL ELECTION FORM**

Grant Date: _____, _____

_____ Restricted Stock Units

Check Only One [Read Carefully and Refer to Footnotes Below for Instructions]:

- I hereby elect to defer the settlement of _____ of my Restricted Stock Units ¹ until _____ ², (subject to accelerated settlement upon the consummation of a Change in Control Event ³ or my cessation of service as a director and/or employee of the Company).
- I hereby elect to defer the settlement of _____ of my Restricted Stock Units ¹ until my cessation of service as a director and/or employee of the Company (subject to accelerated settlement upon the consummation of a Change in Control Event ³).

Name

Date

¹ Pursuant to the requirements of I.R.C. Section 409A and I.R.B. Notice 2005-1, all of the shares awarded are eligible for deferral.
Instruction : Indicate whether all or a portion of the eligible Restricted Stock Units are to be deferred.

² Instruction : Insert a date on or after _____ to correspond with each portion of the Restricted Stock Units being deferred.

³ As defined in Section 1(c) of the Restricted Stock Unit Award Agreement.

INTERDIGITAL COMMUNICATIONS CORPORATION

**2000 Stock Award and Incentive Plan
(as amended through June 1, 2005)**

INTERDIGITAL COMMUNICATIONS CORPORATION

**2000 Stock Award and Incentive Plan
(as amended through June 1, 2005)**

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INTERDIGITAL COMMUNICATIONS CORPORATION

2000 Stock Award and Incentive Plan

1. **Purpose** . The purpose of this 2000 Stock Award and Incentive Plan (the “Plan”) is to aid InterDigital Communications Corporation, a Pennsylvania corporation (the “Company”), in attracting, retaining, motivating and rewarding employees, non-employee directors, and other persons who provide substantial services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to encourage long-term service, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based and cash-based incentives for Participants.

2. **Definitions** . In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) “Award” means any Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, or Performance Award, together with any related right or interest, granted to a Participant under the Plan.

(b) “Beneficiary” means the legal representatives of the Participant’s estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant’s Award upon a Participant’s death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the “Beneficiary” instead shall be the person(s) (if any are then surviving), trust(s) or entity(ies) which have been designated by the Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Participant’s Award upon such Participant’s death.

(c) “Board” means the Company’s Board of Directors.

(d) “Change in Control” and related terms have the meanings specified in Section 9.

(e) “Code” means the Internal Revenue Code of 1986, as amended.

(f) “Committee” means a committee of two or more directors designated by the Board to administer the Plan; provided, however, that, directors appointed or serving as members of a Board committee designated as the Committee shall not be employees of the Company or any subsidiary or affiliate. In appointing members of the Committee, the Board will consider whether a member is or will be a Qualified Member, but such members are not required to be Qualified Members at the time of appointment or during their term of service on the Committee. The full Board may perform any function of the Committee hereunder, in which case the term “Committee” shall refer to the Board. Initially, the Compensation and

Stock Option Committee of the Board of Directors will be designated as the “Committee” under the Plan.

(g) “Covered Employee” means an Eligible Person who is a Covered Employee as specified in Section 11(j).

(h) “Deferred Stock” means a right, granted to a Participant under Section 6(e), to receive Stock or other Awards or a combination thereof at the end of a specified deferral period.

(i) “Dividend Equivalent” means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.

(j) “Effective Date” means the effective date specified in Section 11(r).

(k) “Eligible Person” has the meaning specified in Section 5.

(l) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(m) “Fair Market Value” means the fair market value of Stock, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the closing sale price reported on the composite tape of the principal stock exchange on which the Stock is listed on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported.

(n) “Incentive Stock Option” or “ISO” means any Option designated as an incentive stock option within the meaning of Code Section 422 and qualifying thereunder.

(o) “Non-qualified Stock Option” means any Option designated as a non-qualified stock option and not an Incentive Stock Option within the meaning of Code Section 422.

(p) “Option” means a right, granted to a Participant under Section 6(b), to purchase Stock or other Awards at a specified price during specified time periods.

(q) “Other Stock-Based Awards” means Awards granted to a Participant under Section 6(h).

(r) “Participant” means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(s) “Performance Award” means a conditional right, granted to a Participant under Sections 6(i) and 7, to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.

(t) “Preexisting Plans” mean the Company’s Non-Qualified Stock Option Plan, 1992 Non-Qualified Stock Option Plan, 1992 Employee Stock Option Plan, 1995 Employee Stock

Option Plan, 1997 Stock Option Plan for Non-Employee Directors, and any other Company stock option plan under which options are outstanding at the Effective Date.

(u) “Qualified Member” means a member of the Committee who is a “Non-Employee Director” within the meaning of Rule 16b-3(b)(3) and an “outside director” within the meaning of Regulation 1.162-27 under Code Section 162(m).

(v) “Restricted Stock” means Stock granted to a Participant under Section 6(d) which is subject to certain restrictions and to a risk of forfeiture.

(w) “Rule 16b-3” means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(x) “Stock” means the Company’s Common Stock, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

(y) “Stock Appreciation Rights” or “SAR” means a right granted to a Participant under Section 6(c).

3. Administration.

(a) *Authority of the Committee.* The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, rules and regulations for the administration of the Plan and amendments thereto, and standardized terms and conditions of awards and amendments thereto (which, if so specified by the Committee, shall be deemed to be incorporated into and a part of this Plan); to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b) and other persons claiming rights from or through a Participant, and shareholders. The foregoing notwithstanding, the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to non-employee directors (authority with respect to other aspects of non-employee director awards is not exclusive to the Board, however).

(b) *Manner of Exercise of Committee Authority.* At any time that a member of the Committee is not a Qualified Member, (i) any action of the Committee relating to an Award

intended by the Committee to qualify as “performance-based compensation” within the meaning of Code Section 162(m) and regulations thereunder may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members, and (ii) any action relating to an Award granted or to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company may be taken either by such a subcommittee or by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as “performance-based compensation” under Code Section 162(m) to fail to so qualify.

(c) *Limitation of Liability*. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company’s independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject to Plan.

(a) *Overall Number of Shares Available for Delivery*. Subject to adjustment as provided in Section 11(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be (i) 2.2 million plus (ii) the number of shares that, immediately prior to the Effective Date, remain available for issuance under the Preexisting Plans plus and (iii) the number of shares subject to awards under the Preexisting Plans which become available in accordance with Section 4(b) after the Effective Date; provided, however, that shares carried forward from a Preexisting Plan pursuant to clause (ii) shall be available for initial grant only before the time such Preexisting Plan would have expired in accordance with its terms; and provided further, that the total number of shares which may be issued and delivered in connection with Awards other than Options and SARs shall not exceed 40% of the total number of shares reserved under the Plan. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares.

(b) *Share Counting Rules*. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. Shares

subject to an Award or an award under a Preexisting Plan that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award or Preexisting Plan award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award or Preexisting Plan award shall be deemed to constitute shares not delivered to the Participant and shall be deemed again to be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business. This Section 4(b) shall apply to the number of shares reserved and available for ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code. The order in which Shares will be deemed to be made subject to Awards under the Plan shall first be Shares resulting from Preexisting Plans (in the order of the expiration date of such Preexisting Plans) and then the Shares reserved under clause (i) of Section 4(a).

5. Eligibility; Per-Person Award Limitations . Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an employee of the Company or any subsidiary or affiliate, including any executive officer, a non-employee director of the Company, a consultant or other person who provides substantial services to the Company or a subsidiary or affiliate, and any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan, if so determined by the Committee. A joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment may be deemed an affiliate, if so determined by the Committee, but such determination shall be solely for purposes of this Plan. In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as "performance-based compensation" under Code Section 162(m) under each of Section 6(b), 6(c), 6(d), 6(e), 6(f), 6(g) or 6(h) relating to up to his or her Annual Limit (such Annual Limit to apply separately to the type of Award authorized under each specified subsection, except that the limitation applies to Dividend Equivalents under Section 6(g) only if such Dividend Equivalents are granted separately from and not as a feature of another Award). A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 300,000 shares plus the amount of the Participant's unused Annual Limit relating to the same type of Award as of the close of the previous year, subject to adjustment as provided in Section 11(c). In the case of an Award which is not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying Treasury Regulation 1.162-27(e)(4) (including a Performance Award under Section 7 not related to an Award specified in Section 6), an Eligible Person may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Participant's Annual Limit, which for this purpose shall equal \$1.5 million plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, and (ii) a Participant's Annual Limit is used to the extent an amount or number of shares may be potentially earned or paid under an Award, regardless of whether such amount or shares are in fact earned or paid.

6. *Specific Terms of Awards.*

(a) *General.* Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 11(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee may require payment of consideration for an Award, except as otherwise limited by the Plan.

(b) *Options.* The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) *Exercise Price.* The exercise price per share of Stock purchasable under an Option (including both ISOs and Non-qualified Stock Options) shall be determined by the Committee, but such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Sections 6(f) and 8(a), unless the Committee finds there to exist extraordinary circumstances such that the grant of a Non-Qualified Stock Option with an exercise price less than such Fair Market Value is appropriate.

(ii) *Option Term; Time and Method of Exercise.* The Committee shall determine the term of each Option, provided that in no event shall the term of any ISO or SAR in tandem therewith exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 11(k)), including, without limitation, cash, Stock, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including notes and other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including deferred delivery of shares representing the Option "profit," at the election of the Participant or as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).

(iii) *ISOs.* The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422, including but not limited to the requirement that no ISO shall be granted more than ten years after the Effective Date.

(c) *Stock Appreciation Rights.* The Committee is authorized to grant SAR's to Participants on the following terms and conditions:

(i) *Right to Payment.* An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, in the case of a "Limited SAR," the Fair Market Value determined by reference to the Change in Control Price, as defined under Section 9(d) hereof) over (B) the grant price of the SAR as determined by the Committee.

(ii) *Other Terms.* The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, and whether or not a SAR shall be free-standing or in tandem or combination with any other Award. Limited SARs that may only be exercised in connection with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 6 (c), as the Committee may determine.

(d) *Restricted Stock.* The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) *Grant and Restrictions.* Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) *Certificates for Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) *Dividends and Splits.* As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and

other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) *Deferred Stock.* The Committee is authorized to grant Deferred Stock to Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) *Award and Restrictions.* Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 11(k)), as determined by the Committee at the date of grant or thereafter.

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) *Dividend Equivalents.* Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) *Bonus Stock and Awards in Lieu of Obligations.* The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) *Dividend Equivalents.* The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

(h) *Other Stock-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) *Performance Awards.* Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

7. Performance Awards

(a) *Performance Awards Generally.* The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Section 7. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 7(b) in the case of a Performance Award intended to qualify as “performance-based compensation” under Code Section 162(m).

(b) *Performance Awards Granted to Covered Employees.* If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as “performance-based compensation” for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal and other terms set forth in this Section 7(b).

(i) *Performance Goal Generally.* The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain.” The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a

condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) *Business Criteria.* One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company shall be used by the Committee in establishing performance goals for such Performance Awards: (1) net sales; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items; (3) net income or net income per common share (basic or diluted); (4) return on assets (gross or net), return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (6) interest expense after taxes; (7) economic value created; (8) operating margin or profit margin; (9) stock price or total shareholder return; (10) average cash balance or cash position; and (11) strategic business criteria, consisting of one or more objectives based on meeting specified product development, strategic partnering, licensing, research and development, market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(iii) *Performance Period; Timing for Establishing Performance Goals; Per-Person Limit.* Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed. In all cases, the maximum Performance Award of any Participant shall be subject to the limitation set forth in Section 5.

(iv) *Performance Award Pool.* The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iv). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(v) *Settlement of Performance Awards; Other Terms.* Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do

not, solely for that reason, fail to qualify as “performance-based compensation” for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards.

(c) *Written Determinations.* Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals relating to Performance Awards and the amount of any final Performance Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

8. *Certain Provisions Applicable to Awards.*

(a) *Stand-Alone, Additional, Tandem, and Substitute Awards.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Section 11(k), the Committee may determine that, in granting a new Award, the in-the-money value of any surrendered Award or award may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award.

(b) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Section 6(b)(ii).

(c) *Form and Timing of Payment under Awards; Deferrals.* Subject to the terms of the Plan (including Section 11(k)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 11(k)). Installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

(d) *Exemptions from Section 16(b) Liability.* With respect to a Participant who is then subject to the reporting requirements of Section 16(a) of the Exchange Act in respect of the Company, the Committee shall use its best efforts to implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction with respect to such a Participant is exempt from liability under Rule 16b-3 or otherwise not subject to liability under

Section 16(b)), except that this provision shall not limit sales by such a Participant, and such a Participant may engage in other non-exempt transactions under the Plan. The Committee may authorize the Company to repurchase any Award or shares of Stock deliverable or delivered in connection with any Award (subject to Section 11(k)) to enable a Participant who is subject to Section 16 of the Exchange Act to avoid incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities or derivative securities acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

9. Change in Control.

(a) *Effect of “Change in Control” on Non-Performance Based Awards* . In the event of a “Change in Control,” the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 9(b), unless otherwise provided by the Committee in the Award document:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 11(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any termination of employment or service by the Participant other than a termination for “cause” (as defined in any employment or severance agreement between the Company or a subsidiary or affiliate and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 11(a); and

(iii) The Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) *Effect of “Change in Control” on Performance-Based Awards* . In the event of a “Change in Control,” with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent so provided by the Committee in the Award document governing such Award or other agreement with the Participant.

(c) *Definition of “Change in Control.”* A “Change in Control” shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

(i) Any “person,” as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires voting securities of the Company and immediately thereafter is a “50% Beneficial Owner.” For purposes of this provision, a “50% Beneficial Owner” shall mean a person who is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then-outstanding voting securities;

(ii) During any period of two consecutive years commencing on or after the Effective Date, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person (as defined above) who has entered into an agreement with the Company to effect a transaction described in subsections (i), (iii), (iv) or (v) of this definition) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the “Continuing Directors”) cease for any reason to constitute at least a majority thereof;

(iii) The shareholders of the Company have approved a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if shareholder approval is not obtained, other than any such transaction which would result in at least 50% of the combined voting power of the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by the persons who were shareholders of the Company immediately prior to the transaction in substantially the same proportion as their ownership of the voting power immediately prior to the transaction; provided that, for purposes of this Section 9(c)(iii), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 50% threshold (or to substantially preserve such relative ownership of the voting securities) is due solely to the acquisition of voting securities by an employee benefit plan of the Company, such surviving entity or a subsidiary thereof; and provided further, that, if consummation of the corporate transaction referred to in this Section 9(c)(iii) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied;

(iv) The shareholders of the Company accept shares in a share exchange in which the shareholders of the Company immediately before such share exchange do not or will not own directly or indirectly immediately following such share exchange more than 50% of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such share exchange in substantially the same proportion as the ownership of the Voting Securities outstanding immediately before such share exchange;

(v) The shareholders of the Company have approved a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets (or any transaction having a similar effect); provided that, if consummation of the transaction referred to in this Section 9(c)(v) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material

contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied; and

(vi) any other event which the Board of Directors of the Company determines shall constitute a Change in Control for purposes of this Plan.

(d) *Definition of "Change in Control Price."* The "Change in Control Price" means an amount in cash equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

10. Additional Award Forfeiture Provisions.

(a) *Events Triggering Forfeiture* . Notwithstanding any other provision of this Plan, the forfeitures specified in Section 10(a) will be triggered if the Participant's employment or engagement is terminated by the Company and the Board makes a determination that the Participant (i) has engaged in any type of disloyalty to the Company, including without limitation, insubordination, fraud, embezzlement, theft or dishonesty in the course of his employment or engagement, or (ii) has been convicted of a felony, or (iii) has disclosed any confidential or proprietary information without the consent of the Company or (iv) has breached the terms of any written confidentiality agreement or any non-competition agreement with the Company in any material respect, all unexercised options and awards not yet settled held by such the Participant shall terminate upon the earlier of the date of termination of employment or engagement for "cause" of the date of such a finding at any time during the Participant's employment by the Company or a subsidiary or affiliate or during the one-year period following termination of such employment.

(b) *Committee Discretion.* The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

11. *General Provisions.*

(a) *Compliance with Legal and Other Requirements.* The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) *Limits on Transferability; Beneficiaries.* No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) *Adjustments.* In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 11(k)). In addition, the Committee is authorized to make adjustments

in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, SARs, or Performance Awards granted under Section 8 to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options or SARs granted to Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

(d) *Tax Provisions* .

(i) *Withholding* . The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(ii) *Required Consent to and Notification of Code Section 83(b) Election* . No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) *Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b)* . If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten days thereof.

(e) *Changes to the Plan.* The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to shareholders for approval; and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. Without the approval of shareholders, the Committee will not amend or replace previously granted Options in a transaction that constitutes a "repricing," as such term is used in Instruction 3 to Item 402(b)(2)(iv) of Regulation S-K, as promulgated by the Securities and Exchange Commission. With regard to other terms of Awards, the Committee shall have no authority to waive or modify any such Award term after the Award has been granted to the extent the waived or modified term would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification.

(f) *Right of Setoff.* The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) *Payments in the Event of Forfeitures; Fractional Shares.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall

be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) *Compliance with Code Section 162(m)* . It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 7 shall constitute qualified “performance-based compensation” within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 7(b), and (c), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) *Certain Limitations Relating to Accounting Treatment of Awards* . Other provisions of the Plan notwithstanding, the Committee’s authority under the Plan (including under Sections 8(c), 8(d), 11(c) and 11(d)) is limited to the extent necessary to ensure that any Option or other Award of a type that the Committee has intended to be subject to fixed accounting with a measurement date at the date of grant or the date performance conditions are satisfied under APB 25 shall not become subject to “variable” accounting solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding despite such “variable” accounting. In addition, other provisions of the Plan notwithstanding, (i) if any right under this Plan would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for the right hereunder, be eligible for such accounting treatment, such right shall be automatically adjusted so that pooling-of-interests accounting shall be available, including by substituting Stock or cash having a Fair Market Value equal to any cash or Stock otherwise payable in respect of any right to cash which would cause the transaction to be ineligible for pooling-of-interests accounting, and (ii) if the authority of the Board or the Continuing Directors under Section 9(c) would cause a transaction to be ineligible for pooling-of-interests accounting that would, but for such authority, be eligible for such accounting treatment, such authority shall be limited to the extent necessary so that such transaction would be eligible for pooling-of-interests accounting.

(l) *Governing Law*. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) *Awards to Participants Outside the United States* . The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and

other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) *Limitation on Rights Conferred under Plan.* Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(o) *Severability; Entire Agreement.* If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) *Awards under Preexisting Plans.* Upon approval of the Plan by shareholders of the Company as required under Section 11(r), no further awards shall be granted under the Preexisting Plans. Outstanding awards under such Preexisting Plans shall remain subject to the terms thereof.

(q) *References to Legal and Regulatory Provisions.* References in this Plan to any provision of law, including the Code and the Exchange Act, or rule or regulation (including accounting principles and interpretations) shall include subsequently adopted amendments and any successor provisions, rules or regulations.

(r) *Plan Effective Date and Termination.* The Plan shall become effective if, and at such time as, the shareholders of the Company have approved it by the affirmative votes of the holders of a majority of the voting securities of the Company present, or represented, and entitled to vote on the subject matter at a duly held meeting of shareholders. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

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Exhibit 10.75

INTERDIGITAL COMMUNICATIONS CORPORATION

2002 Stock Award and Incentive Plan (as amended through June 1, 2005)

1. **Purpose.** The purpose of this 2002 Stock Award and Incentive Plan (the "Plan") is to aid InterDigital Communications Corporation, a Pennsylvania corporation (the "Company"), in attracting, retaining, motivating and rewarding employees and other persons who provide services to the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to encourage long-term service, to recognize individual contributions and reward achievement of Company goals, and to promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based and cash-based incentives for Participants.

2. **Definitions.** In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) "Award" means any Non-qualified Stock Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, or Performance Award, together with any related right or interest, granted to a Participant under the Plan.

(b) "Beneficiary" means the legal representatives of the Participant's estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant's Award upon a Participant's death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the "Beneficiary" instead shall be the person(s) (if any are then surviving), trust(s) or entity(ies) which have been designated by the Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Participant's Award upon such Participant's death.

(c) "Board" means the Company's Board of Directors.

(d) "Change in Control" and related terms have the meanings specified in Section 8.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a committee of two or more directors designated by the Board to administer the Plan. The full Board may perform any function of the Committee hereunder, in which case the term "Committee" shall refer to the Board. Initially, the Compensation and Stock Option Committee of the Board of Directors will be designated as the "Committee" under the Plan.

(g) “Deferred Stock” means a right, granted to a Participant under Section 6(e), to receive Stock or other Awards or a combination thereof at the end of a specified deferral period.

(h) “Dividend Equivalent” means a right, granted to a Participant under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.

(i) “Effective Date” means the effective date specified in Section 10(r).

(j) “Eligible Person” has the meaning specified in Section 5.

(k) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(l) “Fair Market Value” means the fair market value of Stock, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the closing sale price reported on the composite tape of the principal stock exchange on which the Stock is listed on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported.

(m) “Non-qualified Stock Option” means an option to purchase Stock or other Awards pursuant to Section 6(b), which option is designated as a non-qualified stock option and is not intended to qualify as an incentive stock option within the meaning of Code Section 422.

(n) “Other Stock-Based Awards” means Awards granted to a Participant under Section 6(h).

(o) “Participant” means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(p) “Performance Award” means a conditional right, granted to a Participant under Section 6(i), to receive cash, Stock or other Awards or payments, as determined by the Committee, based upon performance criteria specified by the Committee.

(q) “Restricted Stock” means Stock granted to a Participant under Section 6(d) which is subject to certain restrictions and to a risk of forfeiture.

(r) “Stock” means the Company’s Common Stock, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 10(c).

(s) “Stock Appreciation Rights” or “SAR” means a right granted to a Participant under Section 6(c).

3. Administration.

(a) Authority of the Committee. The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, rules and regulations for the administration of the Plan and amendments thereto, and standardized terms and conditions of awards and amendments thereto (which, if so specified by the Committee, shall be deemed to be incorporated into and a part of this Plan); to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 10(b) and other persons claiming rights from or through a Participant, and shareholders.

(b) Manner of Exercise of Committee Authority. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions.

(c) Limitation of Liability. The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegate shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject to Plan.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment as provided in Section 10(c), the total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be one million five

hundred thousand. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. Shares subject to an Award that is canceled, expired, forfeited, settled in cash or otherwise terminated without a delivery of shares to the Participant will again be available for Awards, and shares withheld in payment of the exercise price or taxes relating to an Award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall be deemed to constitute shares not delivered to the Participant and shall be deemed again to be available for Awards under the Plan. In addition, in the case of any Award granted in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan, but shall be available under the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business.

5. Eligibility. Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an employee of the Company or any subsidiary or affiliate, or a consultant or other person who provides substantial services to the Company or subsidiary or affiliate, but excluding any person who (i) is the Company's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), any other person who performs a policy-making function for the Company, (ii) is an officer of one or more of the Company's subsidiaries to the extent that he or she performs such policy-making functions identified in clause (i) for the Company, or (iii) is a member of the Board. The term "Eligible Person" shall also include any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate of the Company. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan, if so determined by the Committee. A joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment may be deemed an affiliate, if so determined by the Committee, but such determination shall be solely for purposes of this Plan.

6. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6; provided that no Award may be granted after the close of business on the date of the Company's annual meeting of shareholders held in 2003. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to

make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan. The Committee may require payment of consideration for an Award, except as otherwise limited by the Plan.

(b) Non-qualified Stock Options. The Committee is authorized to grant Non-qualified Stock Options to Participants on the following terms and conditions:

(i) Exercise Price. The exercise price per share of Stock purchasable under a Non-qualified Stock Option shall be determined by the Committee, but such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Non-qualified Stock Option, subject to Sections 6(f) and 8(a), unless the Committee finds there to exist extraordinary circumstances such that the grant of a Non-Qualified Stock Option with an exercise price less than such Fair Market Value is appropriate.

(ii) Option Term; Time and Method of Exercise. The Committee shall determine the term of each Non-qualified Stock Option. The Committee shall determine the time or times at which or the circumstances under which a Non-qualified Stock Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Section 10(k)), including, without limitation, cash, Stock, other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including notes and other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Non-qualified Stock Options to Participants (including deferred delivery of shares representing the Non-qualified Stock Option "profit," at the election of the Participant or as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).

(c) Stock Appreciation Rights. The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, in the case of a "Limited SAR," the Fair Market Value determined by reference to the Change in Control Price, as defined under Section 8(d) hereof) over (B) the grant price of the SAR as determined by the Committee.

(ii) Other Terms. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, and whether or not a SAR shall be free-standing or in tandem or combination with any other Award. Limited SARs that may only be exercised in connection

with a Change in Control or other event as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine.

(d) Restricted Stock . The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Grant and Restrictions . Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) Forfeiture . Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Certificates for Stock . Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends and Splits . As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Deferred Stock. The Committee is authorized to grant Deferred Stock to Participants, which are rights to receive Stock, other Awards, or a combination thereof at the end of a specified deferral period, subject to the following terms and conditions:

(i) Award and Restrictions. Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 10(k)), as determined by the Committee at the date of grant or thereafter.

(ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) Dividend Equivalents. Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equivalent to all or a portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents may be awarded on a freestanding basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock,

Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

(h) Other Stock-Based Awards . The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) Performance Awards . The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Section 6(i). Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions.

7. Certain Provisions Applicable to Awards .

(a) Stand-Alone, Additional, Tandem, and Substitute Awards . Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Section 10(k), the Committee may determine that, in granting a new Award, the in-the-money value of any surrendered Award or award may be applied to reduce the exercise price of any Non-qualified Stock Option, grant price of any SAR, or purchase price of any other Award.

(b) Term of Awards . The term of each Award shall be for such period as may be determined by the Committee.

(c) Form and Timing of Payment under Awards; Deferrals . Subject to the terms of the Plan (including Section 10(k)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of a Non-qualified Stock Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (subject to Section 10(k)). Installment or deferred payments may be required by the Committee (subject to Section 10(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock.

8. Change in Control .

(a) Effect of “Change in Control” on Non-Performance Based Awards . In the event of a “Change in Control,” the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 8(b), unless otherwise provided by the Committee in the Award document:

(i) All deferral of settlement, forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant or other express election to defer beyond a Change in Control and subject to applicable restrictions set forth in Section 10(a);

(ii) Any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested as of the time of the Change in Control and shall remain exercisable and vested for the balance of the stated term of such Award without regard to any termination of employment or service by the Participant other than a termination for “cause” (as defined in any employment or severance agreement between the Company or a subsidiary or affiliate and the Participant then in effect or, if none, as defined by the Committee and in effect at the time of the Change in Control), subject only to applicable restrictions set forth in Section 10(a); and

(iii) The Committee may, in its discretion, determine to extend to any Participant who holds a Non-qualified Stock Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Non-qualified Stock Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Non-qualified Stock Option, multiplied by the number of shares of Stock covered by such Non-qualified Stock Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of

Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

(b) Effect of “Change in Control” on Performance-Based Awards. In the event of a “Change in Control,” with respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent so provided by the Committee in the Award document governing such Award or other agreement with the Participant.

(c) Definition of “Change in Control.” A “Change in Control” shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

(i) Any “person,” as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), acquires voting securities of the Company and immediately thereafter is a “50% Beneficial Owner.” For purposes of this provision, a “50% Beneficial Owner” shall mean a person who is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then-outstanding voting securities;

(ii) During any period of two consecutive years commencing on or after the Effective Date, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person (as defined above) who has entered into an agreement with the Company to effect a transaction described in subsections (i), (iii), (iv) or (v) of this definition) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the “Continuing Directors”) cease for any reason to constitute at least a majority thereof;

(iii) The shareholders of the Company have approved a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if shareholder approval is not obtained, other than any such transaction which would result in at least 50% of the combined voting power of the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by the persons who were shareholders of the Company immediately prior to the transaction in substantially the same proportion as their ownership of the voting power immediately prior to the transaction; provided that, for purposes of this Section 8(c)(iii), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 50% threshold (or to substantially preserve such relative ownership of the voting securities) is due solely to the acquisition of voting securities by an employee benefit plan of the Company, such surviving entity or a subsidiary thereof; and provided further, that, if consummation of the corporate transaction referred to in this Section 8(c)(iii) is subject, at the time of such approval

by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied;

(iv) The shareholders of the Company accept shares in a share exchange in which the shareholders of the Company immediately before such share exchange do not or will not own directly or indirectly immediately following such share exchange more than 50% of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such share exchange in substantially the same proportion as the ownership of the Voting Securities outstanding immediately before such share exchange;

(v) The shareholders of the Company have approved a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect); provided that, if consummation of the transaction referred to in this Section 8(c)(v) is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency or approval of the shareholders of another entity or other material contingency, no Change in Control shall occur until such time as such consent and approval has been obtained and any other material contingency has been satisfied; and

(vi) Any other event which the Board of Directors of the Company determines shall constitute a Change in Control for purposes of this Plan.

(d) Definition of "Change in Control Price." The "Change in Control Price" means an amount in cash equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

9. Additional Award Forfeiture Provisions.

(a) Events Triggering Forfeiture. Notwithstanding any other provision of this Plan, the forfeitures specified in this Section 9(a) will be triggered if the Participant's employment or engagement is terminated by the Company and the Board makes a determination that the Participant, at any time during the Participant's employment with or engagement by the Company or a subsidiary or affiliate of the Company or at any time during the one-year period following such employment or engagement (i) has engaged in any type of disloyalty to the Company, including without limitation, insubordination, fraud, embezzlement, theft or dishonesty in the course of his employment or engagement, or (ii) has been convicted of a felony, or (iii) has disclosed any confidential or proprietary information without the consent of the Company or (iv) has breached the terms of any written confidentiality agreement or any non-competition agreement with the Company in any material respect. In the event of a termination and Board determination described in the preceding sentence, all unexercised Non-qualified Stock Options and unexercised or otherwise unsettled Awards held by the Participant shall

terminate upon the earlier of the date of termination of employment or engagement or the date of the Board's determination.

(b) Committee Discretion. The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards by inclusion of appropriate provisions in the document evidencing or governing any such Award.

10. General Provisions.

(a) Compliance with Legal and Other Requirements. The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) Limits on Transferability; Beneficiaries. No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (including limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except

as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) Adjustments . In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, (ii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iii) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Non-qualified Stock Option (subject to Section 10(k)). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant.

(d) Tax Provisions .

(i) Withholding . The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(ii) Required Consent to and Notification of Code Section 83(b) Election . No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of

such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(e) Changes to the Plan. The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is after the date of such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to shareholders for approval; and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award. With regard to other terms of Awards, the Committee shall have no authority to waive or modify any such Award term after the Award has been granted to the extent the waived or modified term would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification.

(f) Right of Setoff. The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 10(f).

(g) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) Nonexclusivity of the Plan. The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable.

(i) Payments in the Event of Forfeitures; Fractional Shares. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Certain Limitations Relating to Accounting Treatment of Awards. Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 7(c), 10(c) and 10(d)) is limited to the extent necessary to ensure that any Non-qualified Stock Option or other Award of a type that the Committee has intended to be subject to fixed accounting with a measurement date at the date of grant or the date performance conditions are satisfied under APB 25 shall not become subject to "variable" accounting solely due to the existence of such authority.

(k) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(l) Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States.

(m) Limitation on Rights Conferred under Plan. Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue to provide services to the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate the employment or engagement of any Eligible Person at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants, employees or service providers, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or a Non-qualified Stock Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(n) Severability; Entire Agreement. If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such

invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(o) References to Legal and Regulatory Provisions. References in this Plan to any provision of law, including the Code and the Exchange Act, or rule or regulation (including accounting principles and interpretations) shall include subsequently adopted amendments and any successor provisions, rules or regulations.

(p) Plan Effective Date and Termination. The Plan shall become effective upon its adoption by the Board. Unless earlier terminated by action of the Board of Directors and subject to Section 6(a), the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

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Exhibit 10.76

PROPRIETARY INFORMATION

**CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND
FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION**

PATENT LICENSE AGREEMENT

BETWEEN

INTERDIGITAL COMMUNICATIONS CORPORATION,

INTERDIGITAL TECHNOLOGY CORPORATION

AND

NOKIA CORPORATION

PROPRIETARY INFORMATION

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PROPRIETARY INFORMATION

PATENT LICENSE AGREEMENT

THIS IS A PATENT LICENSE AGREEMENT (the "Agreement") entered into as of the Effective Date between InterDigital Communications Corporation, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with a mailing address at 781 Third Avenue, King of Prussia, Pennsylvania 19406, InterDigital Technology Corporation ("ITC"), a Delaware corporation with a mailing address of 300 Delaware Avenue, Suite 527, Wilmington, DE 19801, and Nokia Corporation ("Nokia"), a company organized and existing under the laws of Finland, with a mailing address of Keilalahdentie 4, SF-02150 Espoo, Finland.

PREAMBLE

IDC has developed extensive digital communications technology experience involving both TDMA and code division multiple access (CDMA) technologies. ITC has an extensive and valuable portfolio of patents covering digital wireless telephone systems utilizing TDMA and CDMA technologies. ITC owns and has the right to license the ITC Patents.

In conjunction with the execution of this Patent License Agreement, ITC, IDC and Nokia are executing a TDD Development Agreement, providing for substantial value to IDC and ITC in the form of a funded development effort, a significant opportunity to license others under the Third Generation technology being developed, and the ability to procure Third Generation equipment [**].

In consideration of the substantial value being provided to InterDigital under the TDD Development Agreement, ITC is willing to grant Nokia a world-wide, non-exclusive license under the InterDigital Patents, and Nokia desires to obtain such a license, on the terms set forth below.

NOW, THEREFORE , in consideration of the mutual promises contained herein, and intending to be legally bound, the parties agree as follows:

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ARTICLE I DEFINITIONS

- 1.1 Definitions . As used herein, the terms set forth in the Master Agreement, Exhibit 1 thereto, when used with initial capital letters in this Agreement, including any Exhibits, attachments or amendments, shall have the meanings described in such Exhibit 1 .

ARTICLE II LICENSE GRANT

- 2.1 InterDigital Grant . ITC hereby grants and shall cause IDC and their Affiliates to grant to Nokia a non-exclusive, non-transferable, worldwide, royalty-bearing license under the InterDigital Patents (excluding Patents for which the license is provided under the TDD Development Agreement) to design, make, have made (if substantially designed by Nokia), use, import, sell and otherwise distribute Covered Subscriber Units and Covered Infrastructure.

The grant above shall not include, by implication or otherwise, any license for components, except when used solely as a part and within the licensed products defined above.

The licenses granted in this Agreement shall extend to the Affiliates of Nokia but only as long as and to the extent that such entities remain Affiliates. Any licenses granted herein shall terminate by the time an entity ceases to be an Affiliate of Nokia.

- 2.2 Conditions and Limitations on InterDigital Grant .

2.1.1 The license grant set forth in Section 2.1 shall exclude the right to grant sublicenses under the InterDigital Patents.

PROPRIETARY INFORMATION

- 2.2.2 As used in Section 2.1, Covered Subscriber Units and Covered Infrastructure shall be that equipment designed by or for Nokia or its Affiliates and which are used by Nokia or its Affiliates or sold by Nokia or its Affiliates, in completed form, to its customers, including without limitation operators, end-users or retail distributors. Provided Nokia is not in default of its obligations hereunder, Nokia's and its Affiliates' customers that without limitation are operators, resellers and end-users but who are not also telecommunications suppliers (other than retail) will receive a pass-through license for sale (including lease) or use of Covered Subscriber Units and Covered Infrastructure for which a royalty has been paid hereunder (to the extent royalties are payable hereunder). Neither this Agreement nor any payments made hereunder, are intended, nor should they be construed, as exhausting ITC's rights to royalties or damages or other compensation from unlicensed purchasers.
- 2.2.3 The Nokia Group shall have no rights to transfer licenses under the InterDigital Patents through the sale of ASICs, software or other parts to third parties; provided, however, the foregoing limitation will not limit the Nokia Group's right to provide spare parts and enhancements for licensed Covered Subscriber Units and Covered Infrastructure.
- 2.2.4 The sale of any item of Covered Subscriber Units or Covered Infrastructure shall not convey any licenses or other rights to Subscriber Units or Infrastructure made by third parties used in conjunction with such Covered Subscriber Units and Covered Infrastructure. For example, sale or use of a Nokia master switching center with a base station manufactured by Ericsson will not convey any rights under the InterDigital Patents to such base station or its use. ITC shall have the right to initiate legal action against such third parties for direct or contributory infringement to the same extent as if this license had not been executed.

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- 2.3 Nokia License Grant . Nokia hereby grants and shall cause its Affiliates to grant to ITC a non-exclusive, non-transferable, worldwide, [**] (except for Section 5.15.1) license under the Nokia Patents (excluding Patents for which the license is provided under the TDD Development Agreement) to design, make, have made (if substantially designed by ITC), use, import, sell and otherwise distribute Covered Subscriber Units, Covered Infrastructure, UltraPhone Products and B-CDMA Products.

The grant above shall not include, by implication or otherwise, any license for components, except when used solely as a part and within the licensed products defined above.

The licenses granted in this Agreement (including without limitation Section 2.5) shall extend to IDC and the Affiliates of IDC but only as long as and to the extent that (i) ITC is Controlled by IDC and (ii) such other entities remain Affiliates of IDC. Any licenses granted herein in respect of a particular entity shall terminate by the time an entity ceases to be an Affiliate of IDC or ITC ceases to be Controlled by IDC.

- 2.4 Conditions and Limitations on Nokia Grant .

2.4.1 The license grant set forth in Section 2.3 shall exclude the right to grant sublicenses under the Nokia Patents.

2.4.2 As used in Section 2.3, Subscriber Units and Covered Infrastructure shall be that equipment designed by or for IDC or its Affiliates and which are sold by IDC or its Affiliates, in completed form, to their customers, including without limitation operators, end-users or retail

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distributors. Provided IDC is not in default of its obligations hereunder, IDC's and its Affiliates' customers that are, without limitation, operators, resellers and end-users but who are not also telecommunications suppliers (other than retail) will receive a pass-through license for sale (including lease) or use of Covered Subscriber Units, Covered Infrastructure, for which a royalty has been paid hereunder (to the extent royalties are payable hereunder). Neither this Agreement nor any payments made hereunder, are intended, nor should they be construed, as exhausting Nokia's or its Affiliates rights to royalties or damages or other compensation from unlicensed purchasers.

2.4.3 InterDigital shall have no rights to transfer licenses under the Nokia Group Patents through the sale of ASICs, software or other parts to third parties; provided, however, the foregoing limitation will not limit InterDigital's right to provide spare parts and enhancements for licensed Covered Subscriber Units Covered Infrastructure, B-CDMA Products and UltraPhone Products.

2.4.4 The sale of any item of Covered Subscriber Units or Covered Infrastructure shall not convey any licenses or other rights to Subscriber Units or Infrastructure made by third parties used in conjunction with such Covered Subscriber Units and Covered Infrastructure. Nokia shall have the right to initiate legal action against such third parties for direct or contributory infringement to the same extent as if this license had not been executed.

2.5 Nokia [**]. Nokia hereby agrees [**] (and shall ensure that its Affiliates [**] of the Nokia Group Patents [**] (i) ITC as regards the design, manufacture, have made, sale, import, distribution or use of B-CDMA ASICs or modems in or

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for B-CDMA Products or UltraPhone ASICs or modems in or for UltraPhone Products, or (ii) any Existing InterDigital UltraPhone Licensee or Existing InterDigital B-CDMA Licensee as regards the design, manufacture, have made, sale, import, distribution or use of UltraPhone Products or B-CDMA Products to the extent licensed by ITC or (iii) any purchaser of B-CDMA or UltraPhone ASICs or modems from ITC as regards the design, manufacture, have made, sale, import, distribution or use of such modems or ASICs in B-CDMA Products or UltraPhone Products but with such [**] extending to only those Patent claims that are technically necessary for the features, functions, or processes performed by the B-CDMA or UltraPhone ASIC or modem; provided further, however, that such [**] set forth in (ii) and (iii) shall not apply as to (a) any portion of the B-CDMA Product or UltraPhone Product built to comply with a Covered Standard or (b) entities set forth in (ii) if such entities assert their patents against Nokia TDD Products or Covered Subscriber Units and Covered Infrastructure complying with TETRA, or entities set forth in (iii) if such entities assert their Patents against Nokia Group.

ARTICLE III ROYALTY RATES/PAYMENTS

3.1 Royalty Payments.

3.1.1 Period 1.

- (A) Initial Payment. Subject to the provisions of Section 3.1.1 (C), 3.1.1(D), and 5.10.2, Nokia, in satisfaction of its royalty obligation for Covered Subscriber Units or Covered Infrastructure (excluding Covered Subscriber Units and Covered Infrastructure complying with [**]) sold by Nokia or its Affiliates (but only during the period of affiliation) up to the

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end of Period 1, shall pay to ITC thirty-one million, five hundred thousand U.S. dollars (\$US31,500,000.00). Such payment shall be irrevocable and non-refundable.

(B) **[**] Units :**

- (i) Nokia shall pay ITC an additional, non-refundable amount of \$U.S.[**] for each Covered Subscriber Unit complying with [**] (“Per Unit Rate”) sold by Nokia or its Affiliates on or after the Effective Date. This payment is intended to cover the [**] functionality of the [**] Covered Subscriber Units and additional consideration for the functionality implementing other Covered Standards (excluding that functionality covered under any royalty-free license granted to Nokia under the TDD Development Agreement for TDD Products) shall be provided under the provisions of Section 3.1.1(A), as adjusted in Sections 3.1.1(C) and (D). In consideration of the payment set forth in Section 3.1.1(A), ITC hereby releases and acquits Nokia and its Affiliates (as of the Effective Date and only during the period of Affiliation) from any and all claims of infringement of the InterDigital Patents by the making, selling or distributing of Covered Subscriber Units built to comply with only [**] prior to the Effective Date. Nokia and ITC shall also negotiate in good faith on the royalty to be payable if and when Nokia or its Affiliates begin to manufacture Infrastructure complying with [**].

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- (ii) Provided Nokia is not in default of its obligations hereunder, Nokia shall be treated as a most favored licensee (“MFL”) under the InterDigital Patents with regard to Covered Subscriber Units complying with [**] Products sold by Nokia or its Affiliates during Period 1, such MFL being as to those previously entirely un-licensed entities having assets in excess of \$US[**] or sales at time of agreement execution in excess of [**] Covered Subscriber Units (“Large Entity”) and executing a license agreement with ITC covering [**]. If a Large Entity executing such agreement with ITC was partially licensed by ITC prior to the Effective Date, Nokia shall also have the right to substitute a revised Per Unit Rate in this Agreement with the terms in such agreement if such agreement (a) covers at least one previously unlicensed Patent that is technically necessary when manufacturing, selling or using Covered

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Subscriber Units complying with [**] or, (b) extends to multimode products, combining [**] and any other previously unlicensed air interface technology, but only to the extent such patent is used in Covered Subscriber Unit. In determining the revised Per Unit Rate, all the relevant factors under the applicable or related license agreements (including the amendment thereto) by the licensee shall be considered in arriving at a revised Per Unit Rate for the [**] functionality of the Covered Subscriber Units to be compared with Nokia's Per Unit Rate hereunder. Within thirty days of executing any such license agreement as set forth in this Section, ITC shall within thirty (30) days provide Nokia with a copy of such agreements on a confidential basis. Nokia shall make such election within sixty (60) days of receipt of the subject license agreements from ITC; otherwise, Nokia's MFL rights under this Section shall be deemed waived. If Nokia elects to substitute the more favorable Per Unit Rate, Nokia, as a condition precedent to the effectiveness of the substitute royalty-terms, shall pay all royalties owed under its then existing agreement with ITC for [**] Covered Subscriber Unit sales made prior to the date Nokia executes an agreement with such substitute royalty terms or a maximum of ninety (90) days from the date such MFL Agreement was executed by ITC.

- (C) Competition Adjustment. As an additional royalty payment for Period 1, Nokia will pay ITC an additional [**] DOLLARS (\$[**]) [**]. All payments required hereunder shall be made within thirty (30) days of the receipt of ITC's written notification (including all the material terms thereof) by Nokia that such an agreement has been signed. Such payment shall be non-refundable and be made regardless of whether the [**] become effective in Period 1 or Period 2.

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- (D) **Early Termination Payment** . If Nokia terminates the TDD Development Agreement for convenience or cause (except as noted below), Nokia shall have the option to (i) terminate Period 1 and commence Period 2, or (ii) pay the following additional amount to ITC, within thirty days of Nokia’s notice of termination under the TDD Development Agreement, based upon the year in which such termination occurs, to permit Period 1 to extend up to an including December 31, 2001:

<u>Year of Termination</u>	<u>Additional Royalty Payment</u>
1999	\$U.S. [**]
2000	\$U.S. [**]
2001	\$U.S. [**]

If Nokia terminates the TDD Project for cause attributable to the gross negligence or willful misconduct of IDC, then Nokia’s shall be required only to make [**] of the payment otherwise required above unless such termination is based on IDC’s willful abandonment of the TDD Project, in which event no payment shall be required hereunder.

- (E) Nokia shall not be required to make full payment under Section 3.1.1 (C) if such payment(s) would result in Nokia’s total payments under this Section 3.1.1 exceeding the upfront payment to be made by such [**] . As used herein, and upfront payment shall mean an unconditional payment to be made by such [**] within twelve months of agreement execution. In such instance, Nokia shall only be required to pay that amount which, when combined with other payments made under this Section 3.1.1, results in Nokia’s total payment being equal to the amount of the upfront payment. Any further royalty obligation of Nokia hereunder to be determined using the provisions set forth under Section 3.1.2.

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3.1.2 Period 2 .

- (A) Commencing in January 2001, or promptly after IDC receives the notice of termination under Article 9 of the TDD Development Agreement, whichever is earlier, Nokia and ITC shall commence negotiations in good faith on the royalty payments to be made by Nokia for sales of Covered Subscriber Units and Covered Infrastructure occurring during Period 2. If the parties are unable to reach an agreement after such good faith negotiations, the royalty obligation shall be determined in accordance with the provisions of Section 3.1.2 (B).
- (B) Absent an agreement by the parties to the contrary, Nokia's royalty payments during Period 2 shall be determined thru the application of most favored licensee rights, as set forth in this Section. Nokia shall be considered a most favored licensee of ITC with regard to (i) any Major Competitor License Agreement or (ii) other ITC or IDC patent license agreement involving at least IS54/136 and/or GSM and signed on or after the Effective Date with any entities having sales (at time of agreement execution) assets in excess of \$US[**] or in excess of [**] Covered Subscriber Units ("Large Entity") (i) and (ii) collectively being referred to as the "MFL Agreements"). In applying this MFL status, Nokia may elect whether or not to accept a non-Major Competitor License Agreement as an MFL Agreement. If Nokia elects not to accept a non-Major Competitor License Agreement as an MFL Agreement, Nokia shall not be required

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to make any payments based on such agreement but shall also shall waive any MFL rights as to such agreement. If Nokia accepts such agreement as an MFL agreement, Nokia's royalty payments during Period 2, subject to Nokia's exercise of its available MFL rights under future MFL Agreements, shall be determined under (C) and (D) below. Nokia shall be required to accept as an MFL Agreement the first Major Competitor License Agreement but may later substitute another MFL Agreement, unless the MFL rights to such agreement has been waived by Nokia.

- (C) [**], Nokia shall pay royalties to ITC for Period 2 sales on equivalent terms and conditions as those set forth in the MFL Agreement last imposed on (in the case of the first Major Competitor License Agreement), or selected by (in the case of all other MFL Agreements), except for any payment obligations which shall solely be determined in accordance with Section (C) and (D).

[**]

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- (i) Once such Royalty Rates have been determined, that Royalty Rate for Period 2 shall be applied to sales made by Nokia and its Affiliates during Period 2. In addition, [**]
- (ii) [**]

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(iii) For Period 2, Nokia shall pay royalties to ITC based on the Royalty Rate for Period 2. If the applicable MFL Agreement provided for running royalty payments, Nokia's payments shall be on the same basis. If the applicable MFL Agreement provided for payment on a lump sum basis, Nokia shall pay on a lump sum basis. As part of the MFL application, Nokia would have to abide by all relevant royalty-bearing terms in the MFL Agreement, except that whenever there is a conflict between the terms of this Agreement (and, if applicable, the Related Agreements) and the MFL Agreement, the terms of this Agreement (and, if applicable, the Related Agreements) shall control to the extent necessary to meet the intent of the parties hereunder.

D. The procedure for applying Nokia's MFL rights shall be as follows:

(i) Until ITC signs a Major Competitor License Agreement, or Nokia selects a non-Major Competitor Agreement as an MFL Agreement Nokia will have no obligation to pay

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ITC royalties during Period 2. [**] The parties shall rely on accepted industry reports in assessing [**] market share.

- (ii) Promptly, but no later than thirty (30) days after execution, ITC shall provide a copy of each MFL Agreement on a confidential basis. Within sixty (60) days of Nokia's receipt of the first Major Competitor License Agreement, or Nokia's notification to ITC that it may want to exercise MFL rights as to a non-Major Competitor Agreement, the parties will meet to determine, in good faith, how to apply such agreements to Nokia ("Nokia MFL Agreement"). If the parties have failed to execute a Nokia MFL Agreement within sixty (60) days of the either receipt set forth above, either party may declare a dispute and seek resolution under the Dispute Resolution Procedures; provided, however, that, as regards any MFL Agreement except for the first Major Competitor Agreement, Nokia may cancel such dispute if it elects not to accept any such agreement as an MFL Agreement.
- (iii) As regards the second and third Major Competitor Agreements and any other MFL Agreements executed after the first Major Competitor Agreement, ITC shall

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provide a copy of each Major Competitor License Agreement and other patent license agreement to Nokia promptly but no later than thirty (30) days after execution. If Nokia wishes to take advantage of its MFL rights as regards such agreement, Nokia shall notify ITC of that election within sixty (60) thirty days of receipt of such agreement. Nokia's failure to notify ITC shall act as a waiver of Nokia's MFL rights as regards such agreement. If Nokia elects to exercise its MFL rights, the parties will use the procedure outlined above under (ii).

(iv) [**]

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- (v) [**]
- (vi) The effective date for the Nokia MFL Agreement (not waived by Nokia) shall be the earlier of (a) the date Nokia elects the MFL Agreement or (b) the date ninety (90) days has passed from the execution of the MFL Agreement.
- (vii) [**]

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(viii) [**]

(ix) If Nokia is already licensed in a separate agreement under some of the InterDigital Patents, no double royalties shall be due as a consequence of the MFL Agreement for patents licensed under such agreement.

3.1.3 [**]

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ARTICLE IV TERM/TERMINATION

- 4.1 Term. The term of this Agreement shall commence on the Effective Date and terminate on December 31, 2006, unless sooner terminated as provided herein.
- 4.2 Termination for Default. This Agreement may be canceled by either party, upon sixty (60) days' prior written notice, if the other party is in breach of any of its material obligations hereunder and the breach is not remedied within the notice period. The non-payment of any license fees (except the initial fee and the royalties for [**]) by Nokia because of a good faith disagreement in respect of (i) expiration of Period 1; (ii) occurrence of a Major Competitor Event; (iii) Nokia MFL rights, (iv) terms applicable to the license of Nokia after the occurrence of a competitor event; shall not be a breach of any material obligation hereunder, or (v) other requirements of such payment obligations, until the dispute has been solved in Arbitration in accordance with the Master Agreement. In case of a breach under [**] portion, the parties shall only be entitled to terminate the [**] portion of this Agreement.
- 4.3 Other Termination Rights. This Agreement may be canceled upon thirty (30)

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days' prior written notice by Nokia, if Control of IDC or ITC is acquired by an entity with whom Nokia is licensed under such acquiring entity's patents and such agreement extends to the patents of ITC.

- 4.4 Effect of Expiration/Termination . Upon expiration of this Agreement, or termination of this Agreement in accordance with Section 4.2 or 4.3,
- 4.4.1 Except for Section 4.4.2 and 4.4.3 below, all rights, releases, and licenses granted by the parties hereunder shall terminate as to future sales provided, further that if no Major Competitor event has occurred prior to expiration, Nokia shall have the option to be considered as having made licensed sales up to the expiration provided Nokia agrees to make any payments required under Section 3.1.2 (but not 3.1.1(C)) in the event a Major Competitor event occurs subsequent to such expiration.
- 4.4.2 To the extent Nokia has, prior a termination due to the material default of IDC or ITC (including terminations arising thru the filing of oppositions), paid to ITC the initial payment of thirty one and one-half (31.50) million U.S. dollars, the paid-up license for Period 1 shall continue and, upon the choice of Nokia, other rights and licenses granted hereunder by ITC to Nokia shall remain in force, along with the related obligations. To the extent Nokia has, prior to a termination due to the default of Nokia or its Affiliates (including terminations arising thru the filing of oppositions), paid to ITC the initial payment of thirty one and one-half (31.50) million U.S. dollars, the paid-up license for Period 1 shall continue along with the obligation to make competition adjustment payments (Section 3.1.1(C)) and TDD Project termination payments (Section 3.1.1(D)) as set forth herein.
- 4.4.3 If the license or rights hereunder are terminated partially (whenever this

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Agreement allows partial termination), such partial termination shall not affect the remaining rights, obligations and licenses of this Agreement.

- 4.5 Survival . In addition to the foregoing, the following provisions shall survive expiration of this Agreement: 3.1.1(A), 5.1, 5.2, and 5.4.

ARTICLE V MISCELLANEOUS

- 5.1 Payments/Reports . All payments made hereunder shall be non-refundable. During Period 1, Nokia shall provide, on September 1, for the six month period ending June 30, and March 1, for the six month period ending December 31, a royalty report and, if required, royalty payment, as regards Covered Subscriber Units and Covered Infrastructure complying with [**] sold by Nokia and its Affiliates during such period. Each report shall be certified as accurate by Nokia's Chief Financial Officer or Vice President – Intellectual Property, and set forth the quantity of each type of Covered Subscriber Units and Covered Infrastructure sold, and additional information sufficient to determine the royalties payable for such Covered Subscriber Units and Covered Infrastructure. All such reports shall be held in confidence by ITC.
- 5.2 Currency Conversion . United States Dollar (\$US) denominated sales shall be reported as transacted. Sales denominated in other currencies than United States dollars shall be reported at the US/non-US rate applied generally by Nokia. Such rate shall be defined by Nokia.
- 5.3 Oppositions . During Period 1, either party may terminate this agreement if the other party formally opposes, or seeks a declaration of invalidity of, any TDMA patent of the other party. [**]

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the parties will negotiate in good faith on a commercial resolution to the patent issue.

- 5.4 Release . Nokia hereby releases, and shall cause its Affiliates to release, IDC and its Affiliates from any and all claims of infringement under the Nokia Group for the making, have made, importing, distributing, selling or using of Covered Subscriber Units, Covered Infrastructure, UltraPhone Products and B-CDMA Products prior to the Effective Date.
- 5.5 Audit . In addition to audit rights granted to both parties in the Master Agreement in respect of the accuracy of payments, Nokia shall have the right to audit ITC and IDC for their compliance with Nokia's MFL under Sections 3.1.1 (B) and 3.1.2 of this Agreement. Such audit right shall be in accordance, as applicable, with the provisions of Section 6.2 of the Master Agreement.
- 5.6 Identification on Covered Subscriber Units/Covered Infrastructure Both parties shall, and shall cause its Affiliates to, use reasonable efforts to affix in appropriate product packaging or instructions, to the extent required by the local laws, a label indicating that the products are manufactured or sold under one or more of following patents: [as defined by the other party]
- 5.7 Limited Warranty . ITC and Nokia each represents and warrants that it has the right to license the licensed patents. Neither ITC, IDC nor Nokia makes any other representation or warranty with regard to the validity of the InterDigital Patents or Nokia Group Patents, or the other party's ability to use, manufacture, have manufactured or sell Covered Subscriber Units and/or Covered Infrastructure free of infringement of third party intellectual property rights. Neither ITC nor Nokia shall have any obligation to maintain or prosecute InterDigital Patents or Nokia Group Patents.
- 5.8 Affiliate Performance . Both parties shall be responsible for all actions

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required of its Affiliates hereunder and shall be liable to the other party for any adverse action or failure to perform by its Affiliates hereunder.

- 5.9 Limitation. Nothing in this Agreement shall be construed as: (a) an agreement to bring or prosecute actions against third party infringers of the Nokia Group Patents or InterDigital Patents; (b) conferring any license or right under any patent other than the Nokia Group Patents or InterDigital Patents; or (c) conferring any right to use such Patents outside the field of use defined by the license grant of this Agreement.
- 5.10 Acquisitions/Assignment. This Agreement is personal to Nokia and ITC and may not be assigned or transferred, nor may any license granted hereunder be assigned or transferred to another entity, whether by operation of law or otherwise, and any attempt to make any such assignment or transfer shall be null and void, except as follows:
- 5.10.1 Acquisition of InterDigital. If Control of IDC or ITC is acquired by another entity (aside from corporate re-organizations among IDC and its Affiliates), the licenses granted by Nokia to ITC under this Agreement shall, at the sole discretion of Nokia, be either (i) retroactively and prospectively limited to IDC's then-current product operations (including type and quantity of products produced and reasonable extensions and growth thereof not resulting from the acquisition), or (ii) extended to the comparable business operations of the acquiring entity, with (a) appropriate adjustments being made to IDC's royalty obligation to address, if necessary, higher than expected volumes, different product categories, etc., as a result of such acquisition, and (b) such entity being required to grant Nokia licenses under its patents comparable to the licenses granted by Nokia to ITC hereunder.

PROPRIETARY INFORMATION

- 5.10.2 Acquisition of Nokia . If Control of Nokia is acquired by another entity (aside from corporate re-organizations among Nokia and its Affiliates), the licenses granted by ITC to Nokia under this Agreement shall, at the sole discretion of ITC, be either (i) retroactively and prospectively limited to Nokia's then-current product operations (including type and quantity of products produced and reasonable extensions and growth thereof not resulting from the acquisition), or (ii) extended to the comparable business operations of the acquiring entity, with (a) appropriate adjustments being made to Nokia's royalty obligation under the Nokia MFL Agreement to address, if necessary, higher than expected volumes, different product categories, etc., as a result of such acquisition, and (b) such entity being required to grant ITC licenses under its patents comparable to the licenses granted by Nokia to ITC hereunder.
- 5.10.3 Acquisition by Nokia . To the extent that Nokia or its Affiliates gains Control of, or acquires the associated assets of another entity, involved in the manufacture, sale or use of Covered Subscriber Units and/or Covered Infrastructure, Nokia and ITC shall negotiate in good faith (subject to resolution under the Dispute Resolution Procedures) as regards to unlicensed sales (as regards InterDigital Patents) of Covered Subscriber Units and/or Covered Infrastructure. To the extent (i) [**] at the time of Nokia acquisition no adjustment shall be made to the payments set forth in Section 3.1.1 or to any lump sum payment, or the determination of any running royalty rate made under any existing Nokia MFL Agreement ; otherwise, the parties shall negotiate in good faith such adjustments incremental to the respective sales,

** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.

PROPRIETARY INFORMATION

subject to resolution under the Dispute Resolution Procedures. The parties shall also negotiate such an adjustment if Nokia acquires a number of entities, the aggregate of which had [**] Covered Subscriber Unit sales or \$US[**] in Covered Infrastructure revenue at the time of the Nokia acquisition.

5.10.4 Assignment of Patents . ITC, IDC and their Affiliates, and Nokia Group may assign any patents or patent applications covered by this Agreement to third parties only on the condition that the licenses granted hereunder shall remain to be valid and effective subject to the terms of this Agreement.

5.11 Entire Agreement/Amendment . This Agreement contains the complete and final agreement between the parties, and supersedes all previous understandings relating to the subject matter hereof whether oral or written. This Agreement may only be modified by a written agreement signed by duly authorized representatives of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives.

**INTERDIGITAL COMMUNICATIONS
CORPORATION**

By: /s/ William A. Doyle
Name: William A. Doyle
Title: President
Date: January 29, 1999

** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.

INTERDIGITAL TECHNOLOGY CORPORATION

By: /s/ Howard E. Goldberg
Name: Howard E. Goldberg
Title: President
Date: January 29, 1999

NOKIA CORPORATION

By: /s/ Yrjö Neuvo
Name: Yrjö Neuvo
Title: SVP. Product Creation
Date: January 28, 1999

By: /s/ Heikki Huttunen
Name: Heikki Huttunen
Title: V.P. Licensing
Date: January 28, 1999

May 20, 2005

Charles R. Tilden

Re: Severance Agreement and General Release

Dear Rip:

We are interested in resolving amicably your separation of employment with InterDigital Communications Corporation ("the Company"), effective May 2, 2005 ("Termination Date"). Toward this end, we propose the following Severance Agreement, which includes a General Release ("Agreement").

The terms and conditions set forth in Paragraph 1 below will apply regardless of whether you elect to sign this Agreement. However, the severance payments and other benefits set forth in Paragraph 2 below are contingent on your signing this Agreement.

You may consider for forty-five (45) days whether you wish to sign this Agreement. You are encouraged to review the proposed Agreement with your attorney.

1. As noted above, regardless of whether you sign this Agreement:

(a) Your last day of employment will be your Termination Date. You will be paid for all time worked up to and including your Termination Date.

(b) You will be paid for accrued but unused Paid Time Off (PTO) on the next regular pay period following payroll's receipt of your final timesheet, in accordance with Company policy.

(c) Your eligibility to participate in Company sponsored medical, dental and/or vision insurance plans will cease effective your last day of employment. However, you will be eligible to continue such benefits, at your sole expense, pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), subject to COBRA's terms, conditions and restrictions. (Please see Paragraph 2(b) below for what will occur in the event you sign this Agreement.)

(d) Your participation in all other Company sponsored group benefits including group life, disability and accidental death and dismemberment coverage will cease effective your last day of employment. However, you may be eligible to convert your life insurance coverage to a private policy, at your sole expense, subject to the insurer's terms, conditions and restrictions. If you wish to convert your life insurance policy to a private policy, please contact Human Resources to receive the appropriate paperwork.

(e) Your participation in the Company's 401(k) Savings Plan or Employee Stock Purchase Plan shall cease effective your Termination Date. You will receive detailed

information from the Company's 401K Plan provider (Diversified Investment Advisors) regarding your 401(k) Plan fund status and disbursement options.

(f) Your participation in the Company's Flexible Reimbursement Account will cease effective your Termination Date. You will have a set amount of time following your last day of employment to submit claims for reimbursement under this Plan. Details will be provided by Human Resources.

(g) All vested stock options previously granted to you by the Board will terminate in accordance with the terms of the applicable Stock Option Plan under which they were granted. Any non-vested options will terminate effective your last day of employment. A schedule setting forth your holdings has been provided to you. You are responsible for reviewing the applicable Stock Option Plan and Option Grant and determining the expiration date of your options. If you need assistance, please contact the Company's stock plan administrator.

(h) You will receive a pro-rata portion of your LTIP cash bonus and RSU award in accordance with the terms of the InterDigital Communications Corporation Long Term Compensation Program.

(i) The restricted stock granted as part of your annual bonus in the last two fiscal years will remain restricted as to transferability as set forth in the related award agreements.

2. If you sign this Agreement, agreeing to be bound by the General Release set forth in Paragraph 3 below and the other terms and conditions of this Agreement, the Company agrees as follows, intending to be legally bound:

(a) To pay thirteen (13) months of severance pay at your current rate of base salary as of your last day of employment, less withholding of all applicable federal, state and local taxes. The severance payments will be paid to you in accordance with the Company's regular payroll practices through the end of February 2006 and the remainder will be paid to you in a lump sum prior to March 15, 2006, provided, however your covenant not to compete under section 8 of your Employment Agreement shall remain in effect until May 2, 2006. The first severance payment will be made to you consistent with the first regular pay period following the expiration of the Revocation Period set forth in paragraph 18 below, provided that the Company has received an executed copy of this Agreement.

(b) To pay the "designated portion" of the premiums with regard to your continued participation in the Company's group health insurance (medical, dental and vision) pursuant to COBRA for a period of thirteen months, provided that you continue to have your co-payment withheld from your severance pay or otherwise pay it. Thereafter, your continued participation in the Company's group health plan pursuant to COBRA shall be at your sole expense. For purposes of this provision, the "designated portion" shall be the portion of the premium which the Company paid at the time of your termination, as the same may be adjusted upon the beginning of the new benefits plan year. Your execution of this Agreement confirms that upon receipt of the COBRA enrollment forms you will elect to continue coverage and you

authorize the deduction of the applicable co-payment from your severance pay, unless you notify Human Resources, in writing, of your intent not to elect COBRA.

(c) To immediately following the Revocation Period lift the restrictions on transferability on the shares of restricted stock referenced in paragraph 1.(i) above.

3. You will be provided with outplacement services designed for executive level personnel for a period of 6 months if you so request. Thereafter, you may extend the outplacement, at the Company's expense, for up to two immediately subsequent three (3) month periods if you have not accepted an offer of employment.

4. In consideration for the Company's payments and other benefits set forth above in Paragraph 2, you agree, intending to be legally bound, to release and forever discharge the Company and its related or affiliated companies, and each of their past, present and future officers, directors, attorneys, employees, owners, partners, insurers, benefit plan fiduciaries and agents, and their respective successors and assigns in such capacities (collectively "Releasees"), jointly and severally, from any and all actions, complaints, causes of action, lawsuits or claims of any kind (collectively "Claims"), known or unknown, asserted or unasserted, which you, your heirs, agents, successors or assigns ever had, now have or hereafter may have against any Releasee arising out of any matter, occurrence, omission or event existing or occurring prior to your execution of this Agreement, including, without limitation: any claims relating to or arising out of your employment with and/or termination of employment by the Company and/or any of its related and/or affiliated companies; any claims for unpaid or withheld wages, severance, benefits, bonuses, commissions and/or other compensation of any kind; **any claims for reimbursement of expenses of any kind; any claims arising under the Employee Retirement Income Security Act; any claims for attorneys' fees, costs or expenses; any claims of discrimination and/or harassment based on age, sex, race, religion, color, creed, disability, handicap, citizenship, national origin, ancestry, sexual orientation, or any other factor protected by Federal, State or Local law (such as the Age Discrimination in Employment Act, 29 U.S.C. §621 et. sec., Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Pennsylvania Human Relations Act and the New York Human Rights Law) and any claims for retaliation thereunder;** any claims under the Family Medical Leave Act or any other federal, state or local laws governing leaves of absence; any claims under the National Labor Relations Act; any claims for violation of public policy; any claims arising under the Sarbanes-Oxley Act of 2002, as amended from time to time; any claims for retaliation and/or any whistleblower claims; any claims for emotional distress or pain and suffering; and/or any other statutory or common law claims, now existing or hereinafter recognized, known or unknown, including, but not limited to, breach of contract, libel, slander, fraud, wrongful discharge, promissory estoppel, equitable estoppel and misrepresentation.

5. You acknowledge and agree that the Company's severance payments and other benefits under Paragraph 2 above are adequate consideration to support your General Release in Paragraph 3 above.

6. Nothing in this Agreement shall result in (a) the forfeiture of any vested benefits, or waive any Claims with regard to any vested benefits, under any Company 401 (k) Savings

Plan, Employee Stock Purchase Plan or other deferred compensation plans or (b) waiver of any rights to indemnification or coverage under director and officer liability insurance policies.

7. Regardless of whether you execute this Agreement, you are prohibited from using or disclosing, directly or indirectly, for your own benefit or the benefit of any person or entity, any of the confidential and proprietary information of the Company (the "Confidential Information"), except as may be required to be disclosed pursuant to judicial, arbitral or governmental requirement or order, provided you take reasonable steps to give the Company sufficient notice in order to contest such requirement or order. Such Confidential Information includes but is not limited to, information regarding the Company's sales and marketing information and techniques, business plans, financial data, trade secrets (including without limitation any technical information, hardware, software, algorithms, source code, object code, drawings, sketches, designs, processes, procedures, formulae, data, reports, computer programs, charts, improvements and any other technical information or knowledge relating to the development, design and implementation of the Company's products and services), pricing lists, supplier lists and other confidential supplier data, customer lists and other confidential customer data, and any other information or knowledge concerning the Company and its business or others that the Company does business with, whether or not in tangible form, that is not otherwise publicly available. Further, you are required to execute further documents or instruments required for patent prosecution. You are reminded of your obligations under Sections 6, 7 and 8 of your Employment Agreement dated November 18, 1996 (as amended April 6, 2000) as well as your obligations under your Non-Disclosure and Assignment of Ideas Agreement dated as of February 28, 2005. Sections 6, 7, 8, 10 and 21 of your Employment Agreement survive termination of your employment as well as your obligations under your Non-Disclosure and Assignment of Ideas Agreement dated as of February 28, 2005, regardless of whether you execute this Agreement. The Restricted Period under Section 8 of your Employment Agreement shall be one year irrespective of the timing of severance payments hereunder and it is further clarified that you may provide services during the Restricted Period to the noncompetitive portion of an entity which is engaged in a business activity competitive with the Company's Business or the business of any of the Company's subsidiaries or affiliates provided you have obtained the prior written consent of the Company, not to be unreasonably withheld or delayed. Under such permitted circumstances you are not limited with respect to your receipt of compensatory equity in the entire Permitted Entity. In addition, Section 8(d)(ii) does not apply to serving as a reference provided it is not for purposes of employing or retaining a current or former employee of the Company at your then current business during the Restricted Period.

8. You agree that in the event you receive a request or demand, orally, in writing, electronically or otherwise, for the disclosure or production of information which you acquired in the course of your employment which is not generally known by or readily accessible to the public, you must notify immediately, in writing, via certified mail, the Company's General Counsel at the following address: 781 Third Avenue, King of Prussia, Pennsylvania 19406. Any and all documents (written or electronic) in your possession or control relating to the request or demand shall be included with the notification. You shall wait a minimum of ten (10) days (or the maximum time permitted by such legal process, if less) after sending the letter before making a disclosure or production to give the Company time to determine whether the disclosure or production involves confidential and/or proprietary information, in which event the Company may seek to prohibit and/or restrict the production and/or disclosure and/or to obtain a protective

order with regard thereto. This provision covers, but is not limited to, requests or demands in connection with judicial, administrative, arbitration and all other adversarial proceedings. If the request or demand is in conjunction with judicial, administrative, arbitration or other adversarial proceedings, copies of all correspondence regarding the request or demand shall be included with the information sent to the General Counsel. The foregoing shall not prohibit you from complying with legal process when, by way of example, the Company fails to obtain a protective order prohibiting disclosure or production of documents.

9. Prior to the termination of your employment and as a condition precedent to receiving the payments and other benefits set forth in paragraph 2 above, you must return to the Company, retaining no copies, all Confidential Information, keys, documents, correspondence, access cards, computer equipment, computer tapes and diskettes, manuals, engineering notebooks, customer information, and any other property and information in either printed or electronic formats which you obtained as a result of or in connection with your employment by the Company. Notwithstanding the foregoing, you may retain and utilize copies of your rolodex and other similar address books.

10. You agree that you will not make any negative comments or disparaging remarks, in writing, orally or electronically, about the Company or any other Releasee and their respective officers, directors, shareholders, employees and agents and their respective products and services. The Company agrees that it and its executive officers and directors, acting in such capacities, shall not make any negative comments or disparaging remarks, in any public statement or public filing nor to any prospective employer provided that all communication between the Company and such prospective employer shall be exclusively with the Chief Human Resources Officer, Gary Isaacs. However, nothing in this Agreement shall be interpreted to restrict your right and obligation to testify truthfully or to make normal competitive statements as to products and services in the course of your future employment provided such statements do not violate your obligations with respect to Confidential Information and such employment does not violate your obligations under section 8 of your Employment Agreement. Further, nothing in this Agreement will prevent the Company from making truthful statements about you in any legal or administrative proceeding, to any governmental agency which regulates the Company or its business or in any legally required securities filing.

11. In response to any inquiries by employees of the Company or third parties concerning any of the terms or circumstances of your termination, you agree (i) that you will state only that your employment with and position as a director of the Company have terminated by mutual agreement or to state information publicly disclosed by the Company, whether in press releases, public filings or otherwise, or (ii) if information publicly disclosed by the Company, whether in press releases, public filings or otherwise, concerning this Agreement or the terms or circumstances of your termination is inaccurate in any material respect, you may respond to the inquiry with accurate corrective information so long as you have previously notified the Company of the material inaccuracy and requested the Company to issue a corrective disclosure and the Company has failed to issue such a corrective disclosure within five days of your notification and request.

12. While you are not prevented from applying for employment or reemployment with the Company or any related or affiliated company, in the event that you seek employment

and/or reemployment, the Company or any related or affiliated company shall have no obligation to employ you or reemploy you, and the failure or refusal to employ you or reemploy you shall not be deemed unlawful retaliation or discrimination against you.

13. This Agreement may be amended only in writing signed by you and me, Sr. Human Resources Officer, of the Company.

14. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to conflicts of law principles.

15. Nothing in this Agreement shall be construed as an admission or concession of liability or wrongdoing by the Company or any other Releasee. Rather, the proposed Agreement is being offered for the sole purpose of settling amicably any and all possible disputes between the parties.

16. If any provision in this Agreement or the application thereof is construed to be overbroad, then the court making such determination shall have the authority to narrow the provision as necessary to make it enforceable and the provision shall then be enforceable in its narrowed form. In the event that any provision in this Agreement is determined to be legally invalid or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, the affected provision(s) shall be stricken from the Agreement, and the remaining terms of the Agreement and its enforceability shall remain unaffected thereby.

17. You agree and represent that:

- (a) You have read carefully the terms of this Agreement, including the General Release;
- (b) You have had an opportunity to and have been encouraged to review this Agreement, including the General Release, with an attorney;
- (c) You understand the meaning and effect of the terms of this Agreement, including the General Release;
- (d) You were given at least 45 days to determine whether you wished to enter into this Agreement, including the General Release;
- (e) The entry into and execution of this Agreement, including the General Release, is of your own free and voluntary act without compulsion of any kind;
- (f) No promise or inducement not expressed herein has been made to you; and
- (g) You have adequate information to make a knowing and voluntary waiver.

18. If you sign this Agreement, you will retain the right to revoke it for seven (7) calendar days (“Revocation Period”). The Agreement shall not be effective until after the Revocation Period has expired without you having revoked it. To revoke this Agreement, you

must send a letter to my attention. The letter must be post-marked within 7 days of your execution of this Agreement. If the seventh day is a Sunday or federal holiday, then the letter must be post-marked on the following business day. If you revoke this Agreement on a timely basis, you shall not be eligible for the payments and other benefits set forth in paragraph 2 above.

19. As noted above, you have 45 days to decide whether you wish to execute this Agreement. If you do not sign this Agreement on or before July 4, 2005, then this offer is withdrawn and you will not be eligible for the payments and other benefits set forth in paragraph 2 above.

20. In connection with this Agreement, we are providing you with a list of the ages and job titles of those employees whose employment is being terminated on the Termination Date. Please see Attachment A.

If you agree with the proposed terms as set forth above, please sign this letter indicating that you understand, agree with and intend to be legally bound by such terms.

We wish you the best in the future.

Sincerely,

/s/ G. D. Isaacs

Gary Isaacs, Sr. Human Resources Officer

UNDERSTOOD AND AGREED,
INTENDING TO BE LEGALLY BOUND:

/s/ Charles R. Tilden

Charles R. Tilden

/s/ Elizabeth A. Tilden

Witness

May 26, 2005

Date

ATTACHMENT A

TO SEVERANCE AGREEMENT AND GENERAL RELEASE
INFORMATION MADE AVAILABLE PURSUANT TO
THE OLDER WORKER BENEFIT PROTECTION ACT OF 1990

The following information is provided in accordance with the Older Worker Benefit Protection Act of 1990 to permit affected employees age forty (40) and older to evaluate whether to execute a Severance Agreement and General Release in return for the receipt of severance benefits.

1. For purposes of this Attachment, the Decisional Unit consists of the following two (2) positions: Chief Executive Officer and Chief Operating Officer.

2. Both employees in the Decisional Unit are being terminated and are eligible for and have been selected for the applicable severance payments and other benefits.

3. Both employees who are being terminated are eligible for the severance payments and other benefits set forth in paragraph 2 of his Severance Agreement and General Release. However, to receive the severance payments and other benefits set forth in paragraph 2 of his Severance Agreement and General Release, the employee must sign the Severance Agreement and General Release and return it to Gary Isaacs, the Company's Senior Human Resources Officer, InterDigital Communications Corporation, 781 Third Avenue, King of Prussia, PA 19406, no later than forty-five (45) days after receiving the Severance Agreement and General Release. Once the signed Severance Agreement and General Release is returned to Mr. Isaacs, an employee has seven (7) days to revoke it.

4. The following is a listing of the ages and job titles of employees in the Decisional Unit who were and were not selected for termination and the offer of severance payments and other benefits as set forth in paragraph 2 of his Severance Agreement:

(a) Employees who were not selected for termination so that they are not eligible for severance payments and other benefits:

None

(b) Employees who were selected for termination and are eligible for the severance payments and other benefits set forth in paragraph 2 of his Severance Agreement:

Chief Executive Officer	Age 59
Chief Operating Officer	Age 51

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Exhibit 10.78

May 20, 2005

Howard E. Goldberg

Re: Severance Agreement and General Release

Dear Howard:

We are interested in resolving amicably your separation of employment with InterDigital Communications Corporation ("the Company"), effective May 2, 2005 ("Termination Date"). Toward this end, we propose the following Severance Agreement, which includes a General Release ("Agreement").

The terms and conditions set forth in Paragraph 1 below will apply regardless of whether you elect to sign this Agreement. However, the severance payments and other benefits set forth in Paragraph 2 below are contingent on your signing this Agreement.

You may consider for forty-five (45) days whether you wish to sign this Agreement. You are encouraged to review the proposed Agreement with your attorney.

1. As noted above, regardless of whether you sign this Agreement:

(a) Your last day of employment will be your Termination Date. You will be paid for all time worked up to and including your Termination Date.

(b) You will be paid for accrued but unused Paid Time Off (PTO) on the next regular pay period following payroll's receipt of your final timesheet, in accordance with Company policy.

(c) Your eligibility to participate in Company sponsored medical, dental and/or vision insurance plans will cease effective your last day of employment. However, you will be eligible to continue such benefits, at your sole expense, pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), subject to COBRA's terms, conditions and restrictions. (Please see Paragraph 2(b) below for what will occur in the event you sign this Agreement.)

(d) Your participation in all other Company sponsored group benefits including group life, disability and accidental death and dismemberment coverage will cease effective your last day of employment. However, you may be eligible to convert your life insurance coverage to a private policy, at your sole expense, subject to the insurer's terms, conditions and restrictions. If you wish to convert your life insurance policy to a private policy, please contact Human Resources to receive the appropriate paperwork.

(e) Your active participation in the Company's 401(k) Savings Plan or Employee Stock Purchase Plan shall cease effective your Termination Date provided, however, that all amounts due to your 401k plan account or stock purchase plan account with reference to contributions relating to periods on or before the Termination Date shall nevertheless be made in accordance with relevant plan provisions and statutory requirements and limitations. You will receive detailed information from the Company's 401K Plan provider (Diversified Investments Advisors) regarding your 401(k) Plan fund status and disbursement options.

(f) Your active participation in the Company's Flexible Reimbursement Account will cease effective on your Termination Date. You will have a set amount of time following your last day of employment to submit claims for reimbursement under this Plan. Details will be provided by Human Resources.

(g) All vested stock options previously granted to you by the Board will terminate in accordance with the terms of the applicable Stock Option Plan under which they were granted. Any non-vested options will terminate effective your last day of employment. A schedule setting forth your holdings has been provided to you. You are responsible for reviewing the applicable Stock Option Plan and Option Grant and determining the expiration date of your options. If you need assistance, please contact the Company's stock plan administrator.

(h) You will receive a pro-rata portion of your LTIP cash bonus and RSU award under the two Program cycles currently in effect in accordance with the terms of the InterDigital Corporation Long Term Compensation Program.

(i) The restricted stock granted as part of your annual bonus in the last two fiscal years will remain restricted as to transferability as set forth in the related award agreements.

2. If you sign this Agreement, agreeing to be bound by the General Release set forth in Paragraph 3 below and the other terms and conditions of this Agreement, the Company agrees as follows, intending to be legally bound:

(a) To pay you eighteen (18) months of severance pay at a rate equal to your current monthly base salary, less withholding of all applicable income, social security and other taxes and charges which are required to be withheld by the Company. The severance payments will be paid to you in accordance with the Company's regular payroll practices. The first severance payment will be made to you consistent with the first regular pay period following the expiration of the Revocation Period set forth in paragraph 17 below, provided that the Company has received an executed copy of this Agreement.

(b) To pay you as additional severance a total amount of \$123,953.50, which is equal to fifty percent (50%) of your current target bonus, payable in eighteen

(18) equal monthly installments, less withholding of all applicable income, social security and other taxes and charges which are required to be withheld by the Company. These severance payments will commence and be paid along with the payments to be made under paragraph 2(a) above, following expiration of the Revocation Period set forth in Paragraph 17 below.

(c) To bear the cost of continuing your group health insurance benefits (medical, dental and vision) under COBRA (except for that portion which would be contributory by you if you were still employed by the Company) for 18 months provided that you elect COBRA coverage and that you satisfy the statutory eligibility criteria. Thereafter, your continued participation in the Company's group health plan pursuant to COBRA shall be at your sole expense. Your execution of this Agreement confirms that upon receipt of the COBRA enrollment forms you will elect to continue coverage and you authorize the deduction of the applicable co-payment from your severance payments, unless you notify Human Resources, in writing, of your intent not to elect COBRA. The Company's obligation to continue medical, dental and vision coverage will cease if you are eligible to participate in a comparable medical plan (without a relevant pre-existing condition exclusion) with a new employer. In such case, you agree immediately to notify the Company by written notice to Gary Isaacs, Sr. Human Resources Officer of this Company.

(d) To continue to provide reimbursement to you for the automobile lease payments in the amount of \$741.23 per month on the vehicle leased pursuant to your employment contract through the automobile lease's termination date provided the terms of the lease remain unchanged and you provide the Company with copies of monthly invoices through the lease's termination date.

(e) To permit you to retain the iPAQ, the IBM Thinkpad T30 laptop computer and the Samsung E105 cell phone provided to you by the Company, provided, however, the Company shall have no obligation with respect to phone service past the Termination Date.

(f) To lift the restrictions on transferability on the shares of restricted stock referenced in paragraph 1.(i) above following expiration of the Revocation Period.

(g) To reimburse you for outstanding, approved expense reports incurred on or before the Termination Date which have not yet been processed provided such expenses are reimbursable under Company policy and are accompanied by proper documentation.

3. In consideration for the Company's payments and other benefits set forth above in Paragraph 2, you agree, intending to be legally bound, to release and forever discharge the Company and its related or affiliated companies, and each of their past, present and future officers, directors, attorneys, employees, owners, partners, insurers,

benefit plan fiduciaries and agents, and their respective successors and assigns (collectively "Releasees"), jointly and severally, from any and all actions, complaints, causes of action, lawsuits or claims of any kind (collectively "Claims"), known or unknown, asserted or unasserted, which you, your heirs, agents, successors or assigns ever had, now have or hereafter may have against any Releasee arising out of any matter, occurrence, omission or event existing or occurring prior to your execution of this Agreement, including, without limitation: any claims relating to or arising out of your employment with and/or termination of employment by the Company and/or any of its related and/or affiliated companies; any claims for unpaid or withheld wages, severance, benefits, bonuses, commissions and/or other compensation of any kind; any claims for reimbursement of expenses of any kind; any claims arising under the Employee Retirement Income Security Act; any claims for attorneys' fees, costs or expenses; **any claims of discrimination and/or harassment based on age, sex, race, religion, color, creed, disability, handicap, citizenship, national origin, ancestry, sexual orientation, or any other factor protected by Federal, State or Local law (such as the Age Discrimination in Employment Act, 29 U.S.C. §621 et. sec., Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Pennsylvania Human Relations Act and the New York Human Rights Law) and any claims for retaliation thereunder;** any claims under the Family Medical Leave Act or any other federal, state or local laws governing leaves of absence; any claims under the National Labor Relations Act; any claims for violation of public policy; any claims arising under the Sarbanes-Oxley Act of 2002, as amended from time to time; any claims for retaliation and/or any whistleblower claims; any claims for emotional distress or pain and suffering; and/or any other statutory or common law claims, now existing or hereinafter recognized, known or unknown, including, but not limited to, breach of contract, libel, slander, fraud, wrongful discharge, promissory estoppel, equitable estoppel and misrepresentation.

4. You acknowledge and agree that the Company's severance payments and other benefits under Paragraph 2 above are adequate consideration to support your General Release in Paragraph 3 above.

5. Nothing in this Agreement shall result in the forfeiture of any vested benefits, or waive any Claims with regard to any vested benefits, under any Company 401 (k) Savings Plan, Employee Stock Purchase Plan, deferred compensation plans, or any other employee benefit plans of the Company or your right to indemnity pursuant to your Indemnity Agreement dated as of March 19, 2003 for your conduct as an Officer or Director through your Termination Date. The terms of this Agreement shall not be deemed to preclude your ability to bring an action to enforce the Company's obligations under this Agreement.

6. Regardless of whether you execute this Agreement, you are prohibited from using or disclosing, directly or indirectly, for you own benefit or the benefit of any person or entity, any of the confidential and proprietary information of the Company (the "Confidential Information"). Such Confidential Information includes but is not limited to, information regarding the Company's sales and marketing information and techniques,

business plans, financial data, trade secrets (including without limitation any technical information, hardware, software, algorithms, source code, object code, drawings, sketches, designs, processes, procedures, formulae, data, reports, computer programs, charts, improvements and any other technical information or knowledge relating to the development, design and implementation of the Company's products and services), pricing lists, supplier lists and other confidential supplier data, customer lists and other confidential customer data, and any other information or knowledge concerning the Company and its business or others that the Company does business with, whether or not in tangible form, that is not otherwise publicly available. Further, you are required to execute further documents or instruments required for patent prosecution. You are reminded of your obligations under Sections 7, 8 and 9 of your Amended and Restated Employment Agreement dated as of November 20, 2000 as well as your obligations under your Non-Disclosure and Assignment of Ideas Agreement dated as of February 28, 2005. Section 7, 8, 9, 11, 12, 13, 14, 19, 23 and 24 of the Amended and Restated Employment Agreement survive termination of your employment as well as your obligations under your Non-Disclosure and Assignment of Ideas Agreement dated as of February 28, 2005, regardless of whether you execute this Agreement.

7. You agree that in the event you receive from a third party a request or demand, orally, in writing, electronically or otherwise, for the disclosure or production of information which you acquired in the course of your employment which is not generally known by or readily accessible to the public, you must notify immediately, in writing, via certified mail, the Company's General Counsel at the following address: 781 Third Avenue, King of Prussia, Pennsylvania 19406. Any and all documents relating to the request or demand shall be included with the notification. You shall wait a minimum of ten (10) days (or the maximum time permitted by such legal process, if less) after sending the letter before making a disclosure or production to give the Company time to determine whether the disclosure or production involves confidential and/or proprietary information, in which event the Company may seek to prohibit and/or restrict the production and/or disclosure and/or to obtain a protective order with regard thereto. This provision covers, but is not limited to, requests or demands in connection with judicial, administrative, arbitration and all other adversarial proceedings. If the request or demand is in conjunction with judicial, administrative, arbitration or other adversarial proceedings, copies of all correspondence in your possession or control regarding the request or demand shall be included with the information sent to the General Counsel.

8. Prior to the termination of your employment and as a condition precedent to receiving the payments and other benefits set forth in paragraph 2 above, you must return to the Company, retaining no copies, all Confidential Information, keys, documents, correspondence, access cards, computer equipment, computer tapes, disks, CDs, DVDs, manuals, engineering notebooks, customer information, and any other property and information in either printed or electronic formats which you obtained as a result of or in connection with your employment by the Company (including, without limitation, data contained on PDAs and computers).

9. You agree that you will not make any negative comments or disparaging remarks, in writing, orally or electronically, about the Company or any other Releasee and their respective officers, directors, shareholders, employees and agents and their respective products and services. However, nothing in this Agreement shall be interpreted to restrict your right and obligation to testify truthfully.

10. In response to any inquiries by employees of the Company or third parties concerning any of the terms or circumstances of your termination, you agree (i) that you will state only that your employment with and position as a director of the Company have terminated by mutual agreement or to state information publicly disclosed by the Company, whether in press releases, public filings or otherwise, or (ii) if information publicly disclosed by the Company, whether in press releases, public filings or otherwise, concerning this Agreement is inaccurate in any material respect, you may respond to the inquiry with accurate corrective information so long as you have previously notified the Company of the material inaccuracy and requested the Company to issue a corrective disclosure and the Company has failed to issue such a corrective disclosure within five days of your notification and request. The foregoing shall not apply to communications with (i) your wife or (ii) legal and tax advisors to the extent it is for the purpose of rendering professional advice.

11. While you are not prevented from applying for employment or reemployment with the Company or any related or affiliated company, in the event that you seek employment and/or reemployment, the Company or any related or affiliated company shall have no obligation to employ you or reemploy you, and the failure or refusal to employ you or reemploy you shall not in itself be deemed unlawful retaliation or discrimination against you.

12. You will be provided at the Company's expense with outplacement services designed for executive level personnel for a period of six (6) months if you so request. Thereafter, you may extend the outplacement, at the Company's expense, for up to two immediately subsequent three (3) month periods; provided, however, that such outplacement shall cease on your acceptance of an offer of full-time employment in a senior executive position.

13. This Agreement may be amended only in writing signed by you and me, Sr. Human Resources Officer, of the Company.

14. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to conflicts of law principles.

15. Nothing in this Agreement shall be construed as an admission or concession of liability or wrongdoing by the Company or any other Releasee. Rather, the proposed Agreement is being offered for the sole purpose of settling amicably any and all possible disputes between the parties.

16. If any provision in this Agreement or the application thereof is construed to be overbroad, then the court making such determination shall have the authority to narrow the provision as necessary to make it enforceable and the provision shall then be enforceable in its narrowed form. In the event that any provision in this Agreement is determined to be legally invalid or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, the affected provision(s) shall be stricken from the Agreement, and the remaining terms of the Agreement and its enforceability shall remain unaffected thereby.

17. You agree and represent that:

- (a) You have read carefully the terms of this Agreement, including the General Release;
- (b) You have had an opportunity to and have been encouraged to review this Agreement, including the General Release, with an attorney;
- (c) You understand the meaning and effect of the terms of this Agreement, including the General Release;
- (d) You were given at least 45 days to determine whether you wished to enter into this Agreement, including the General Release;
- (e) The entry into and execution of this Agreement, including the General Release, is of your own free and voluntary act without compulsion of any kind;
- (f) No promise or inducement not expressed herein has been made to you; and
- (g) You have adequate information to make a knowing and voluntary waiver.

18 If you sign this Agreement, you will retain the right to revoke it for seven (7) calendar days ("Revocation Period"). The Agreement shall not be effective until after the Revocation Period has expired without you having revoked it. To revoke this Agreement, you must send a letter to my attention. The letter must be post-marked within 7 days of your execution of this Agreement. If the seventh day is a Sunday or federal holiday, then the letter must be post-marked on the following business day. If you revoke this Agreement on a timely basis, you shall not be eligible for the payments and other benefits set forth in paragraph 2 above.

19. As noted above, you have 45 days to decide whether you wish to execute this Agreement. If you do not sign this Agreement on or before July 4, 2005, then this offer is withdrawn and you will not be eligible for the payments and other benefits set forth in paragraph 2 above.

20. In connection with this Agreement we are providing you with a list of the ages and job titles of those employees whose employment is being terminated on the Termination Date. Please see Attachment A.

If you agree with the proposed terms as set forth above, please sign this letter indicating that you understand, agree with and intend to be legally bound by such terms.

We wish you the best in the future.

Sincerely,

/s/ G. D. Isaacs

Gary Isaacs, Sr. Human Resources Officer

UNDERSTOOD AND AGREED,
INTENDING TO BE LEGALLY BOUND:

/s/ Howard E. Goldberg

Howard E. Goldberg

May 26, 2005

Date

/s/ G. D. Isaacs

Witness

**ATTACHMENT A
TO SEVERANCE AGREEMENT AND GENERAL RELEASE
INFORMATION MADE AVAILABLE PURSUANT TO
THE OLDER WORKER BENEFIT PROTECTION ACT OF 1990**

The following information is provided in accordance with the Older Worker Benefit Protection Act of 1990 to permit affected employees age forty (40) and older to evaluate whether to execute a Severance Agreement and General Release in return for the receipt of severance benefits.

1. For purposes of this Attachment, the Decisional Unit consists of the following two (2) positions: Chief Executive Officer and Chief Operating Officer.

2. Both employees in the Decisional Unit are being terminated and are eligible for and have been selected for the applicable severance payments and other benefits.

3. Both employees who are being terminated are eligible for the severance payments and other benefits set forth in paragraph 2 of his Severance Agreement and General Release. However, to receive the severance payments and other benefits set forth in paragraph 2 of his Severance Agreement and General Release, the employee must sign the Severance Agreement and General Release and return it to Gary Isaacs, the Company's Senior Human Resources Officer, InterDigital Communications Corporation, 781 Third Avenue, King of Prussia, PA 19406, no later than forty-five (45) days after receiving the Severance Agreement and General Release. Once the signed Severance Agreement and General Release is returned to Mr. Isaacs, an employee has seven (7) days to revoke it.

4. The following is a listing of the ages and job titles of employees in the Decisional Unit who were and were not selected for termination and the offer of severance payments and other benefits as set forth in paragraph 2 of his Severance Agreement:

(a) Employees who were not selected for termination so that they are not eligible for severance payments and other benefits:

None

(b) Employees who were selected for termination and are eligible for the severance payments and other benefits set forth in paragraph 2 of his Severance Agreement:

Chief Executive Officer	Age 59
Chief Operating Officer	Age 51

EXHIBIT 31.1

**CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER
OF
INTERDIGITAL COMMUNICATIONS CORPORATION**

I, William J. Merritt, President and Chief Executive Officer, InterDigital Communications Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterDigital Communications Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of 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 15(d)-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 statement 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 to 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: August 9, 2005

/s/ William J. Merritt

William J. Merritt
President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
OF
INTERDIGITAL COMMUNICATIONS CORPORATION**

I, Richard J. Fagan, Chief Financial Officer, InterDigital Communications Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterDigital Communications Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of 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 15(d)-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 statement 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 to 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: August 9, 2005

/s/ R. J. Fagan

Richard J. Fagan
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of InterDigital Communications Corporation (the "Company") for the quarter ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Merritt, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 results of operations of the Company.

Date: August 9, 2005

/s/ William J. Merritt

William J. Merritt
President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of InterDigital Communications Corporation (the "Company") for the quarter ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Fagan, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 results of operations of the Company.

Date: August 9, 2005

/s/ R. J. Fagan

Richard J. Fagan
Chief Financial Officer

End of Filing

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