

INTERDIGITAL INC.

FORM 10-K (Annual Report)

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Industry	Communications Equipment
Sector	Technology
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1999

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

23-1882087

(State of Incorporation)

(I.R.S. Employer Identification Number)

781 Third Avenue, King of Prussia, Pennsylvania 19406
(Address of principal executive offices) (Zip Code)

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

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

Common Stock, Par Value \$.01 Per Share

American Stock Exchange

Series B Junior Participating
Preferred Stock Rights

American Stock Exchange

(Title of class)

(Name of each exchange on which registered)

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

\$2.50 Cumulative Convertible Preferred Stock, Par Value \$.10 Per Share

(Title of Class)

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 if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

On March 24, 2000 the aggregate market value of the Registrant's Common Stock, \$.01 par value, held by non-affiliates of the Registrant was approximately \$1,480,638,684.

On March 24, 2000, there were approximately 53,217,366 shares of the Registrant's Common Stock, \$.01 par value, outstanding.

Documents Incorporated by Reference None.

PART I

Item 1. BUSINESS

General

InterDigital Communications Corporation (collectively with its subsidiaries referred to as InterDigital, the Company, we, us and our) specializes in the design and development of technology content and system solutions for advanced digital wireless communications applications. Over the course of our nearly thirty-year history, we have amassed a substantial and significant library of know-how and patents related to digital wireless technology.

We market our technologies and solutions capabilities primarily to telecommunications equipment producers and related suppliers for embedding into products targeted for the following applications:

- Mobile phones
- Personal digital assistants
- Mobile computing devices
- Base stations and other infrastructure equipment
- Other terminal-end wireless devices.

In addition, we license our Time Division Multiple Access (TDMA) and Code Division Multiple Access (CDMA) patents and technology to third parties. We are continuing to broaden and deepen our extensive body of technical know-how and broad patent portfolio related to wireless technologies.

The Company is a public corporation, incorporated in Pennsylvania in 1972. Our corporate and administrative offices are located in King of Prussia, Pennsylvania. Our development teams are located in Melville, New York and King of Prussia, Pennsylvania.

Wireless Telecommunications Industry Overview

The wireless telecommunications industry is undergoing rapid growth worldwide. At the same time, new technologies and products are being developed to substantially enhance the capabilities and performance of wireless services available to consumers. The combination of rapid growth in the sales of wireless devices and accelerating technological change sets the stage for a revolution in wireless services that should fuel growth in the industry for many years.

The wireless market is in the early stage of a shift from voice-oriented wireless products (primarily handsets which provide basic voice service on the move) to data-oriented devices which provide voice as well as high speed data to support advanced services including imaging and wireless Internet access. Consumers are likely to gain access to these services through a broad range of mobile terminal-end products, including handsets, personal digital assistants, and laptop or notebook computers, among other products. Demand for new wireless technology, which should enable the mobile devices to deliver advanced services, is likely to grow with the market for mobile products and services.

Industry Growth Projections

The evolving market for advanced wireless products and services is generally referred to as the third generation (3G) market. First generation wireless services were introduced in the 1980s, utilizing analog technology. Second generation (2G) services were introduced in the 1990s, taking advantage of new digital technology which greatly increased the capacity and flexibility of wireless networks. The first and second generations of wireless services delivered voice service with little or no ability to transmit data. The third generation of products will be designed to add data communications capability and, when broadly deployed, should enable global roaming for wireless users.

The market's 3G emergence is expected to be evolutionary rather than revolutionary. Wireless service providers are likely to install network infrastructure gradually over a period of years. Industry analysts expect the first 3G products and services to be introduced in Japan in 2001, with service in other parts of Asia, Europe and North America following throughout this decade. As the market expands, it is likely to spark a dynamic product development environment, with traditional wireless equipment producers and new market entrants bringing a wide range of terminal-end mobile devices to consumers. The great majority of those products are expected to utilize advanced air interface technology to deliver a combination of voice and high data-rate services.

At the end of 1999, almost 500 million wireless subscribers utilized the current wireless products and services around the world. Market analysts expect that number to double over the next three years and grow to well over 1 billion subscribers by 2005. On an annual basis, industry analysts project that handset sales are expected to grow from more than 200 million in 1999 to nearly 600 million in 2003.

Market penetration for wireless products should grow as well during the next several years. The highest penetration of wireless users today is in the Scandinavian countries and Hong Kong, where between 60 and 70 percent of the population owns and uses a mobile phone. In most developed nations, wireless penetration totals at least 20 percent of the population. In the United States, it reached approximately 25 percent at the end of 1999. Penetration is much lower in developing countries. Most industry observers forecast substantial growth in wireless's penetration of the population in both the developed and developing countries throughout this decade.

Even with the growth in penetration for wireless devices worldwide, wireless telecommunications at the end of 1999 accounted for only about 3 percent of total telecommunication minutes of use. By 2003, analysts forecast that wireless minutes of use, as a percentage of total telecommunications, will grow to just under 12 percent.

Industry observers expect that the use of advanced wireless technology in mobile computing products will grow rapidly during this period as well. Analysts forecast that, through 2003, unit shipments of notebook computers, ultra-portables, and palm-sized computers will grow by almost 22 percent per year worldwide. Experts predict that high-data rate wireless technology will be embedded in these products over the next several years, providing an additional market for advanced wireless technology.

Taken together, these forecasts portray a market that should undergo significant growth over the next five years and which should have substantial room for additional growth thereafter.

The Technology Landscape

Two principal digital wireless technologies are in use today to enable wireless applications: TDMA and CDMA. Standards employing these technologies have been adopted around the world. The Global System for Mobile Communications (GSM) and IS 54/136, which utilize TDMA technology, serve the large majority of wireless subscribers worldwide. GSM is the far more dominant technology, being widely deployed in Europe, Asia, Africa, the Middle East and other regions (including the United States). IS 54/136 has been deployed in North America, and Central and South America. IS-95, which employs narrowband CDMA technology, was commercialized in the 1990s and serves a smaller percentage of users today, primarily in the United States, Korea and several other countries.

We have been developing TDMA and CDMA technologies for many years for fixed and mobile applications. With regard to TDMA, we were a leader in establishing IS-54 as a wireless standard in the United States in the 1980s and have established a substantial portfolio of patented TDMA inventions. Our core TDMA inventions include (among others):

- The fundamental architecture of commercial Time Division/Frequency Division Multiple Access (TD/FDMA) systems.
- Methods of synchronizing the operation of TD/FDMA systems.
- A unique approach of managing system capacity and maintaining agility through the reassignment of online subscriber units to different time slots and/or frequencies in response to system conditions.
- The design of a multi-component base station where the intelligence is distributed allowing for more robust performance.
- Initializing procedures that enable roaming.

A number of our core TDMA inventions are central to 2G wireless systems in use today, being used in a broad range of wireless networks and terminal-end mobile devices produced by other companies worldwide. TDMA technology that we developed was also utilized as the air interface solution for the wireless local loop (WLL) products we developed and produced during the past 15 years.

On the CDMA front, we acquired in 1992 a technology development company that had been involved in fundamental research in CDMA technology, with an emphasis on wideband or broadband application, since the mid- 1980s. We expanded that development program, anticipating the demand for wide bandwidth technology that would enable high data-rate wireless services. As part of that development work, we designed and produced a state-of-the-art system-on-a-chip Application Specific Integrated Circuit (ASIC) which contained our proprietary Broadband Code Division Multiple Access(TM) (B-CDMA(TM)) technology which was initially deployed in WLL products. Many of the essential elements of the B-CDMA solution are applicable to advanced high data rate products that are being developed for the 3G market.

As with our TDMA inventions, we have patented our CDMA inventions and today hold a significant portfolio of patents for CDMA technology worldwide. Our key CDMA inventions include (among others):

- The use of a common pilot channel to synchronize subchannels in a multiple access environment.
- Various techniques for bandwidth allocation, including multi-channel and multi-code mechanisms.
- Highly efficient schemes for controlling the transmission power output of terminal and base station devices vital in a CDMA system.
- Communication system overlay techniques, which allow new wireless systems to be deployed with existing wireless technologies without frequency reallocation.
- Joint detection and interference cancellation for reducing multiple access interference in a physical receiver.
- Enhancements to soft handover techniques between designated cells.
- Various subchannel access and coding techniques.

We believe that certain of our inventions are essential to the implementation of the 2G IS-95 systems (See "- Business Activities. Patent and Technology Licensing".) Also, in 1999, a study group of the International Telecommunications Union (ITU), an agency for the United Nations responsible for establishing telecommunications standards, approved a new standard for 3G wireless networks designed to enable global roaming for mobile users and compatibility with the dominant existing wireless standards. The IMT-2000 standard, also referred to as the 3G wireless standard, defines five sets of alternative specifications for the digital mobile radios which can be selected or aggregated by equipment manufacturers to produce standards-compliant third generation wireless products for their customers. The five specifications under the standard include three forms of CDMA technology: TDD and FDD - forms of wideband CDMA, and FDD Multi-carrier CDMA (referred to as cdma-2000). The standard also includes two forms of TDMA technology: Digital Enhanced Cordless Telephone (DECT), and UWC-136, an evolved form of the U.S. TIA/EIA-136 digital cellular standard. Products built to one or more of these specifications are being designed to

deliver a varying range of high bandwidth wireless services, including high speed Internet access, multimedia communications, video conferencing, and other forms of data transmission. We made numerous contributions to the 3G standards bodies as the standard was being formulated and expect to continue to do so as the standard is refined. Many of our contributions are included as part of the standard adopted by the ITU study group.

We believe that our patent portfolio is applicable to all of the air interface protocols described in the standard, and we have indicated to the standard setting bodies that we hold patents and patent applications that are either essential or commercially important for 3G products built to present standards specifications.

Our current technology development programs are focused on creating solutions (including ASICs) for the wideband CDMA protocols of the 3G standard. We have focused on this market segment, in part, based on industry analysts' expectations that wideband CDMA technology (as opposed to the other 3G protocols) will serve the largest number of wireless subscribers as the 3G market grows. For many GSM service providers, wideband CDMA is likely to be the preferred 3G air interface protocol because its adoption offers them the least expensive and fastest route to 3G services. Given the dominant global market position today of the GSM service providers, analysts expect that they will maintain a dominant market position in the next generation market. Technology providers serving this market could benefit from a leading market position for wideband CDMA. We believe that our heritage of know-how and patented wireless inventions based upon both TDMA and CDMA air interface protocols presents us with attractive opportunities to provide technology in the 3G market.

Strategy

Our strategic objective is to create long-term growth as one of the leading developers of advanced air interface and full system-on-a-chip technology for the wireless communications industry. To achieve this objective, we are actively participating in worldwide 3G markets, with the following focus:

- **Emphasizing Core Technology Development and System Design Capability.** We possess longstanding core competencies in digital air interface design and the development of full system solutions for wireless products. By building on these strengths, we can give our customers the full advantage of the depth of our engineering know-how and long heritage of wireless inventions that enhance the effectiveness of end products.
- **Building a Base of Strategic Relationships.** To secure our position in the 3G market and define our growth opportunities, we intend to establish a network of customer/partner relationships to complement our strengths and enhance our ability to create value in a broader market. We seek partners that bring complementary technologies, production capability and market access. A key ingredient in the strategic plan is to work in partnership with a semiconductor producer to bring a number of standards-compliant 3G ASICs to market.
- **Leveraging Technology and Intellectual Property Rights into 3G Standards and Products.** We have been a leader in developing and promoting key industry standards starting with 2G in the 1980s as well as the recently proposed 3G standard. We believe this strategy enables us to promote the adoption of our technology into new standards-based products, providing our customers time to market and other advantages.
- **Licensing Intellectual Property Worldwide.** Our substantial portfolio of patented TDMA and CDMA inventions is a unique asset. Access to these inventions, and the technological know-how they represent, through licensing agreements has proven valuable to producers of wireless devices who provide advanced services around the world. By continuing to build our licensing program, we believe that we can capture substantial value in the future.
- **Providing Specialized Engineering Services.** We intend to selectively enter into agreements to develop technology for leading companies and offer integration technology and implementation assistance. Our goals

are to stay in close touch with market demands, take advantage of technology re-use opportunities, build our base of core technology and add to our portfolio of patented inventions.

Business Activities

Core Technology and Product Development

Through 1999, the Company was engaged in the development, marketing, sales and servicing of WLL equipment utilizing our technology. We redirected our business plan in 1999. Driven by the emergence of the 3G market, intensified product and price competition in the WLL market, and a significant decline in demand worldwide for WLL systems, we sought to enter into arrangements with key equipment providers involving 3G technology and products. The proposed 3G technologies incorporated wideband CDMA protocols as well as other CDMA and TDMA technologies. A significant part of our business activity involves the development of core technology building blocks for the two aspects of the wideband CDMA protocol: Time Division Duplex (TDD) and Frequency Division Duplex (FDD) technologies. Executing on our business plan, we entered into a strategic engineering relationship with Nokia in 1999 involving the development of high data-rate 3G technology. In 1999, we also initiated a self-funded research and development effort to develop building blocks for other components of the wideband CDMA protocols included in the 3G Standard.

The TDD format operates by using a single frequency band to transmit signals alternately in the forward and reverse direction. In the TDD scheme, the relative capacity of the forward and reverse links can be altered in favor of one direction (usually the forward). This is accomplished by giving a greater time allocation to forward transmission intervals than reverse by allocating more time slots. This asymmetry is useful for communication processes characterized by unbalanced information flow. One important example of this technique is Internet access in which users typically enter short messages and receive large information payloads. Importantly, due to the fact that only one carrier is used, frequency re-use is enhanced and planning is simplified.

FDD supports two-way radio communication using paired radio frequencies. In the FDD format, one frequency supports transmission from a base station to a mobile terminal (the forward link) while the other frequency supports transmission in the reverse direction. Because of the paired frequencies, simultaneous communication in both directions is possible. This technique is ideal for high volume mobile voice traffic and is the traditional cellular and PCS radio spectrum allocation format. It is designed to be extremely flexible, providing high-quality voice transmission, along with high speed wireless Internet access and multimedia imaging.

Based on these core technology building blocks, we intend to develop 3G products for sale to telecommunications equipment manufacturers. Those products could include ASICs, software and combined RF/Baseband boards, among others. Our business plan is to develop such products either alone or through partnering relationships with appropriate companies. We expect to also seek to license the technology to third parties on a royalty-bearing basis. (See "- Patent and Technology Licensing".)

We are currently targeting a TDD ASIC, as well as dual and tri-mode ASICs incorporating TDD functionality. The initial ASICs would be targeted for mobile handsets; however, we may also extend our TDD ASIC offering to the infrastructure market segment.

We are also currently developing our next generation FDD system-on-a-chip. Our engineering team is developing the technology for a system-on-a-chip solution, including the complex software and specifications for the manufacture of ASICs which can be embedded into a range of wireless products. The initial target product for the FDD

ASIC will be mobile handsets. The FDD development effort was initiated in 1999 following the completion of our second generation FDD system-on-a-chip (which we called our B-CDMA ASIC), developed in conjunction with Texas Instruments, Inc. The B-CDMA ASIC was designed for fixed wireless access products but employs FDD, TDD and wideband-CDMA technology components. The B-CDMA ASIC has been fabricated and successfully tested. This experience provides us with an important first step toward developing a commercial FDD system-on-a-chip solution since the B-CDMA ASIC already contains a significant percentage of the technology building blocks that will be used to design our new FDD ASIC.

In the first half of 1999, we made a major shift in our business strategy by dedicating our resources into the emerging 3G market. As part of that undertaking, we decided to discontinue the further development and manufacture of WLL products. The decision to move away from the manufacture of WLL products was also driven by intensified product and price competition and a shift in world markets away from WLL systems, among other things. Since that time, we have been winding down all remaining commercial aspects of that business.

InterDigital recorded expenses of \$20.5 million, \$17.2 million, and \$24.2 million during 1999, 1998 and 1997, respectively, related to all of its research and of development efforts for TDMA, B-CDMA and 3G based product and technology development. Revenues recognized in 1999, 1998 and 1997 associated with development efforts were \$13.9 million, \$8.0 million and \$4.4 million, respectively.

At December 31, 1999, InterDigital's backlog of orders for UltraPhone(R) telephone equipment and services was approximately \$5.1 million. All of this backlog is expected to be shipped in 2000. Backlog as of December 31, 1998 was approximately \$1.0 million.

The following table sets forth, for the periods indicated, the revenues from each revenue category as a percentage of total revenues and gross margins from product sales:

	1999	1998	1997
	----	----	----
Revenues:			
Product Revenues	6.4%	6.8%	88.0%
Licensing and Strategic Partner	93.6	93.2	12.0
	-----	-----	-----
Total Revenues	100.0%	100.0%	100.0%
	=====	=====	=====

Revenues by customer geography are as follows (in thousands):

	Year Ended December 31,		
	1999	1998	1997
	----	----	----
U.S.	\$ 1,660	\$ 1,873	\$ 2,853
Non-U.S.	69,007	97,348	\$46,983
	-----	-----	-----
	\$70,667	\$99,221	\$49,836
	=====	=====	=====

In 1999, 60% of InterDigital's revenue was from our customer in Finland. An additional 26% of revenue was from Japan. In 1998, more than 84% of total revenue was derived from our customers in Japan. In 1997, 66% of revenues were from Indonesia. Additionally, 6% of revenues were from our Philippine customer and another 6% of 1997 revenues were derived from our strategic partner in Korea.

Strategic Engineering Services.

Based on the core competencies of our engineering team resulting from research and development work in TDMA and wideband CDMA technical areas dating back to the 1980s, we believe that we are positioned to deliver valuable engineering services to companies seeking to develop 3G compliant technologies and product embodiments. We anticipate that our engineering services could take on a number of forms.

Because the 3G market is in its early stage, we believe that we can help companies develop core technology for their 3G products. In the first of such arrangements, we entered into a strategic technology development agreement in February 1999 with Nokia covering the development of new technology for 3G wireless communications products designed for high data rate applications, such as Internet access. The agreement provides that we are to deliver technology building blocks for Nokia to use in 3G wireless products. It also provides that Nokia will fund the project, maintain an active role in the development plan and, when the development is complete, be able to use the technology in 3G products. We will own the developed technology and will have the ability to license the technology to other companies, as well as design, manufacture, sell and use products and components that utilize the resulting technology. Nokia has the right to terminate the agreement both for convenience (with certain financial ramifications) and for cause.

We anticipate offering a second form of strategic engineering services in which we would assist equipment suppliers in developing specific products based on our existing TDD or FDD technology. As part of this service, we would build upon the existing core technology and provide our customers with technology integration and applications engineering for their 3G products. We may also develop reference designs which the customer could use to customize their product. We anticipate that while such services may be attractive to a wide number of companies, our target market for such services will typically be the second and third tier producers.

The competitive landscape in this market is changing. Traditionally, most telecommunications companies develop product and application designs in-house. While in-house engineering and development staffs, particularly at well-resourced companies, represent a competitive threat to our strategic engineering services market strategy, the shortage of qualified engineers, the need for background technology, and the fast pace of market development, has created an opportunity for companies like InterDigital that can provide ready access to both engineering talent and relevant know-how. Other companies are competing in this space, seeking to provide comparable engineering services. While these companies may have qualified engineers and relevant know-how, we believe we have a competitive advantage over such companies because of our deep history in TDMA and CDMA technologies (which form the foundation of 3G technologies), and our system and semiconductor design experience. Nonetheless, we cannot predict what level of market share, if any, that we will capture of the strategic engineering services market.

Patent and Technology Licensing

Since our inception, we have employed an aggressive program of acquiring and protecting of intellectual property. Our wholly-owned subsidiary, InterDigital Technology Corporation (ITC), currently holds approximately 137 United States patents and approximately 345 foreign patents relating specifically to digital wireless radiotelephony technology (TDMA and/or CDMA) which expire at various times beginning in 2004 and ending in 2015. ITC also has approximately 25 other patents, both in the United States and in non-U.S. countries. ITC has also filed approximately 76 United States and approximately 213 foreign patent applications relating primarily and variously to the CDMA and TDMA technologies. During 1999, ITC received 37 new patents, 22 in the United States (the majority of which were for CDMA inventions) and applied for more than 50 new patents worldwide. ITC's patents have effective terms of up to 20 years from the date of their first filing.

In 1992, we undertook a comprehensive patent licensing program, the ultimate objective of which is the realization of licensing revenues from third party use of inventions underlying ITC's patent portfolio. ITC believes that, in many instances, licenses for certain of its patents are required in order for third parties to manufacture and sell digital cellular products in compliance with TDMA-based standards currently in use worldwide. Those standards

include, but are not limited to the, U.S Digital Cellular (IS-54/136) the Global System for Mobile Communication, the Pan- Asian Digital Cellular Standard, Digital Enhanced Cordless Telephone and Personal Handyphone System. Currently, numerous manufacturers supply digital cellular equipment conforming to such standards.

ITC offers non-exclusive, royalty bearing patent licenses to telecommunications manufacturers that manufacture, use or sell, or intend to manufacture, use or sell, equipment that utilizes our extensive portfolio of intellectual property. At December 31, 1999, ITC had granted 21 non-exclusive, non-transferable, perpetual, worldwide, royalty-bearing licenses to use certain TDMA patents.

We also anticipate that we will be able to generate significant revenue from the licensing of patents for 3G applications. Based on the standards as adopted, we believe that we have a number of patents that are essential to the implementation of all of the technology modes incorporated in the existing 3G standards. We also expect that many of our patents or to be issued patents will be commercially important in the actual product implementation.

We have recently initiated active discussions on a worldwide basis regarding the licensing of our CDMA patents. Our current license agreements with Nokia, Siemens and Qualcomm do include rights under certain of our patents to manufacture and sell products compliant with 3G standards, with some limitations. The Nokia Agreement is paid-up, generally, through the period during which Nokia and InterDigital are engaged in the 3G development project. (See "- Strategic Engineering Services"). After such period, a structure is provided for determining future royalty payments. All of our current essential patents for 3G standards are included under the Nokia Agreement. The Siemens and Qualcomm agreements are fully paid-up with regard to the rights granted, which includes certain rights as to 3G products. The Siemens agreement does not include any rights under patents issuing from patent applications filed after December 15, 1999. The Qualcomm license agreement excludes, among other things, any rights under our patents as regards TDMA standards, any rights under our patent applications filed after March 7, 1995, as well as patents relating to cellular overlay and interference cancellation. Based on these limitations, neither the Siemens nor the Qualcomm agreement provides rights under all the ITC patents which we believed to be essential to 3G, or all of the inventions which we believe will be essential and which are contained in pending patent applications. The Qualcomm license agreement grants Qualcomm the paid-up right to grant sublicenses under certain of our patents to Qualcomm's customers.

In high technology fields characterized by rapid change and engineering distinctions, the validity and value of patents are often subject to complex legal and factual challenges and other uncertainties. Accordingly, ITC's patent claims are subject to uncertainties which are typical of patent enforcement generally. If any third party successfully asserts that certain of our patent claims are not valid or do not cover their products, or if the 3G standards were to change in a material manner, or if products are implemented in a way such that patents that we believe to be commercially important are not infringed, InterDigital's licensing potential and revenues could be adversely affected. The cost of enforcing and protecting the patent portfolio can be significant.

In that regard, we are currently in litigation with Ericsson, Inc., which is seeking the court's declaration that Ericsson's products do not infringe ITC's United States TDMA patents, that certain of ITC's United States TDMA patents are invalid and that certain of ITC's United States TDMA patents are unenforceable. Ericsson has also asserted claims of tortious interference with contractual and business relations, defamation and commercial disparagement, violation of ss. 43(A) of the Lanham Act, breach of contract directly or as a third-party beneficiary, and fraud and negligent misrepresentation for which Ericsson seeks an unspecified amount of actual damages, costs and attorneys' fees. We are vigorously contesting each of Ericsson's allegations. In addition, ITC has counterclaimed against Ericsson alleging that Ericsson is willfully infringing certain United States TDMA patents owned by ITC. ITC seeks a permanent injunction against Ericsson's infringement of these patents, and an unspecified amount of actual and exemplary damages, costs and attorneys' fees. (See Item 3. "Legal Proceedings. Ericsson".)

In addition to patent licensing, we have also been actively engaged since 1994 in the licensing of know-how both to companies with whom we have had strategic relationships (including alliance partners) and to other companies. Our initial technology transfer program involved our proprietary B-CDMA technology, a wideband CDMA technology

initially adapted for WLL applications but with mobile capability. In 1994, we entered into technology licensing arrangement with Siemens AG under which Siemens was provided access and use, on a royalty-bearing basis, to our developed and to-be-developed B-CDMA technology. In January 1996, we added Samsung as a licensee both to our B-CDMA technology and our UltraPhone product know-how. Alcatel Espana signed a license with us in 1998 for B-CDMA technology. In 1999, both Siemens and Alcatel made corporate decisions not to invest further in the development of proprietary B-CDMA technology for fixed wireless applications and to focus their energies on the 3G market. In 1999, we signed a technology transfer and licensing agreement with Nokia for TDD technology. (See "Business Activities. Strategic Engineering Services.")

Since 1992, we have generated approximately \$282 million in patent royalty and technology licensing revenue.

The following table summarizes the technology areas in which we granted licenses under our patents and technology:

IS-54/136	GSM	PHS
American Telephone & Telegraph	American Telephone & Telegraph	American Telephone & Telegraph
Hitachi, Ltd.	Hitachi, Ltd.	Denso Corporation
Hughes Network Systems	Japan Radio Company	Hitachi, Ltd.
Kyocera Corporation	Kyocera Corporation	Iwatsu America, Inc.
Matsushita Electrical Co., Ltd.	Matsushita Electrical Company, Ltd.	Japan Radio Company
Mitsubishi Electric Corp.	Mitsubishi Electric Corporation	Kokusai Electric Co., Ltd.
NEC Corporation	NEC Corporation	Kyocera Corporation
Nokia Corporation	Nokia Corporation	Matsushita Electrical Company, Ltd.
Oki Electric Industry, Ltd.	Oki Electric Industry, Ltd.	Mitsubishi Electric Corporation
Pacific Comm. Sciences, Inc.	Pacific Communication Sciences, Inc.	NEC Corporation
Robert Bosch GMBH	Robert Bosch GMBH	Nokia Corporation
Samsung Electronics Co., Ltd.	Samsung Electronics Company, Ltd.	Oki Electric Industry, Ltd.
Sanyo Electric Corp.	Sanyo Electric Corporation	Robert Bosch GMBH
Siemens AG	Shintom Company	Samsung Electronics Company, Ltd.
Toshiba Corporation	Siemens AG	Sanyo Electric Corporation
	Toshiba Corporation	Sharp Corporation
PDC	TDD Technology	Shintom Corporation
American Telephone & Telegraph	Nokia Corporation	Siemens AG
Denso Corporation		Toshiba Corporation
Hitachi, Ltd	B-CDMA Technology	IS-95
Japan Radio Company	Alcatel Espana	American Telephone & Telegraph
Kokusai Electric Company, Ltd.	Samsung Electronics Co., Ltd.	Nokia Corporation
Kyocera Corporation	Siemens AG	Oki Electric Industry, Ltd.
Matsushita Electrical Co., Ltd.		Qualcomm, Inc.
Mitsubishi Electric Corp	DECT	Siemens AG
NEC Corporation	Kyocera Corporation	TETRA
Nokia Corporation	Matsushita Electrical Co., Ltd.	Japan Radio Company
Oki Electric Industry, Ltd.	Nokia Corporation	Matsushita Electrical Company, Ltd.
Pacific Comm. Sciences, Inc	Siemens AG	Nokia Corporation
Robert Bosch GMBH	Sanyo Electric Co., Ltd	Siemens AG
Samsung Electronics Co., Ltd.	Toshiba Corporation	UltraPhone Product Know-How
Sanyo Electronics Co., Ltd.		Samsung Electronics Co., Ltd.
Sharp Corporation		
Siemens AG		
Toshiba Corporation		

Technical Standards Activity

The ITU has established a standard for 3G products known as IMT-2000. We have participated actively in the 3G standards development process, contributing a significant number of proposed concepts and methodologies to the standards bodies in Europe and the United States. A number of our contributions have been adopted and are now part of the standard which will be implemented worldwide. Mr. Brian Kiernan, one of our Senior Vice Presidents, is the Chair of a task force under the Institute of Electrical and Electronic Engineers that develops standards for wireless access systems. In addition, we are members of various standards bodies including the ITU, 3G Partnership Project (3GPP), Telecommunications Industries Association (TIA), Electronics Industries Association (EIA), European Telecommunications Standards Institute (ETSI), American National Standards Institute (ANSI), and Association of Radio Industries and Businesses (ARIB).

Employees; Research & Development Resources and Expenses

As of March 1, 2000, InterDigital had approximately 191 full-time employees. In addition, we use the services of consultants and part-time employees. None of InterDigital's employees are represented by a collective bargaining unit. A breakdown of InterDigital's full-time employees by functional area is as follows:

FUNCTIONAL AREA	NUMBER OF EMPLOYEES
-----	-----
Sales and Marketing	5
Customer Support	10
Manufacturing	10
Research and Development	126
Patent Licensing	11
Corporate and Administration	29

Total	191
	===

As of March 1, 2000, InterDigital employed approximately 126 people whose primary responsibilities are 3G technology development, and additionally utilizes the efforts of outside engineering resources as well as engineering contributions from Nokia. Further development of InterDigital's technologies is expected to require additional technical and administrative support, as well as additional marketing resources and higher levels of sustained efforts for the next several years. We have undertaken an aggressive effort to increase and retain our engineering resources. The recruitment of personnel with technical expertise in wireless communications technology development is highly selective and competitive. In addition to recruiting high quality engineers, we intend to attempt to satisfy our increasing need for engineering resources through, among other things, consulting services and further strategic relationships.

Executive Officers

The Executive Officers of InterDigital are:

NAME	AGE	POSITION
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Howard E. Goldberg	54	Interim President and President of ITC
Richard J. Fagan	43	Executive Vice President and Chief Financial Officer
Joseph H. Gifford	54	Executive Vice President - Business Development
Mark Lemmo	42	Executive Vice President - Engineering & Product Operations
William J. Merritt	41	Executive Vice President, General Counsel and Secretary

Howard E. Goldberg was promoted to Interim President in September, 1999 from his prior position as Executive Vice President-Strategic Alliances, which he has held since October, 1998. Mr. Goldberg also serves as President of ITC. Prior to becoming Executive Vice President, he also held the positions of General Counsel and Secretary from May 1995 to October 1998. Mr. Goldberg served as Vice President, General Counsel and Secretary from December 1994 to May 1995. He served as an attorney in various consulting and full time employment capacities prior to that from April 1993, including the position of Vice President - Legal Affairs and Associate General Counsel, and served in various financial and general business capacities prior thereto.

Richard J. Fagan joined InterDigital as a Senior Vice President and Chief Financial Officer in November 1998, and was promoted to Executive Vice President in September, 1999. Prior to that, he served as Controller and Treasurer of Quaker Chemical, a Pennsylvania chemical corporation, since 1994 and as Assistant Corporate Controller of that corporation from 1993 to 1994.

Joseph H. Gifford was appointed to Executive Vice President, Business Development in April 1997. Prior to joining InterDigital Communications Corporation, Mr. Gifford held executive positions at Motorola, Inc. from August 1993 to April 1997, where he was responsible for business development and marketing in the Wireless Access Systems Division.

Mark Lemmo was promoted to Executive Vice President, Engineering & Product Operations in October 1996. Previously, Mr. Lemmo had been Vice President-Sales and Marketing since June 1994 and Vice President of Engineering from August 1991 to June 1994.

William J. Merritt was promoted to Executive Vice President in September 1999 and continues in the capacity of General Counsel and Secretary. Prior to that, he held the position of Senior Vice President, General Counsel and Secretary since October 1998 and Vice President - Legal and Assistant Secretary since January 1996. Prior to joining InterDigital, from 1987 to 1996, Mr. Merritt held a variety of positions in the Legal Department for Long Island Lighting Company, a New York electric and gas utility company, the last of which was Assistant General Counsel responsible for all company litigation and corporate matters. Mr. Merritt was also General Counsel to that company's power plant operation subsidiary, Dynamic Energy Services Corporation, since 1995.

Charles "Rip" Tilden was named Executive Vice President-Communications, Investor Relations and Strategic Planning of InterDigital in March 1998. Prior to that, he held the positions of Senior Vice President from May 1997 and Vice President from November 1996 until May 1997. Before joining InterDigital, Mr. Tilden served as Vice President, Corporate Affairs at Alco Standard Corporation in Wayne, PA, an office products and paper distribution company, since December 1994. Before moving to Alco Standard, Mr. Tilden was Vice President, Communications for GenCorp in Akron, OH, an aerospace defense, automotive and polymer products company from 1988 to 1994.

InterDigital's Executive Officers are elected to the offices set forth above to hold office until their successors are duly elected and have qualified. All of such persons are parties to agreements which provide severance pay benefits, among other things, in certain events of terminations of employment. These agreements generally provide for the payment of severance up to a maximum of one year's salary and up to a maximum of one year's continuation of medical and dental benefits. In addition, in the event of a termination or resignation within one year following a change of control, which is defined as the acquisition, including by merger or consolidations, or by the issuance by InterDigital of its securities, by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of InterDigital, the executive would generally receive two years of salary and the immediate vesting of all restricted stock and stock options.

Risk Factors

Item 1, "Business" and Item 7, "Management's Discussion and Analysis"

contained within this Annual Report on Form 10-K contain forward-looking statements reflecting, among other things, (i) our strategic objectives; (ii) analysts', industry observers' and experts' beliefs and forecasts as to the market for wireless products and services, 3G market growth, and the timing of market development; and (iii) our current beliefs and expectations as to 3G product and technological capability, the successful development and the applications for our technology and potential products, 3G markets, demand for 3G products, timing of 3G market development, applicability of standards, preferences of service providers, our ability to enter into new business relationships, enter into new licenses, bring 3G products to market, and deliver engineering services, our ability to derive revenues from our patents, our competition and competitive advantages, and the effectiveness of our Year 2000 compliance. Words such as "should", "likely to", "expect", "forecast", "believe", "strategy", "intend", "plan", "targeting", "anticipate", "project", and "may seek", variations of such words, and words with similar meaning or connotations are intended to identify such forward-looking statements.

Such statements are subject to risks and uncertainties. We caution readers that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such forward looking statement. You should not place undue reliance on these forward-looking statements, which apply on or as of the date of this report. Certain of these risks and uncertainties are described in greater detail below. It should be noted that risks described as affecting one forward looking statement may affect other forward looking statements. In addition, other factors may exist that are not detailed below or that are not fully known to us at this time. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Our Strategy Is Forward-Looking in Nature

Our strategy is forward-looking in nature and, as such, is inherently subject to risks and uncertainties. Many factors, including the other Risk Factors detailed below, could affect our potential revenues and profitability and our ability to achieve our objective to become a premier provider of innovative technology for advanced wireless communications products. For example, our plans to place our strategic emphasis on 3G technology and products, to devote substantial resources to the development of TDD and FDD technology, to market our FDD and TDD components (including system-on-a-chip), our capabilities and technology content, and generate sufficient revenues from associated engineering services could be affected by shifts in our strategy, the ability to generate sufficient revenues to support our development activities (which could itself be affected by numerous factors including, without limitation, the ability to secure new and enforce existing license agreements and the ability to enter into new strategic relationships), unanticipated development costs, difficulties or delays in engineering projects, failure to successfully enter into additional strategic relationships, our ability to successfully and timely complete engineering projects, our ability and the ability of our partners to successfully market and sell 3G products, our ability to hire or retain adequate personnel, Nokia's exercise of its rights to terminate the development project for convenience, and the failure of the 3G market to materialize in the manner or time frame anticipated.

Analyst and Market Predictions are Forward-Looking in Nature

Our market predictions, as well as, analyst, industry observer and expert predictions described in "-Wireless Telecommunications Industry Overview" above, are forward looking in nature and, as such, are inherently subject to risks and uncertainties. Many factors could affect these predictions including, but not limited to, the validity of their and our assumptions, economic conditions, customer buying patterns, timeliness of equipment development, pricing of 3G products, continued growth in telecommunications services that would be delivered on 3G devices, and availability of capital for infrastructure improvements. Also, the 3G market may not develop at the rate or the pace that we or they predict.

Our Future Operating Results are Uncertain and Likely to Fluctuate

Although we have experienced an increase in both revenues and profitability over the last two years, we have experienced and may continue to experience quarterly variability in operating results. It is particularly difficult to predict the timing or amount of our strategic partner or license revenues because (i) we may not be able to enter into additional strategic partnerships or license agreements, either at all or on acceptable terms; (ii) the negotiating cycles for partnership and licensing agreements are lengthy and variable, typically ranging between 6 months and 2 years prior to signing; (iii) the markets for our technologies are subject to rapid technological changes; (iv) our markets are subject to increased competition from other products and technologies and announcements of new products and technologies by our competitors; (v) we may experience delays or difficulties in our technology development efforts; and (vi) the strength of our patent portfolio could be weakened through patents being declared invalid, design-arounds, changes to the standards, and adverse court decisions; and (vii) we may be unable to adequately protect our proprietary rights. Nevertheless, we base our decisions regarding our operating expenses on a combination of current cash balances and anticipated revenue trends. Because the base level of many of our expenses are relatively fixed, a delay in recognizing revenue from a limited number of licenses transactions could cause our operating results to vary significantly from quarter to quarter and could result in operating losses. To the extent these expenses are not followed by increased revenues, our operating results will suffer. In addition, increased expenses which could result from factors such as increased hiring and retention costs or actions designed to keep pace with technology and product market targets could adversely impact near-term profitability targets.

We Rely Heavily on our Relationships with Third Parties

We rely heavily on our relationship with Nokia as part of our 3G strategy. Our development agreement with Nokia is terminable. In the event Nokia were to terminate our development agreement, we may, depending upon the circumstances, be compelled to terminate the development project. Following any such termination, our position as a 3G technology developer could be weakened which, in turn, could adversely affect our ability to enter into new relationships for technology development.

The successful achievement of our objectives is also partially dependent on our ability to enter into new strategic partnerships, including a relationship with a semi-conductor manufacturer. Our failure to enter into such additional relationships, either on acceptable terms or at all, could impair our ability to introduce our technology and resulting products. In addition, delays in entering into such relationships could cause us to miss critical market windows. (See "-Our Markets are Subject to Rapid Technological Change".) This, in turn, may adversely affect our future revenue streams.

Further, our royalty revenue depends in part on the performance of our licensees to sell products. Their ability to deliver such products is outside of our control.

We Have Substantial Global Competition

Competition in the wireless telecommunications industry is intense. We cannot assure you that we will be able to successfully compete, or that our competitors will not develop new technologies and products that are more commercially effective than our own. We face competition from companies providing services comparable to ours. We also face competition from the in-house development teams at telecommunication equipment suppliers. Many of our competitors are substantially larger than we are, and have financial, technical, marketing, sales, and distribution resources greater than ours. In addition, our customers may face competition from other telecommunication equipment providers. It is also possible that new competitors may enter the market.

Further, our ability to derive revenues from the licensing of technology will depend in part on the successful and timely development of our technologies and in part on our ability to gain additional customers. Our competitive position can be compromised by the introduction of superior technology or our delay in (or a competitor's more timely introduction of) relevant technology. (See "- Our Markets are Subject to Rapid Technological Change".)

In order to generate revenues and profits from sales of ASIC products, we must continue to make substantial investments and technological innovations, which are subject to a number of risks and uncertainties. Other digital wireless

technologies, particularly cdma2000 and enhanced data rates for global evolution (EDGE), are expected to be competitive with our own form of wideband CDMA and we cannot assure you that our technology will be selected by wireless service providers for their networks. (See "- We Need to Effect Further Technology & Product Development".) In addition, our semiconductor partner must be able to provide competitively priced products, and possess adequate manufacturing and distribution networks.

We Need to Effect Further Technology & Product Development

We may experience technical, financial or other difficulties or delays related to the further development of our technology. Delays can be costly, and there can be no assurance that our development effort will ultimately be successful. Further, if such engineering efforts are not successful or delays are serious, our existing and potential strategic relationships could suffer or these strategic partners could be hampered in their marketing efforts of products containing our technologies. This means that we could experience reduced royalty revenues or lower royalty revenues on such organizations' products containing our technology, or that we could miss a critical market window. (See "- Our Markets are Subject to Rapid Technological Change".) Further, if we do not meet the material obligations under our contracts with our partners, the partner could terminate the relationship and/or hold us liable for breach. (See "-We Rely Heavily on our Relationships with Third Parties".) Moreover, our technologies are in the development stage, and have not been fully tested in commercial use. It is possible that they may not perform as expected.

Our Markets are Subject to Rapid Technological Change

The entire communications market in which we compete is characterized by rapid technological change, frequent product introductions and evolving domestic and international industry standards. Existing technology and products become obsolete and unmarketable when products using new technologies are introduced and new industry standards emerge. As a result, marketability and the potential life cycles of the products and technologies that we are developing can not be assured and are difficult to estimate. In addition, new industry standards, falling prices or technology changes may render the products and/or technologies obsolete or non-competitive. To be successful, we must continue to develop new products and technologies that successfully respond to such changes. We may not be able to form strategic relationships, either at all or on acceptable terms, to enable us to develop such new products and technologies. (See "-We Rely Heavily on our Relationships with Third Parties".) Even if we do, we may not be able to introduce such products or technologies successfully in a timely manner. Missing a critical market window could reduce or eliminate our ability to capitalize on the technology and products as to which the window applies.

These efforts will require continued significant investment in research and development. We cannot be sure that we will have sufficient resources to make such investments, that we will be able to make the technological advances necessary to achieve these goals, or that the costs of the acquired efforts will be acceptable. (See "-We Need to Effect Further Technology & Product Development".) Our business, financial condition and operating results could be materially adversely affected if we are unable to respond to the need for technological change or if these products or technologies do not achieve market acceptance when released. (See "-Our Future Operating Results are Uncertain and Likely to Fluctuate".)

The Applicability of Our Patents to Industry Standards is Subject to Change

The ITU has developed a standard for 3G products known as IMT-2000. A number of our contributions have been adopted and are now part of the standard. However, we expect that the standard will be refined as equipment designs for 3G systems are finalized. Material changes to the 3G standard could adversely affect the applicability of our patents to the standard. If the wireless industry adopts 3G standards which are incompatible with our technology or determines not to rely on our intellectual property, this could have a material adverse effect on our business, results of operations, liquidity and financial position.

In addition, we believe that, in many instances, licenses for certain of ITC's TDMA patents are required in order for third parties to manufacture and sell digital cellular products in compliance with the IS-54-B/IS-136 Standard, the Global System for Mobile Communication, the Pan Asian Digital Cellular Standard, Digital Enhanced Cordless Telephone and Personal Handyphone System. While we intend to vigorously enforce and protect our intellectual property position against any infringement, we cannot assure you that the validity of our relevant patents will be maintained, or that any of our patents will be determined to be applicable to any standard. Such a finding would impair our licensing opportunities as to those patents, which would, in turn, adversely affect our receipt of future revenues. (See "-We Rely on and May Be Unable to Adequately Protect Our Proprietary Rights".)

We Rely On and May Be Unable to Adequately Protect Our Intellectual Property Rights

Our business opportunities substantially depend upon the development of know-how and patent inventions. To protect these rights, we rely primarily on a combination of patent laws, confidentiality agreements with employees and third parties, and protective contractual provisions. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our technology and information that we regard as proprietary. Other parties may breach confidentiality agreements and other protective contracts into which we have entered. We may not have adequate remedies in the event of such breach. Further, we cannot assure you that the pending patent applications will be granted, or that our existing or new patents will provide adequate protection or coverage. (See "-The Applicability of Our Patents to Industry Standards is Subject to Change".)

In addition, the cost of defending our intellectual property has been and may continue to be significant. Moreover, third parties could circumvent ITC's patents through design changes. Any of these events could adversely affect our prospects for realizing future income. (See "-We Could Experience Unfavorable Results in Patent Litigation" below and "-Our Operating Results are Uncertain and Likely to Fluctuate" above.)

From time to time, certain companies may also assert that their patent, copyright and other intellectual property rights are also important to the industry or to us. In that regard, from time to time third parties provide us with copies of their patents relating to digital wireless technologies and offer licenses to such technologies. We in turn evaluate such patents and the advisability of obtaining such licenses. If any of our products were found to infringe on protected technology, we could be required to redesign such products, license such technology, and/or pay damages to the infringing party. If we are unable to license protected technology used in our products and/or if we cannot economically redesign such products, we could be prohibited from marketing such products.

We Could Experience Unfavorable Results in Patent Litigation

Together with ITC, we are currently in litigation with Ericsson over certain of ITC's patents. During the course of such litigation (or in a future yet unidentified and unfiled litigation), certain of ITC's key patents could be declared invalid or not infringed. This could adversely affect our competitive position and our ability to enter into additional licensing agreements and to realize licensing revenues from current licensees. (See, Item 3. "Legal Proceedings".)

Our License Agreements Contain Provisions which Could Impair Our Ability to Realize Licensing Revenues

Certain of our licenses contain "most favored nations" and other provisions, applied on a going forward basis only, which could, in certain events, cause the licensee's obligation to pay royalties to us to be terminated or suspended for an indefinite period, with or without the accrual of the royalty obligation. In addition, certain of our licensees had, in the past, stated, among other things, that the outcome of a prior litigation over ITC's patents materially impacted the royalties due under their license agreements. While we believe that these positions have been meritless, similar positions could be asserted in the event that a licensee's obligation to pay royalties to us in the future is either terminated or indefinitely suspended or in the event that ITC's patents are held invalid or unenforceable or this position could be found to have merit. Such positions

taken could interfere with ITC's ability to secure new licenses or to generate recurring licensing revenue under the existing agreements. In addition, ITC may have to incur expenses and suffer further delays to mediate, arbitrate and/or litigate such assertions, with no assurance of ultimate success. ITC's licensing opportunities are also affected by the increasing concentration of the wireless industry, particularly as to infrastructure, which results in a substantial portion of the licensing opportunities being concentrated in a small number of non-licensed manufacturers, many of whom are generally opposing the validity of ITC's patents in multiple forums.

We Depend on Sufficient Engineering Resources

Competition for qualified and talented individuals with engineering experience in emerging technologies, like wideband CDMA, is intense. Further, none of the persons that we currently employ are parties to agreements that require them to provide services to us for a minimum period of time. Our success and ability to enter into additional strategic or other relationships may depend on our ability to attract and retain a significant number of talented and qualified technical personnel; and there can be no assurance that we will be able to do so. The failure to attract and retain highly qualified personnel could interfere with our ability to undertake additional technology and product development efforts as well as our ability to meet our strategic objectives.

Year 2000 Problems May Cause Engineering Difficulties or Delays

Although we have passed the January 1, 2000 and February 29, 2000 critical dates for experiencing Year 2000 related failures without significant problems and we are not aware of any impending failures, it is possible that the full impact of the date changes has not been fully recognized. For example, it is possible that Year 2000 related issues may arise in the future, either because they have not yet become apparent to us or because future date changes trigger failures. In addition, we could still be negatively affected if third parties upon whom we rely are adversely affected by the Year 2000 or similar issues.

We Face Risks From Our International Operations

We conduct business in foreign jurisdictions and with foreign organizations. In doing so, we are subject to the effects of government regulations, tariffs and other applicable trade barriers, currency control regulations, political instability, potentially adverse tax consequences, inability to enforce contractual commitments abroad, and general delays in remittance and difficulties of collecting foreign payments, among other things.

We Face Risks From Economic Conditions

We and our customers face risks from economic conditions generally which affect, among other things, the ability and willingness of companies to invest in technological and product development, our need for working capital, and our revenue recognition.

Item 2. PROPERTIES

InterDigital owns one facility, subject to a mortgage, with an aggregate of approximately 50,000 square feet of office, development, warehousing and assembly facilities in King of Prussia, Pennsylvania. In December 1996, InterDigital entered into a five-year lease for approximately 67,000 square feet of office and development facilities in Melville, New York. These facilities are the locations for our wideband CDMA development activities.

Item 3. LEGAL PROCEEDINGS

Ericsson

In September 1993, ITC filed a patent infringement action against Ericsson GE Mobile Communications, Inc. ("Ericsson GE"), its Swedish parent, Telefonaktiebolaget LM Ericsson ("LM Ericsson") and Ericsson Radio Systems, Inc. ("Ericsson Radio"), in the United States District Court for the Eastern District of Virginia (the "Ericsson action") which was subsequently transferred to the United States District Court for the Northern District of Texas. The Ericsson action seeks a jury's determination that in making, selling, or using, and/or in participating in the making, selling or using of digital wireless telephone systems and/or related mobile stations, Ericsson has infringed, contributed to the infringement of and/or induced the infringement of eight patents from ITC's patent portfolio. The Ericsson action also seeks an injunction against Ericsson from infringement and seeks unspecified damages based upon the Court's determination of what constitutes a reasonable royalty for infringement, royalties, costs and attorneys' fees. Ericsson GE filed an answer to the Virginia action in which it denied the allegations of the complaint and asserted a Counterclaim seeking a Declaratory Judgment that the asserted patents are either invalid or not infringed. On the same day that ITC filed the Ericsson action in Virginia, two of the Ericsson Defendants, Ericsson Radio and Ericsson GE, filed a lawsuit against InterDigital and ITC in the United States District Court for the Northern District of Texas (the "Texas action"). The Texas action, which involves the same patents that are the subject of the Ericsson action, seeks the court's declaration that Ericsson's products do not infringe ITC's patents, that ITC's patents are invalid and that ITC's patents are unenforceable. The Texas action also seeks judgment against InterDigital and ITC for tortious interference with contractual and business relations, defamation and commercial disparagement, Lanham Act violations. The Ericsson action and the Texas action have been consolidated. ITC agreed to the dismissal without prejudice of LM Ericsson.

In December 1997, Ericsson Inc., the successor to Ericsson GE and Ericsson Radio, filed an action against ITC in the United States District Court for the northern District of Texas (the "1997 Texas action") seeking the court's declaration that Ericsson Inc.'s products do not infringe two patents issued to InterDigital earlier in 1997 as continuations of certain patents at issue in the Texas action. Later that month, Ericsson Inc. filed an amended Complaint seeking to include these two new patents in the Texas action in an effort to consolidate the two cases. In January 1998, both Ericsson Inc. and InterDigital and ITC filed motions requesting that Ericsson Inc.'s amended Complaint be allowed and that the 1997 Texas action be dismissed, to which the Court agreed. In 1998, Ericsson Inc. filed a Motion for Partial Summary Judgment, which was denied by the Court in early 1999. Also in 1998, the United States District Court for the Northern District of Texas granted InterDigital's Motion to amend its Counterclaim by adding four additional patents. During the third quarter of 1999, Ericsson Inc. filed for leave to file an additional Amended Complaint to add causes of action for breach of contract and fraud and negligent misrepresentation. The Court granted Ericsson's request. Fact discovery has been substantially concluded. The "Markman" hearing is scheduled to take place in April, 2000, where a Special Master will make recommendations to the Court as to the meaning of certain terms contained in the patents. InterDigital and ITC intend to vigorously defend the Texas action. However, if any of ITC's patents are held invalid, ITC's licensing opportunities and collection of royalty revenues could be materially and adversely affected.

Product-Based Suit

On October 27, 1999, Cavalier Technologies and Consultants Ltd. ("Cavalier") filed suit against us in the United States District Court of the Eastern District of Pennsylvania for breach of contract to team to supply and for breach of contract to supply UltraPhone systems in Kenya and for fraudulent representations as to our future plans for the UltraPhone business. Concurrently with the filing of its Complaint, Cavalier filed a request for a Temporary Restraining Order and a Motion for a Preliminary Injunction to prevent us from shipping any of our remaining inventory of UltraPhone equipment to other customers. The Court denied the TRO application, and scheduled a preliminary injunction hearing. In December, 1999, the Court issued a bench ruling denying Cavalier's motion for a preliminary injunction on the grounds that Cavalier had failed to demonstrate irreparable harm. Cavalier continues to seek damages and injunctive relief. We anticipate that the trial will be set for later in 2000. We have asserted a damages counterclaim for past due balances.

Other

ITC has filed patent applications in numerous foreign countries. ITC is and expects from time to time to be subject to challenges with respect to its patents and patent applications in foreign countries. ITC intends to vigorously defend its patents. However, if any of ITC's patents or applications are revoked, ITC's patent licensing opportunities in the relevant foreign countries, and possibly in other countries, could be materially and adversely affected.

In addition to litigation associated with patent enforcement and licensing activities and the litigation described above, InterDigital is a party to certain other legal actions arising in the ordinary course of its business. Based upon information presently available to InterDigital, InterDigital believes that the ultimate outcome of these other actions will not materially affect InterDigital.

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

None.

PART II

Item 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth the range of the high and low sales prices of InterDigital's Common Stock as reported by the American Stock Exchange.

	High	Low
	----	---
1999		
First Quarter	6 15/16	4 1/8
Second Quarter	5 3/4	4 1/16
Third Quarter	6 3/4	4 1/4
Fourth Quarter	82	5 5/16
	High	Low
	----	---
1998		
First Quarter	6 3/16	2 9/16
Second Quarter	7 7/16	5 3/16
Third Quarter	5 7/8	2 11/16
Fourth Quarter	6 7/8	3

As of March 24, 2000, there were approximately 1,860 holders of record of our Common Stock.

We have not paid cash dividends on our Common Stock since inception. It is anticipated that, in the foreseeable future, no cash dividends will be paid on our Common Stock and any cash otherwise available for such dividends will be reinvested in our business. The payment of cash dividends will depend on our earnings, the prior dividend requirements on our remaining series of Preferred Stock and other Preferred Stock which may be issued in the future, our capital requirements and other factors considered relevant by our Board of Directors.

Changes in Capitalization

In March 2000, we amended our Shareholder Rights Plan, originally adopted in December 1996, in a number of respects. Under the Plan, a distribution of one right for each outstanding common share of the Company has been made. Each right entitles the shareholder, subject to the terms of the Plan, to purchase one one-thousandth of a share of Series B Junior Participating Preferred Stock at a purchase price of \$250 per share unit, subject to adjustment. Initially, the rights attach to certificates representing shares of outstanding common stock, and no separate rights certificates are distributed. The rights will only separate from the common stock after the "Distribution Date", which will occur upon (i) the earlier of (A) ten business days following the earliest of the date of a public announcement, the date the Company first learns of such acquisition, or, in certain limited circumstances, the date of such acquisition, that a person or group of affiliated or associated persons (other than the Company, any of its subsidiaries or any of their employee benefit plans) (such person or group being defined as an "Acquiring Person") has acquired, obtained the right to acquire or otherwise obtained beneficial ownership (in limited circumstances, beneficial ownership can be deemed if such person or group possesses voting power over shares arising from a proxy, even if revocable, given in response to a proxy or consent solicited by or on behalf of such person or group and in furtherance of such person's or group's publicly announced intention to acquire control over the Company or

over all or substantially all of the assets or stock of the Company) of 10% or more of the then outstanding shares of Company Common Stock; (B) ten business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 10% or more of the then outstanding shares of Company Common Stock; and (C) ten business days after a non-exempt person or group publicly announces an intent to acquire control over the Company and proposes in a proxy or consent solicitation to elect such a number of directors which, if elected, would represent a majority of the directors when compared with the Independent Directors continuing to serve on the Board of Company, or (ii) such later date as may be determined by action of a majority of the Independent Directors of the Board prior to the occurrence of any event specified in (i) above. The determination of beneficial ownership generally excludes options to purchase shares and shares acquired from the Company pursuant to stock-based plans for employees and directors. In general, in the event that the Company is acquired in a merger or other business combination interaction, each holder of a right will have the right to receive, upon exercise, units of Preferred Stock (or, in certain circumstances, Company Common Stock, cash, property, or other securities of Company) having a current market value equal to two times the exercise price of the Right.

The full text of the March 2000 amendments is set forth as Amendment No. 3 to the Shareholder Rights Plan, which is attached as Exhibit 4.4 hereto. In all other respects not inconsistent with the foregoing, a summary of the other provisions of such Shareholder Rights Plan is contained in the Form 8-A filed by the Company on January 2, 1997.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The information set forth below should be read in conjunction with the Consolidated Financial Statements and notes thereto, and the other financial information included elsewhere in this Form 10-K, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

Consolidated Statement of Operations Data (In thousands, except per share data)	Year Ended December 31,				
	1999	1998	1997	1996	1995
Revenues:					
Product and Services	\$ 4,496	\$ 6,751	\$ 43,854	\$ 24,974	\$ 16,581
Licensing and Strategic Partner	66,171	92,470	5,982	28,719	67,693
Total Revenues	70,667	99,221	49,836	53,693	84,955
Net income (loss) before preferred dividends	26,706	36,968	(34,267)	(11,644)	34,605
Net income (loss) applicable to common shareholders	\$ 26,451	\$ 36,713	\$ (34,523)	\$ (11,904)	\$ 34,340
Net income (loss) per share - basic	\$ 0.55	\$ 0.76	\$ (0.72)	\$ (0.26)	\$ 0.78
Net income (loss) per share - diluted	\$ 0.52	\$ 0.75	\$ (0.72)	\$ (0.26)	\$ 0.74
Weighted Average number of shares outstanding - basic	48,357	48,380	48,166	46,462	43,925
Weighted Average number of shares outstanding - diluted	50,495	48,771	48,166	46,462	46,503
Consolidated Balance Sheet Data (in thousands):					
Cash and cash equivalents	\$ 14,592	\$ 20,059	\$ 17,828	\$ 11,954	\$ 9,427
Short Term Investments	68,550	32,218	7,976	43,063	55,060
Working capital	95,498	54,752	22,903	57,076	59,008
Total assets	126,571	99,523	69,363	112,636	83,167
Long Term Debt	3,005	3,772	4,460	5,011	1,061
Accumulated deficit	(133,588)	(160,039)	(196,752)	(162,229)	(150,325)
Total shareholders' equity	109,507	75,808	38,505	72,507	62,440

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

OVERVIEW

The following discussion should be read in conjunction with the Selected Consolidated Financial Data, and the Consolidated Financial Statements and notes thereto, contained elsewhere in this document.

We commenced operations in 1972. Since that time, we have been primarily engaged in research and development activities related to wireless digital communications technology, principally TDMA and CDMA technologies. We have established a substantial and significant library of patents and technology know-how related to such technologies.

Through 1999, we were also engaged in the development, marketing, sales and servicing of WLL equipment utilizing our technology. We developed, marketed and sold a TDMA-based WLL system trademarked the "UltraPhone(R)" system. We also developed a CDMA-based WLL system, trademarked the "Truelink(TM)" system, which utilized wideband CDMA technology. As part of our WLL development and marketing efforts, we entered into strategic alliance agreements with Siemens AG (in 1994), Samsung Electronics Co., Ltd. (in 1996), and Alcatel Espana (in 1998) involving the Company's proprietary B-CDMA WLL technology.

In the first half of 1999, we made a major shift in our business strategy by dedicating our resources into the emerging 3G market. As part of that undertaking, we decided to discontinue the further development and manufacture of WLL products. The decision to move away from the manufacture of WLL products was further driven by intensified product and price competition in the WLL market, and a significant decline in demand worldwide for WLL systems. As part of our shift, we sought to enter into arrangements with key equipment providers involving 3G technology and products. The proposed 3G technologies incorporate wideband CDMA protocols as well as other CDMA and TDMA technologies. Industry analysts project that the first 3G products and services will be introduced in Japan in 2001, with services being offered in other parts of Asia, Europe and North America throughout this decade. The study group for International Telecommunications Union formally adopted the 3G standards in 1999, solidifying wideband CDMA as one of the fundamental technologies for 3G.

Executing on our business plan, we entered into a strategic engineering relationship with Nokia in 1999 involving the development of high data-rate technology. As part of the Nokia agreement, we will retain ownership rights over the technology we develop for Nokia. Also, included in the agreement were certain TDMA and CDMA licenses which are paid up generally through the project period. The agreement also provides a structure for determining patent royalty payments thereafter.

In 1999, we also initiated a self-funded research and development effort to develop building blocks for FDD technology, another component of the wideband CDMA protocols included in the 3G Standard. The FDD program builds off of our extensive B-CDMA development efforts.

We plan to market system-on-a-chip ASICs and components related to our FDD and TDD technology to equipment producers worldwide. We also plan to generate revenues from the licensing of the TDD and FDD technologies and patents to third parties, as well as providing specialized engineering services to equipment producers centered around these technologies. Our ability to derive future revenues will be affected by other factors detailed elsewhere in this Annual Report. (See "Item 1. Business. Risk Factors" below.)

As a result of the decline in the rural fixed and wireless access market and the anticipated emergence of 3G standards in 1999, we ceased further development and sales activities with regard to WLL equipment. In 1999, Siemens withdrew from our B-CDMA development project. In April 1999, Alcatel informed us that it was also withdrawing from our B-CDMA development project, on the same basis. As a result of Alcatel's and Siemens' decisions as well as our own assessment of the WLL market, we decided to reduce our resource commitment to B-CDMA development.

In 1999, we also decided to discontinue the manufacture of the UltraPhone system. We sustained significant losses over the life of the UltraPhone Product line due to our inability to achieve sufficient sales volumes and the need to continue

to consistently upgrade and re-engineer the product, at significant expense. We expect final shipments will be completed by June 2000 at which point we expect to exit the business.

Going forward over the course of the next few years, we expect the variability in our revenues and, consequently, our cash flow to continue due to the timing and amount of sales by our TDMA and CDMA licensees. We expect to continue to experience considerable fluctuations in quarterly and annual operating results in the future due to variations in the amount and timing of recognition of TDMA and CDMA license, royalty and development fees. (See Item 1. "Business. Risk Factors".)

FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

We generated positive cash flows from operating activities of \$24.2 million in 1999 compared to \$30.1 million in 1998. The decrease principally resulted from lower net income levels attained in 1999.

Net cash flows used in investing activities increased to \$35.5 million in 1999 from \$27.5 million in 1998. This increase was due mainly to a higher level of additional investment of funds in short-term, highly liquid securities (\$36.3 million in 1999 versus \$24.2 million in 1998) offset in part by a 1999 reduction in long-term deposits. In addition, investments in property and equipment and patents were \$2.9 million in 1999 as compared to \$3.6 million in 1998.

During 1999, net cash provided by financing activities was \$6.1 million as compared to \$0.4 million used in 1998. The increase in 1999 primarily resulted from net proceeds of \$12.4 million related to option and warrant exercises and our employee stock purchase plan. This was partially offset by the use of \$5.4 million to repurchase approximately 1.0 million common shares under a share repurchase program.

As of December 31, 1999, we had \$83.1 million of cash, cash equivalents and short-term investments, compared to \$52.3 million as of December 31, 1998. Our working capital increased by \$40.7 million to \$95.5 million at December 31, 1999 from \$54.8 million at December 31, 1998 mainly as a result of the receipt of cash from licensing agreements as well as reductions in deferred revenues and current payables.

We are capable of supporting our operating requirements during 2000 through internally generated funds. Should the need arise to fund new development activities, contingency resolution, external growth activities or other matters, we may seek financing through bank facilities or the sale of debt or equity securities.

We believe that our investment in inventories at December 31, 1999 is realizable based on expected selling prices and order volumes. Property and equipment are currently being utilized in our on-going business activities, and we believe that no additional write-downs are required at this time due to lack of use or technological obsolescence. With respect to other assets, we believe that the value of our patents is at least equal to the value included in the December 31, 1999 balance sheet.

RESULTS OF OPERATIONS

1999 Compared With 1998

Revenues

Revenues in 1999 totaled \$70.7 million, compared to \$99.2 million in 1998. The decrease relates to a lower amount of licensing revenue. In 1999, InterDigital recognized \$42.8 million in new licenses, \$14.0 million in engineering services for strategic partners, \$9.5 million from recurring royalties and \$4.4 million in product revenues. In 1998, new licensee revenue was \$83.5 million, strategic partner revenue was \$8.0 million, recurring royalties were approximately \$1 million and product revenues were \$6.8 million.

Cost of Product

Cost of product revenues decreased 67% to \$5.9 million from \$17.6 million in 1998. The decrease reflects decreased product sales as well as the impact of a write-down of inventory of \$7.9 million in 1998. We experienced negative gross margins in both years as there were insufficient product sales to absorb manufacturing overhead.

Other Operating Expenses

Other operating expenses include sales and marketing expenses, general and administrative expenses, patents administration, and development expenses.

Sales and marketing expenses decreased 6% to \$3.6 million during 1999 as compared to \$3.9 million in 1998. The decrease is primarily due to decreased sales commissions and decreased marketing activity for the UltraPhone product.

General and administrative expenses for 1999 increased 43% to \$7.8 million from \$5.4 million in 1998 due in part to staffing level changes and higher compensation costs associated with restricted stock grants.

Patents administration and licensing costs decreased 52% to \$5.3 million as compared to \$11.1 million in 1998. We incurred less costs such as commissions and other expenses related to our activities supporting our licensing program, and recovered certain expenses related to an ongoing patent litigation with Ericsson. In February of 2000, InterDigital and its insurers defined the method, timing and limitations of reimbursement for covered litigation expenses.

Development costs increased 19% to \$20.5 million from \$17.2 million in 1998. This increase reflects the ramp up of development costs associated with launching the 3G projects.

Repositioning

In the second quarter of 1999, we recorded a pre-tax repositioning charge of \$1.2 million in connection with a change in our strategy from sales and development of wireless local loop products to technology development for advanced wireless applications. This action was taken after assessing our long term business prospects associated with continued investment in the development of wireless local loop systems. The repositioning charge included costs associated with workforce reductions (approximately 27 employees) and asset impairment charges related to wireless local loop development equipment. The components of the repositioning charge included severance and other benefit costs of \$0.4 million, all of which were paid in 1999, and asset impairment charges of \$0.8 million for fixed assets associated with wireless local loop activities. Management's efforts with respect to this plan are substantially complete.

Other Income and Expense

Interest Income for 1999 was \$3.9 million as compared to \$2.6 million in 1998 as a result of higher average invested cash in 1999 as compared to 1998. Interest expense was \$0.3 million in 1999 compared to \$0.4 million in 1998 due to lower overall debt in 1999 as compared to 1998.

1998 Compared With 1997

Revenues.

Revenues in 1998 increased 99% to \$99.2 million from \$49.8 million in 1997 due to the significant increase in licensing and strategic partner revenue. In 1998, licensing and strategic partner revenue included \$83.5 million from new and existing license agreements, approximately \$1 million in recurring royalties, \$4.6 million from Alcatel, and \$3.4 million from Samsung. In 1997, licensing and strategic partner revenue included \$1.6 million in recurring royalties, the final \$1.6 million of strategic partner revenue from Siemens, and \$2.8 million from Samsung.

Cost of Product

Cost of product decreased in 1998 to \$17.6 million from \$41.9 million in 1997. The decrease is directly related to the decrease in product sales. In 1998, there were insufficient product sales to absorb manufacturing overhead and increases in inventory reserves resulting in a negative gross margin of 160.4% as compared to a positive gross margin of 4.4% in 1997. In 1998, InterDigital recorded charges totaling \$7.9 million to reduce the carrying value of its inventory of UltraPhone components to its net realizable value due to excess inventories resulting from the cancellation of the Myanmar contract.

Other Operating Expenses

Other operating expenses include sales and marketing expenses, general and administrative expenses, patents administration, and development expenses.

Sales and marketing expenses decreased 47% to \$3.9 million during 1998 as compared to \$7.3 million in 1997. The decrease was primarily due to decreased sales commissions and decreased marketing activity for the UltraPhone product.

General and administrative expenses for 1998 decreased 24% to \$5.4 million in 1998 from \$7.2 million in 1997. The decrease was due to cost management and a reduction in workforce in early 1998.

Patents administration and licensing costs increased 118% to \$11.1 million from \$5.1 million in 1997. The increase was primarily due to increased activities related to the generation of licensing revenue and the protection and enforcement of InterDigital's patent portfolio.

Development costs decreased 29% to \$17.2 million in 1998 from \$24.2 million in 1997. The decrease was primarily due to reduced development of InterDigital's UltraPhone system and to the timing of certain B-CDMA related development expenses.

Other Income and Expense.

Interest income for 1998 increased 24% to \$2.5 million from \$2.1 million in 1997 due to higher average invested cash balances during 1998. Interest expense of \$4 million was approximately the same in 1998 and 1997.

Year 2000

During 1999, we implemented a Year 2000 compliance program, consisting of auditing assessing, remediating, testing, and contingency planning, to ensure that our IT and non-IT systems, as well as the systems of third parties, would function properly when the calendar changed from December 31, 1999 to January 1, 2000. The program covered both systems operated by us as well as systems operated by third parties that we considered to be material to our operations. In total, we have spent approximately \$0.3 million in external costs on this program, primarily to upgrade non-compliant hardware and software and the cost of our consultant. We do not expect to incur any significant additional costs related to Year 2000 compliance.

We did not experience any significant malfunctions or errors in our operating or business systems when the date changed from 1999 to 2000. Based on operations since January 1, 2000, we do not expect any significant impact to our ongoing business as a result of the "Year 2000 Issue." We are not currently aware of any significant Year 2000 or similar problems that have arisen for third parties upon which we rely. (See Item 1. Business. Risk Factors. Year 2000 Problems May Cause Engineering Difficulties or Delays.)

Item 8. INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTS

To InterDigital Communications Corporation:

We have audited the accompanying consolidated balance sheets of InterDigital Communications Corporation (a Pennsylvania corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterDigital Communications Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material aspects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Philadelphia, PA
February 7, 2000

REPORT OF MANAGEMENT

Management is responsible for the consolidated financial statements and the other financial information contained in this Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles considered by management to present fairly the company's financial position, results of operations and cash flows. The financial statements include some amounts that are based on management's best estimates and judgements.

To provide reasonable assurance that assets are safeguarded against the loss from unauthorized use or disposition and accounting records are reliable for preparing financial statements, management maintains a system of accounting and other controls. Even an effective system of internal controls, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective system of internal controls can provide only reasonable assurance with respect to financial statement preparation and safeguarding of assets. The system of accounting and other controls is continually assessed, modified and improved, where appropriate and cost effective, in response to changes in business conditions and operations and recommendations made by the independent auditors.

The financial statements have been audited by the company's independent auditors, Arthur Andersen LLP, in accordance with generally accepted auditing standards. Their report is presented herein.

Howard E. Goldberg
Interim President

Richard J. Fagan
Executive Vice President and Chief Financial Officer

King of Prussia, Pennsylvania
March 29, 2000

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

	DECEMBER 31,	
ASSETS	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,592	\$ 20,059
Short term investments	68,550	32,218
Accounts receivable, net	10,884	14,983
Inventories	3,092	5,102
Other current assets	11,625	3,056
Total current assets	108,743	75,418
Property, plant and equipment, net	7,393	9,697
Patents, net	9,723	9,948
Long term deposits	284	2,934
Other	428	1,526
	17,828	24,105
TOTAL ASSETS	\$ 126,571	\$ 99,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long term debt	\$ 446	\$ 723
Accounts payable	2,454	5,973
Accrued compensation and related expenses	4,326	2,959
Deferred revenue	69	3,936
Foreign and domestic taxes payable	1,093	2,249
Other accrued expenses	4,857	4,826
Total current liabilities	13,245	20,666
LONG TERM DEBT	2,559	3,049
OTHER NON-CURRENT LIABILITIES	1,260	--
TOTAL LIABILITIES	17,064	23,715
COMMITMENTS AND CONTINGENCIES (NOTES 9 AND 10)		
SHAREHOLDERS' EQUITY:		
Preferred Stock, \$.10 par value, 14,399 shares authorized- \$2.50 Convertible Preferred, 99 shares issued and outstanding	10	10
Common Stock, \$.01 par value, 75,000 shares authorized, 50,985 shares and 48,427 shares issued and outstanding	510	484
Additional paid-in capital	249,976	235,631
Accumulated deficit	(133,588)	(160,039)
Unearned Compensation	(1,769)	--
Total shareholders' equity	115,139	76,086
Treasury stock, 1,042 and 50 shares held at cost	5,632	278
	109,507	75,808
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 126,571	\$ 99,523

The accompanying notes are an integral part of these statements.

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
REVENUES:			
Product revenues	\$ 4,496	\$ 6,751	\$ 43,854
Licensing and alliance	66,171	92,470	5,982
	-----	-----	-----
	70,667	99,221	49,836
	-----	-----	-----
OPERATING EXPENSES:			
Cost of product	5,876	17,577	41,914
Sales and marketing	3,614	3,864	7,276
General and administrative	7,761	5,434	7,189
Patents administration and licensing	5,330	11,145	5,102
Development	20,481	17,166	24,248
Repositioning charges	1,213	-	-
	-----	-----	-----
	44,275	55,186	85,729
	-----	-----	-----
Income (loss) from operations	26,392	44,035	(35,893)
OTHER INCOME (EXPENSE):			
Interest income	3,883	2,561	2,070
Interest and financing expenses	(323)	(367)	(410)
	-----	-----	-----
Income (loss) before income taxes	29,952	46,229	(34,233)
INCOME TAX PROVISION	(3,246)	(9,261)	(34)
	-----	-----	-----
Net income (loss)	26,706	36,968	(34,267)
PREFERRED STOCK DIVIDENDS	(255)	(255)	(256)
	-----	-----	-----
NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	\$ 26,451	\$ 36,713	\$ (34,523)
	=====	=====	=====
EARNINGS PER SHARE			
Basic	\$ 0.55	\$ 0.76	\$ (0.72)
	=====	=====	=====
Diluted	\$ 0.52	\$ 0.75	\$ (0.72)
	=====	=====	=====
AVERAGE COMMON SHARES OUTSTANDING			
Basic	48,357	48,380	48,166
	=====	=====	=====
Diluted	50,495	48,771	48,166
	=====	=====	=====

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands except per share data)

	\$2.50 Convertible Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Unearned Compensation	Treasury Stock	Total
BALANCE, DECEMBER 31, 1996	\$ 10	\$ 481	\$ 234,245	\$ (162,229)	\$ --	--	\$ 72,507
Exercise of Common Stock options	--	--	17	--	--	--	17
Exercise of Common Stock warrants	--	--	18	--	--	--	18
Dividend of Common Stock and cash to \$2.50 Preferred shareholders	--	--	92	(256)	--	--	(164)
Sale of Common Stock under Employee Stock Purchase Plan	--	1	393	--	--	--	394
Net loss	--	--	---	(34,267)	--	--	(34,267)

BALANCE, DECEMBER 31, 1997	10	482	234,765	(196,752)	--	--	38,505
Exercise of Common Stock options	--	1	479	--	--	--	480
Dividend of Common Stock and cash to \$2.50 Preferred shareholders	--	--	53	(255)	--	--	(202)
Sale of Common Stock under Employee Stock Purchase Plan	--	1	334	--	--	--	335
Treasury Stock Acquired	--	--	--	--	--	(278)	(278)
Net income	--	--	--	36,968	--	--	36,968

BALANCE, DECEMBER 31, 1998	10	484	235,631	(160,039)	--	(278)	75,808
Exercise of Common Stock options	--	17	9,536	--	--	--	9,553
Exercise of Common Stock warrants	--	5	2,504	--	--	--	2,509
Dividend of Common Stock and cash to \$2.50 Preferred shareholders	--	--	87	(255)	--	--	(168)
Sale of Common Stock under Employee Stock Purchase Plan	--	1	324	--	--	--	325
Issuance of Restricted Common Stock	--	3	1,894	--	(1,897)	--	--
Amortization of unearned Compensation	--	--	--	--	128	--	128
Treasury Stock Acquired	--	--	--	--	--	(5,354)	(5,354)
Net income	--	--	--	26,706	--	--	26,706

BALANCE, DECEMBER 31, 1999	\$ 10	\$ 510	\$ 249,976	\$ (133,588)	\$ (1,769)	\$ (5,632)	\$109,507
=====							

The accompanying notes are an integral part of these statements.

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

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 26,706	\$ 36,968	\$(34,267)
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization	4,670	4,629	4,855
Deferred revenue	(3,867)	(3,121)	(4,003)
Amortization of unearned compensation	128	-	-
Repositioning charges	1,213	-	-
Decrease (increase) in assets-			
Receivables	4,099	(11,925)	10,863
Inventories	2,010	7,182	1,579
Other current assets	(8,569)	(278)	1,846
Increase (decrease) in liabilities-			
Accounts payable	(3,519)	(2,250)	(6,904)
Accrued compensation	1,050	39	632
Other accrued expenses	35	(1,123)	1,555
	-----	-----	-----
Net cash provided by (used in) operating activities	23,956	30,121	(23,844)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale (purchase) of short-term investments, net	(36,332)	(24,242)	35,087
Purchases of property and equipment	(1,646)	(1,831)	(3,927)
Patent costs	(1,291)	(1,778)	(966)
Other non-current assets	3,748	314	(190)
	-----	-----	-----
Net cash provided by (used in) investing activities	(35,521)	(27,537)	30,004
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from sales of Common Stock and exercises of stock options and warrants	12,387	815	429
Lease obligations incurred	-	251	452
Payments on long-term debt, including capital lease obligations	(767)	(939)	(1,003)
Cash dividends on Preferred Stock	(168)	(202)	(164)
Purchase of Treasury Stock	(5,354)	(278)	--
	-----	-----	-----
Net cash provided by (used in) financing activities	6,098	(353)	(286)
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,467)	2,231	5,874
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,059	17,828	11,954
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 14,592	\$ 20,059	\$ 17,828
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ 296	\$ 350	\$ 362
	=====	=====	=====
Income taxes paid, including foreign withholding taxes	\$ 4,403	\$ 8,881	\$ 22
	=====	=====	=====

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. BACKGROUND:

InterDigital Communications Corporation (collectively with its subsidiaries referred to as InterDigital, the Company, we, us and our) develops and markets advanced digital wireless communications applications. In conjunction with our technology development, we have developed an extensive body of technical know-how and a broad patent portfolio which we license worldwide and related product embodiments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of InterDigital and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash, Cash Equivalents and Short-Term Investments

InterDigital considers all highly liquid investments purchased with remaining maturities of three months or less to be cash equivalents. Investments are held at amortized cost which approximates market value. At December 31, 1999, all of InterDigital's short-term investments were classified as available for sale pursuant to Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". At December 31, 1999 and 1998, there were no significant unrealized holding gains or losses.

Cash and cash equivalents consist of the following (in thousands):

	December 31,	
	1999	1998
Money market funds and demand accounts	\$14,350	\$ 3,160
Repurchase agreements	242	516
Commercial paper	-	16,383
	-----	-----
	\$14,592	\$20,059
	=====	=====

The repurchase agreements are fully collateralized by United States Government securities and are stated at cost which approximates fair market value.

Short-term investments available for sale as of December 31, 1999 consisted of \$35.6 million in government- issued discount notes and \$33.0 million in corporate debt securities. Short-term investments available for sale as of December 31, 1998 consisted of \$18.2 million in government-issued discount notes and \$14.0 million in corporate debt securities.

Inventories

Inventories are stated at the lower of cost or market, with cost determined on a first-in-first-out basis and market based on net realizable value.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization of property, plant and equipment are provided using the straight-line method. The estimated useful lives for computer equipment, machinery and equipment, and furniture and fixtures are generally three to five years. Leasehold improvements are being amortized over their lease term, generally five to ten years. The buildings are being depreciated over twenty-five years. Depreciation expense was \$3.2 million, \$3.5 million and \$3.2 million in 1999, 1998 and 1997, respectively.

Patents

The costs to obtain certain patents for InterDigital's TDMA and CDMA technologies have been capitalized and are being amortized on a straight-line basis over 10 years. Amortization expense was \$1.5 million, \$1.1 million and \$1.4 million in 1999, 1998 and 1997, respectively.

Development

All development expenditures are charged to expense in the period incurred.

Revenue Recognition

Patent licensing revenues included in licensing and strategic partner revenues, consist primarily of up-front royalty payments and one-time, non-refundable fees which are recognized at the time of the applicable agreement since we have no remaining obligations and do not have any continuing involvement with the licensee. Strategic partner revenues included in licensing and strategic partner revenues are generated by patent, technology and know- how licensing and development agreements. Due to the combined nature of some agreements, revenue may be recognized over the performance period. Royalty revenue is recorded as earned in accordance with the specific terms of each license agreement when reasonable estimates of such amounts can be made. Product revenues are recognized upon shipment of systems. Installation, training and other services are recognized upon completion of services.

Concentration of Credit Risk

Financial instruments which potentially subject us to concentration of credit risk consist primarily of cash equivalents, short-term investments, and accounts receivable. We place our cash equivalents and short-term investments only in highly rated financial instruments and in United States Government obligations. Our accounts receivable are derived principally from patent license agreements, engineering services and product sales, which provide for deferred and/or installment payments.

Impairment of Long-Lived Assets

Pursuant to SFAS No. 121. "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", InterDigital is required to evaluate long-lived assets and certain intangible assets for impairment when factors indicate that the carrying amount of an asset may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, we review the realizability of our long-lived assets by analyzing the projected undiscounted cash flows in measuring whether the asset is recoverable. In 1999, an \$0.8 million charge was taken as a part of a repositioning program. (See Note 3.) No such adjustments were recorded in 1998 or 1997.

Net Income (Loss) Per Common Share

InterDigital follows SFAS No. 128. "Earnings per Share". The following tables reconcile the numerator and denominator of the basic and diluted net income (loss) per share computation (in thousands, except for per share data):

	Year Ended December 31,					
	1999			1998		
	Income (Numerator)	Shares (Denominator)	Shares Amount	Per-Share (Numerator)	Income (Denominator)	Per-Share Amount
Income (Loss) per Share-Basic:						
Income (loss) available to common shareholders	\$ 26,451	48,357	\$ 0.55	\$36,713	43,380	\$ 0.76
Dilutive effect of options and warrants	--	2,138	\$(0.03)	--	391	(0.01)
Income (Loss) per Share-Diluted:						
Income (loss) available to common stockholders + dilutive effects of options and warrants	\$ 26,451	50,495 1997	\$ 0.52	\$36,713	48,771	\$ 0.75
	Income (Numerator)	Shares (Denominator)	Per-Share Amount			
Income (Loss) per Share-Basic:						
Income (loss) available to common shareholders	\$(34,523)	48,166	\$(0.72)			
Dilutive effect of options and warrants	--	--	--			
Income (Loss) per Share-Diluted:						
Income (loss) available to common stockholders + dilutive effects of options and warrants	\$(34,523)	48,166	\$(0.72)			

Options and warrants outstanding during the years ended December 31, 1999 and 1998 to purchase approximately 1.6 and 7.4 million shares of common stock, respectively, were not included in the computation of diluted EPS because the exercise prices of the options were greater than the weighted average market prices of the common stock during the period and, therefore, the effect would be anti-dilutive. All options and warrants

outstanding for the year ended December 31, 1997 were excluded from the computation of diluted earnings per share as a result of the net loss for the period.

Reclassification

Certain prior period amounts have been reclassified to conform to the 1999 presentation.

New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 expresses the views of the Securities and Exchange Commission in applying generally accepted accounting principles to certain transactions, including licensing agreements. We are in the process of analyzing the impact of SAB No. 101 on our consolidated financial statements. SAB No. 101 will not have any impact on our liquidity or cash flows from operations.

3. REPOSITIONING:

In the second quarter of 1999, we recorded a pre-tax repositioning charge of \$1.2 million in connection with a change in our strategy from sales and development of wireless local loop products to technology development for advanced wireless applications. This action was taken after assessing our long term business prospects associated with continued investment in the development of wireless local loop systems. The repositioning charge included costs associated with workforce reductions (approximately 27 employees) and asset impairment charges related to wireless local loop development equipment. The components of the repositioning charge included severance and other benefit costs of \$0.4 million, all of which were paid in 1999, and asset impairment charges of \$0.8 million for fixed assets associated with wireless local loop activities. Management's efforts with respect to this plan are substantially complete.

4. STRATEGIC PARTNER AGREEMENTS:

In February 1999, we entered into a long-term cooperation agreement with Nokia for development of new technology for third generation (3G) wireless telecommunications products. As part of the agreement, we will retain ownership rights over the technologies we develop for 3G. Also included in the agreement were certain paid-up TDMA and CDMA licenses, which generally extend through the project period. We recognized revenues of \$42.6 million from Nokia in 1999 related to this agreement. These revenues consisted of an initial licensing fee of \$31.5 million, development services revenue of \$10.8 million, and \$0.3 million of recurring royalties.

Prior to our 1999 strategic shift to focus on technology development for the 3G market, our development group was focused primarily on technology development of full systems to address needs in the fixed wireless local loop market. As part of that effort, we entered into a series of agreements with Samsung, Siemens and Alcatel to develop B-CDMA technology and products that embodied that technology. These three companies and InterDigital comprised the B-CDMA Alliance. In early 1999, after reassessing the market potential of the residential wireless local loop market, Siemens announced its withdrawal from the B-CDMA Alliance. In April of 1999, Alcatel also withdrew from the B-CDMA

Alliance. Minimal activity took place with respect to the Samsung B-CDMA relationship during most of 1999. InterDigital recognized revenue associated with these agreements of \$3.1 million, \$8.0 million and \$4.4 million in 1999, 1998 and 1997, respectively. Of the totals, InterDigital recognized revenues of \$3.0 million, \$3.4 million, and \$2.8 million in 1999, 1998, and 1997 respectively from Samsung, \$1.6 million in 1997 from the Siemens and \$.1 million in 1999 and \$4.6 million in 1998 from Alcatel.

5. MAJOR CUSTOMERS AND GEOGRAPHIC DATA:

Revenues by customer geography are as follows (in thousands):

	Year Ended December 31,		
	1999	1998	1997
U.S.	\$ 1,660	\$ 1,873	\$ 2,853
Non-U.S.	69,007	97,348	46,983
	\$70,667	\$99,221	\$49,836
	=====	=====	=====

In 1999, 60% of InterDigital's revenue was from our customer in Finland. An additional 26% of revenue was from Japan. In 1998, more than 84% of total revenue was derived from our customers in Japan. In 1997, 66% of revenues were from Indonesia. Additionally, 6% of revenues were from our Philippine customer and another 6% of 1997 revenues were derived from our strategic partner in Korea.

Licensing and Strategic Partner Revenue

In 1999, ITC entered into 4 new TDMA license agreements with Robert Bosch GMBH, Japan Radio Company, Ltd., Shintom Company, LTD. and Iwatsu America, Inc., and granted a combined TDMA and CDMA license to Nokia. In prior years, ITC had granted non-exclusive, non-transferrable, perpetual, worldwide, royalty-bearing licenses to use certain TDMA patents (and in certain instances, technology) to 13 additional corporations. Additionally, in prior years, ITC had granted non-exclusive, non-transferrable, perpetual, worldwide, royalty-bearing licenses to use certain CDMA patents (and in certain instances, technology) to Alcatel, Qualcomm and Advanced Digital Technologies and to use TDMA and CDMA patents (and in certain instances technology) to Siemens, Samsung and AT&T. Many of these licenses contain "most favored licensee" provisions, applied on a going forward basis only, and provisions which could, in certain events, cause the licensee's obligation to pay royalties to InterDigital to be suspended for an indefinite period, with or without the accrual of the royalty obligation.

Initial revenues from new TDMA licensees in 1999 totaled \$42.8 million. 1999 revenues from strategic partners totaled \$14.0 million, of which \$10.8 was derived from development work for Nokia. In 1999, InterDigital recognized \$9.4 million in recurring royalty revenue from its TDMA licenses.

During 1998, InterDigital entered into four new TDMA licensing agreements and revised agreements with two existing licensees. These licensing transactions resulted in \$83.5 million of revenue in 1998. Additionally, recurring royalty fees of \$1.0 million were recognized in 1998. Also in 1998, InterDigital recognized \$4.6 million and \$3.4 million in revenue related to the Alcatel and Samsung agreements, respectively.

In 1997, InterDigital recognized \$2.8 million in licensing and strategic partner revenue from Samsung, \$1.6 million from Siemens and \$1.6 million of recurring royalty revenue from one licensee.

6. INVENTORIES:

	December 31,	
	-----	-----
	1999	1998
	----	----
	(In thousands)	
Component parts and work-in-progress	\$1,522	\$2,958
Finished goods	1,570	2,144
	-----	-----
	\$3,092	\$5,102
	=====	=====

Inventories are stated net of valuation reserves of \$13.1 million and \$13.7 million as of December 31, 1999 and 1998, respectively. In 1998, InterDigital recorded charges totaling \$7.9 million to reduce the carrying value of its inventory of UltraPhone components to its net realizable value, due to excess inventories resulting from the cancellation of the Myanmar contract. The final shipments of Ultraphone products are scheduled for the first half of 2000.

7. PROPERTY, PLANT AND EQUIPMENT:

	December 31,	
	-----	-----
	1999	1998
	----	----
	(In thousands)	
Land, building and improvements	\$ 4,427	\$ 4,258
Machinery and equipment	8,463	8,971
Computer equipment	8,039	7,484
Furniture and fixtures	2,871	2,806
Leasehold improvements	1,196	1,139
	-----	-----
	24,996	24,658
Less Accumulated depreciation	(17,603)	(14,961)
	-----	-----
	\$ 7,393	\$ 9,697
	=====	=====

8. LONG-TERM DEBT OBLIGATIONS:

	December 31,	
	1999	1998
	(In thousands)	
Mortgage debt	\$ 2,468	\$ 2,575
Capitalized leases	537	1,197
Total long-term debt obligations	3,005	3,772
Less -- Current portion	(446)	(723)
	\$ 2,559	\$ 3,049
	=====	=====

During 1996, InterDigital purchased its King of Prussia facility for \$3.7 million, including cash of \$930,000 and a 16 year mortgage of \$2.8 million with interest payable at a rate of 8.28% per annum.

Capitalized lease obligations are payable in monthly installments at an average rate of 11.2%, through 2001. The net book value of equipment under capitalized lease obligations is \$1.7 million.

Maturities of principal of the long-term debt obligations as of December 31, 1999 are as follows (in thousands):

2000	\$ 446
2001	326
2002	146
2003	148
Thereafter	1,939

	\$3,005
	=====

9. COMMITMENTS AND CONTINGENCIES:

Leases

InterDigital has entered into various operating lease agreements. Total rent expense was \$1.4 million in 1999 and 1998 and \$1.3 million for 1997, primarily for office, assembly and warehouse space. In 1999, two building leases expired and were not renewed as those facilities had not been currently occupied. Minimum future rental payments for operating leases as of December 31, 1999 are as follows (in thousands):

2000	\$1,314
2001	1,349
2002	232

	\$2,895
	=====

Employment Agreements

InterDigital has entered into agreements with certain officers that provide for the payment of severance pay benefits, among other things, in certain events of termination of employment. These agreements generally provide for the payment of severance up to a maximum of one year's salary (approximately \$1.9 million at December 31, 1999) and up to a maximum of one year's continuation of medical and dental benefits. In these agreements, in the event of a termination or resignation within one year following a change of control, which is defined as the acquisition, including by merger or consolidation, or by the issuance by InterDigital of its securities, by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of InterDigital, the employee would receive generally two years of salary (approximately \$3.7 million at December 31, 1999) and the immediate vesting of all stock options.

10. LITIGATION:

In September 1993, ITC filed a patent infringement action against Ericsson GE Mobile Communications, Inc. ("Ericsson GE"), its Swedish parent, Telefonaktiebolaget LM Ericsson ("LM Ericsson") and Ericsson Radio Systems, Inc. ("Ericsson Radio"), in the United States District Court for the Eastern District of Virginia (Civil Action No. 93-1158-A (E.D.Va.)) (the "Ericsson action") which was subsequently transferred to the United States District Court for the Northern District of Texas. The Ericsson action seeks a jury's determination that in making, selling, or using, and/or in participating in the making, selling or using of digital wireless telephone systems and/or related mobile stations, Ericsson has infringed, contributed to the infringement of and/or induced the infringement of eight patents from ITC's patent portfolio. The Ericsson action also seeks an injunction against Ericsson from infringement and seeks unspecified damages based upon the court's determination of what constitutes a reasonable royalty for infringement, royalties, costs and attorneys' fees. Ericsson GE filed an answer to the Virginia action in which it denied the allegations of the complaint and asserted a Counterclaim seeking a Declaratory Judgment that the asserted patents are either invalid or not infringed. On the same day that ITC filed the Ericsson action in Virginia, two of the Ericsson Defendants, Ericsson Radio and Ericsson GE, filed a lawsuit against InterDigital and ITC in the United States District Court for the Northern District of Texas (the "Texas action"). The Texas action, which involves the same patents that are the subject of the Ericsson action, seeks the court's declaration that Ericsson's products do not infringe ITC's patents, that ITC's patents are invalid and that ITC's patents are unenforceable. The Texas action also seeks judgment against InterDigital and ITC for tortious interference with contractual and business relations, defamation and commercial disparagement, and Lanham Act violation. The Ericsson action and the Texas action have been consolidated. ITC agreed to the dismissal without prejudice of LM Ericsson.

In December 1997, Ericsson Inc., the successor to Ericsson GE and Ericsson Radio, filed an action against ITC in the United States District Court for the Northern District of Texas (the "1997 Texas action") seeking the court's declaration that Ericsson Inc.'s products do not infringe two patents issued to InterDigital earlier in 1997 as continuations of certain patents at issue in the Texas action. Later that month, Ericsson Inc. filed an amended Complaint seeking to include these two new patents in the Texas action in an effort to consolidate the two cases. In January 1998, both Ericsson Inc. and InterDigital and ITC filed motions requesting that Ericsson Inc.'s amended Complaint be allowed and that the 1997 Texas action be dismissed, to which the Court agreed. In 1998, Ericsson Inc. filed a Motion for Partial Summary Judgement, which was denied by the Court in early 1999. Also during 1998, the United States District Court for the Northern District of Texas granted InterDigital's Motion to amend its Counterclaim by adding four additional patents. During the third quarter of 1999, Ericsson Inc. filed for leave to file an additional Amended Complaint to add causes of action for breach of contract and fraud and negligent misrepresentation. The Court granted Ericsson's request. Fact discovery has been substantially concluded. The "Markman" hearing is scheduled to take place in April, 2000 where a Special Master will make recommendations

to the court as to the meaning of certain terms contained in the patents. InterDigital records expenses for fees related to litigation as they are incurred. Such fees are included as patents administration and licensing expense. During the year ended December 31, 1999, the Company recovered certain expenses related to this litigation from its insurance carrier. Such recoveries are included as a reduction to patents administration and licensing expense when they are submitted to the insurance company. In February 2000, the Company and its insurers defined the method, timing and limitations of reimbursements for covered litigation expenses.

Also, on October 27, 1999, Cavalier Technologies and Consultants Ltd. ("Cavalier") filed suit against us in the United States District Court of the Eastern District of Pennsylvania for breach of contract to team to supply and breach of contract to supply UltraPhone systems in Kenya and for fraudulent representations as to our future plans for the UltraPhone business. Concurrently with the filing of its Complaint, Cavalier filed a request for a Temporary Restraining Order and a Motion for a Preliminary Injunction to prevent us from shipping any of our remaining inventory of UltraPhone equipment to other customers. The Court denied the TRO application, and scheduled a preliminary injunction hearing. In December, 1999, the Court issued a bench ruling denying Cavalier's motion for a preliminary injunction on the grounds that Cavalier had failed to demonstrate irreparable harm. Cavalier continues to seek damages and injunctive relief. We have asserted a damages counterclaim for past due balances.

11. PREFERRED STOCK:

The holders of the \$2.50 Convertible Preferred Stock are entitled to receive, when and as declared by our Board of Directors, cumulative annual dividends of \$2.50 per share payable in cash or Common Stock (as defined) at the Company's election (subject to a cash election right of the holder), if legally available. Such dividends are payable semiannually on June 1 and December 1. In the event we fail to pay two consecutive semiannual dividends within the required time period, certain penalties may be imposed. The \$2.50 Convertible Preferred Stock is convertible into Common Stock at any time prior to redemption at a conversion price of \$12 per share (subject to the adjustment under certain conditions). In 1999, 1998 and 1997, InterDigital declared and paid dividends on the \$2.50 Convertible Stock of \$255,000, \$255,000 and \$256,000, respectively. These dividends, were paid with cash of \$168,000, \$202,000 and \$162,000, and 17,530, 8,860 and 19,281 shares of Common Stock, respectively.

Upon any liquidations, dissolution or winding up of InterDigital, the holders of the \$2.50 Convertible Preferred Stock will be entitled to receive, from InterDigital's assets available for distribution to shareholders, \$25 per share plus all dividends accrued, before any distribution is made to the Common shareholders, after such payments, the holders of the \$2.50 Convertible Preferred Stock would not be entitled to any other payments. The redemption price for each share of \$2.50 Convertible Preferred Stock is \$25 per share.

The holders of the \$2.50 Convertible Preferred Stock do not have any voting rights except on those amendments to be Articles of Incorporation which would adversely affect their rights, create any class or series of stock ranking senior to or on a parity with the \$2.50 Preferred Stock, as to either dividend or liquidation rights, or increase the authorized number of shares of any senior stock. In addition, if two or more consecutive semiannual dividends on the \$2.50 Preferred are not paid by InterDigital, the holders of the Preferred, separately voting as a class, will be entitled to elect one additional director of InterDigital.

12. COMMON STOCK COMPENSATION PLANS AND WARRANTS

Stock Compensation Plans

InterDigital has stock-based compensation plans under which, depending on the plan, directors, employees, consultants and advisors can receive stock options, stock appreciation rights, restricted stock awards and other stock unit awards.

Common Stock Option Plans

InterDigital has granted options under two incentive stock option plans, four non-qualified stock option plans and one plan which provides for grants of both incentive and non-qualified stock options to non-employee directors, officers and employees of InterDigital and certain others, depending on the plan. One incentive stock option plan, three non-qualified stock option plans and the plan that allows for both incentive and non-qualified stock options are authorized to grant options for up to 600,000, 2,035,600, 1,500,000, 2,000,000 and 4,000,000 shares, respectively of InterDigital's Common Stock. No further grants are allowed under the remaining stock option plans. The Board of Directors or a Committee of the Board determines the number of options to be granted. The option prices are determined based on market prices in accordance with the terms of the plans. Under the terms of the incentive stock option plan, the option price cannot be less than 100% of fair market value of the Common Stock at the date of grant and incentive stock options granted become exercisable at 20% per year beginning one year after date of grant and generally remain exercisable for 10 years. Under the non-qualified option plans, options are generally exercisable for a period of 10 years from the date of grant and may vest on the grant date, another specified date or over a period of time. All options granted under the plan which provides for both incentive and non-qualified stock options to non-employee directors and grants awarded to inventors most commonly vest in six bi-annual installments. All incentive options granted under such plan have exercise prices of not less than 100% of the fair market value of the Common Stock on the grant date in accordance with Internal Revenue Code requirements.

SFAS No. 123 Disclosure

InterDigital has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). Accordingly, no compensation cost has been recognized in the Statements of Operations for InterDigital's stock option plans. Had compensation cost been calculated based on the fair value at the grant due for awards in 1999, 1998 and 1997 consistent with the provision of SFAS No. 123, InterDigital's net income (loss) and net income (loss) per share would have been changed to the following pro forma amounts:

	1999	1998	1997
	----	----	----
Net income (loss) applicable to Common Shareholders - as reported	\$26,451	\$36,713	\$(34,523)
Net income (loss) applicable to Common Shareholders - pro forma	\$23,540	\$32,837	\$(37,894)
Net income (loss) per share - as reported - basic	\$ 0.55	\$ 0.76	\$ (0.72)
Net income (loss) per share - as reported - diluted	\$ 0.52	\$ 0.75	\$ (0.72)
Net income (loss) per share - pro forma - basic	\$ 0.49	\$ 0.68	\$ (0.79)
Net income (loss) per share - pro forma - diluted	\$ 0.47	\$ 0.67	\$ (0.79)

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 used for grants in 1999, 1998 and 1997; no dividend yield; expected volatility of 125% for 1999, 83% for 1998, 70% for 1997, risk-free interest rates of approximately 5.66%, 5.27% and 6.24% for 1999, 1998 and 1997, respectively, and an expected option life of 4.40 years for 1999, 3.05

years for 1998 and 3.72 years for 1997. The weighted average fair value at the date of grant for options granted during 1999, 1998 and 1997 is estimated as \$6.61, \$3.05 and \$2.89 per share, respectively.

The following table summarizes information regarding the stock options outstanding at December 31, 1999 (in thousands, except per share amounts):

Information with respect to stock options under the above plans is summarized as follows (in thousands, except per share amounts):

	Available for Grant	Outstanding Options		Weighted Average Exercise Price
		Number	Price Range	
BALANCE AT DECEMBER 31, 1996	5,604	4,389	\$.01-\$14.875	\$7.14
Granted	(2,539)	2,539	\$4.375-\$5.688	\$5.45
Canceled	879	(879)	\$5.250-\$14.500	\$9.15
Exercised	-	(3)	\$0.600-\$5.625	\$4.79
BALANCE AT DECEMBER 31, 1997	3,944		\$.01-\$11.625	\$6.14
Granted	(608)	608	\$3.250-\$5.6875	\$5.04
Canceled	715	(715)	\$5.375-\$10.750	\$3.13
Exercised	-	(153)	\$0.600-\$5.625	\$3.13
BALANCE AT DECEMBER 31, 1998	4,051	5,786	\$.01-\$11.625	\$6.05
Granted	(689)	689	\$4.3750-\$11.0	\$7.49
Canceled	397	(397)	\$5.25-\$10.5	\$7.50
Exercised	-	(1,660)	\$0.1-\$11.625	\$5.77
BALANCE AT DECEMBER 31, 1999	3,759	4,418	\$.01-\$11.625	\$6.26

Common Stock Warrants

As of December 31, 1999, we had various warrants outstanding to purchase 3.0 million shares of Common Stock at exercise prices ranging from \$2.50 to \$10.00 per share, with a weighted average exercise price of \$5.37 per share. As of December 31, 1999, all of these warrants were currently exercisable. These warrants expire in various years through 2006. The exercise price and number of shares of Common Stock to be obtained upon exercise of certain of these warrants are subject to adjustment under certain conditions.

Restricted Stock

In 1999, we adopted the 1999 Restricted Stock Plan, under which we can issue up to 1,500,000 shares of restricted common stock and restricted stock units to directors, employees, consultants and advisors. As of December 31, 1999, we had 322,000 shares of restricted Common Stock issued and outstanding. The restrictions lapse over periods ranging from 1.5 to 5.5 years from the date of the grant. We recorded unearned compensation of \$1.9 million for the value of the restricted stock, which is being amortized over the respective vesting periods. We also accrued a \$1.3 million liability in 1999 for the pro-rata share of the estimated liability associated with certain tax reimbursement features of this Plan. We are in the process of replacing the tax reimbursement features related to certain of the grants with restricted stock unit grants.

13. SHAREHOLDER RIGHTS PLAN

In December 1996, InterDigital's Board of Directors declared a distribution under its Shareholder Rights Plan of one right for each outstanding common share of InterDigital to shareholders of record as the close of business on January 3, 1997. In addition, any new common shares issued after January 4, 1997 will receive one right for each common share. The Plan was amended in a number of respects in March 2000. As amended, each right entitles shareholders to buy one one-thousandth of a share of Series B Junior Participating Preferred Stock at a purchase price of \$250 per share, subject to adjustment. Ordinarily, the rights will not be exercisable until 10 days after a non-exempt person or group owns or acquires more than 10% of InterDigital's outstanding Common Stock or a non-exempt person or group begins an offer for 10% or more of InterDigital's outstanding Common Stock or after a non-exempt person or group publicly announces an intent to acquire control over InterDigital and proposes in a proxy or consent solicitation to elect such a number of directors which, if elected, would represent a majority of the directors when compared with the Independent Directors continuing to serve on the Board. In general, in the event that InterDigital is acquired in a merger or other business combination interaction, each holder of a right will have the right to receive, upon exercise, Units of Preferred Stock (or, in certain circumstances, Company Common Stock, cash, property, or other securities of InterDigital) having a current market value equal to two times the exercise price of the Right.

14. INCOME TAXES:

The 1999 income tax provision includes a federal alternative minimum tax provision of \$0.6 million and a foreign withholding tax provision of \$2.6 million. The 1998 income tax provisions includes a federal alternative minimum tax provision of \$0.9 million, a foreign withholding tax provision of \$8.3 million. The 1997 income tax provision includes a current state tax provision of \$34,000.

At December 31, 1999, InterDigital had net operating loss carryforwards of approximately \$95.6 million. Since realization of the tax benefits associated with these carryforwards is not assured, a valuation allowance of 100% of the potential tax benefit is recorded as of December 31, 1999.

The net operating loss carryforwards are scheduled to expire as follows:

2002	\$ 6.8 million
2003	18.2 million
2004	20.0 million
2005	11.9 million
thereafter	38.7 million

	\$95.6 million
	=====

Pursuant to the Tax Reform Act of 1986, annual use of InterDigital's net operating loss and credit carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within a three-year period. The annual limitation is generally equal to the product of (x) the aggregate fair market value of InterDigital's stock immediately before the ownership change times (y) the "long-term tax exempt rate" (within the meaning of Section 382(f) of the Code) in effect at that time. InterDigital believes that no ownership change for purposes of Section 382 occurred up to and including December 31, 1999. InterDigital's calculations reflect the adoption of new Treasury Regulations which became effective on November 4, 1992 and which have beneficial effects regarding the treatment of options and other aspects of the ownership change calculation.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Cash Equivalent and Investments.**

We do not use derivative financial instruments in our investment portfolio. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines. This policy also limits the amount of credit exposure to any one issue, issuer, and type of instrument. We do not expect any material loss with respect to its investment portfolio.

The following table provides information about our investment portfolio. For investment securities, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. All investment securities are expected to mature in 2000.

(in thousands)	
Cash equivalents.....	\$14,592
Average interest rate.....	5.5%
Short-term investments.....	68,550
Average interest rate.....	5.2%
Total portfolio.....	\$83,142
Average interest rate.....	5.3%

Long-term Debt.

The table below sets forth information about our long-term debt obligation, by expected maturity dates.

	Expected Maturity Date December 31,				Total	Fair Value
	2000	2001	2002	2003 and beyond		
Fixed Rate	\$446,000	\$326,000	\$146,000	\$2,087,000	\$3,005,000	\$3,005,000
Weighted Average Interest Rate	8.51%	7.41%	8.30%	8.28%	8.50%	

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF INTERDIGITAL

Information concerning executive officers appears under the caption Item 1. "Business. Executive Officers" in Part I of this Form 10-K. Information concerning directors is incorporated by reference herein from the information following the caption "ELECTION OF DIRECTORS-Nominees for Election to the Board of Directors for a Three Year Term Expiring at 2002 Annual Meeting" to but not including "-Committees and Meetings of the Board of Directors" in InterDigital's proxy statement to be filed with the Commission within 120 days after the close of InterDigital's fiscal year ended December 31, 1999 and forwarded to shareholders prior to the 2000 annual meeting of shareholders (the "Proxy Statement").

Information in the two paragraphs immediately following the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement is incorporated by reference herein.

Item 11. EXECUTIVE COMPENSATION

Information following the caption "Executive Compensation-Summary Compensation Table" to but not including the caption "Shareholder Return Performance Graph" and information following the caption "Compensation Committee Interlocks and Insider Participation" in the Proxy Statement is incorporated by reference herein.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information following the caption "Security Ownership of Certain Beneficial Owners" to but not including the caption "Compensation Committee Interlocks and Insider Participation" in the Proxy Statement is incorporated by reference herein.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION

None.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT OF SCHEDULES, AND REPORTS ON FORM 8-K

The following documents are filed as part of this Form 10-K:

(1) Financial Statements

(2) Financial Statements

(3) The Index to Financial Statements and Schedules and the Financial Statements begin on page 27.

*2.1 Plan of Merger by and among InterDigital, Patents Corp. and Merger Co. dated as of August 16, 1996 (Exhibit 2 to InterDigital's Registration Statement No. 333-10521 filed on August 20, 1996).

2.2 Plan of Merger by and between InterDigital and Patents Corp. dated December 3, 1999.

*3.1 Restated Articles of Incorporation, (Exhibit 3.1 to InterDigital's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1996).

3.2 By-laws, as amended March 2, 2000.

*4.1 Rights Agreement between InterDigital and American Stock Transfer & Trust CO., ("AST") (Exhibit 4 to InterDigital's Current Report on Form 8-K filed on December 31, 1987).

*4.2 Amendment No. 1 to the Rights Agreement between InterDigital and AST (Exhibit 4.2 to InterDigital's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).

*4.3 Amendment No. 2 to the Rights Agreement between InterDigital and AST (Exhibit 4.3 to the June 1997 Form 10-Q).

4.4 Amendment No. 3 to the Rights Agreement between InterDigital and AST.

*10.1 Non-Qualified Stock Option Plan, as amended (Exhibit 10.4 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1991).

*10.2 Intellectual Property License Agreement between InterDigital and Hughes Network Systems, Inc. (Exhibit 10.39 to InterDigital's Registration Statement No. 33-28253 filed on April 18, 1989).

*10.3 1992 License Agreement dated February 29, 1992 between InterDigital and Hughes Network Systems, Inc. (Exhibit 10.3 to InterDigital's Current Report on Form 8-K dated February 29, 1992 (the "February 1992 Form 8-K")).

*10.4 E-TDMA License Agreement dated February 29, 1992 between InterDigital and Hughes Network Systems, Inc. (Exhibit 10.4 to the February 1992 Form 8-K).

*10.5 1992 Non-Qualified Stock Option Plan (Exhibit 10.1 to InterDigital's Current Report on Form 8-K dated October 21, 1992).

*10.6 1992 Employee Stock Option Plan (Exhibit 10.71 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1992).

- *10.7 1995 Employee Stock Option Plan, as amended (Exhibit 10.7 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1997(the "1997 Form 10-K")).
- *10.8 1997 Stock Option Plan for Non-Employee Directors (Exhibit 10.34 to InterDigital's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997 (the "September 1997 Form 10-Q")).
- *10.9 Amendment #2 to the Employee Stock Purchase Plan (Exhibit 10.9 to the 1997 Form 10-K).
- *10.10 Amendment #1 to the Employee Stock Purchase Plan (Appendix to InterDigital's Proxy Statement filed May 23, 1996).
- *10.11 Employee Stock Purchase Plan (Exhibit 10.52 to InterDigital's Registration Statement No. 33-65630 filed June 6, 1993).
- *10.12 Master Agreement among InterDigital, ITC, and Siemens dated December 16, 1994 (Exhibit 99.1 to InterDigital's Current Report on Form 8-K dated December 16, 1994 the ("December 1994 8-K")).**
- *10.13 Patent License Agreement among InterDigital, ITC and Siemens dated December 16, 1994 (Exhibit 99.2 to the December 1994 Form 8-K).**
- *10.14 TDMA/CDMA Development and Technical Assistance Agreement between InterDigital and Siemens dated December 16, 1994 (Exhibit 99.3 to the December 1994 Form 8-K).**
- *10.15 Cooperation Agreement between InterDigital and Siemens dated December 1994 (Exhibit 99.5 to the December 16, 1994 Form 8-K).**
- *10.16 ASIC Design and Development Agreement dated February 12, 1996 by and between InterDigital Communications Corporation and LSI Logic Corporation (Exhibit 10.19 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 Form 10-K")).
- *10.17 Employment Agreement dated February 25, 1997 by and between InterDigital Communications Corporation and Howard E. Goldberg (Exhibit 10.24 to the 1996 Form 10-K).
- *10.18 Employment Agreement dated November 18, 1996 by and between InterDigital Communications Corporation and Charles Tilden (Exhibit 10.26 to the 1996 Form 10-K).
- *10.19 Employment Agreement dated June, 1997 by and between InterDigital and Joseph Gifford (Exhibit 10.33 to the September 1997 Form 10-Q).
- *10.20 Employment Agreement dated May 7, 1997 between InterDigital and Mark Lemmo (Exhibit 10.32 to InterDigital's Quarterly Report for the quarter ended March 31, 1997).
- *10.21 Employment Agreement dated September 3, 1998 by and between InterDigital and William Merritt (Exhibit 10.23 to InterDigital's Annual Report on Form 10-K for the year ended December 31, 1998 (the "1998 Form 10-K")).
- *10.22 Employment Agreement dated November 16, 1998 by and between InterDigital and Richard Fagan (Exhibit 10.24 to the 1998 Form 10-K).

*10.23 Separation and Confidentiality Agreement dated September 23, 1999 by and between InterDigital and William A. Doyle (Exhibit 10.25 to InterDigital's Quarterly Report on Form 10Q for the quarterly period ended September 30, 1999).

10.24 1999 Restricted Stock Plan.

10.25 Amendment to 1995 Stock Option Plan for Employees and Outside Directors.

21 Subsidiaries of InterDigital.

23.1 Consent of Arthur Andersen LLP.

27 Financial Data Schedule.

* Incorporated by reference to the previous filing indicated.

** Confidential treatment has been granted for portions of these agreements.

(b) Reports filed on Form 8-K during the last quarter of 1999:

None.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description -----	Balance Beginning of Period -----	Charged to Costs and Expenses -----	Deductions -----	Balance at End of Period -----
1999				
Allowance for uncollectible accounts	\$975	--	\$502	\$473
1998				
Allowance for uncollectible accounts	\$897	\$ 87	\$ 6	\$975
1997				
Allowance for uncollectible accounts	\$558	\$ 508	\$169	\$897

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, InterDigital has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 29th day of March, 2000.

**INTERDIGITAL COMMUNICATIONS
CORPORATION**

By: /s/Howard E. Goldberg

*Howard E. Goldberg
Interim President and Principal Executive Officer*

By: /s/Richard J. Fagan

*Richard J. Fagan
Executive Vice President and
Chief Financial Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of InterDigital and in the capacities and on the dates indicated.

Date: March 29, 2000

/s/ D. Ridgely Bolgiano

D. Ridgely Bolgiano, Director

Date: March 29, 2000

/s/ Harry Campagna

Harry Campagna, Director

Date: March 29, 2000

/s/ Steven Clontz

Steven Clontz, Director

Date: March 29, 2000

/s/ Joseph S. Colson, Jr.

Joseph S. Colson, Jr., Director

Date: March 29, 2000

/s/ Robert Roath

Robert Roath, Director

EXHIBIT INDEX

Exhibit No.	Description
2.2	Plan of Merger by and between InterDigital and Patents Corp. dated December 3, 1999.
3.2	By-laws, as amended March 2, 2000.
4.4	Amendment No. 3 to the Rights Agreement between InterDigital and Ast.
10.23	1999 Restricted Stock Plan.
10.25	Amendment to the 1995 Stock Option Plan for Employees and Outside Directors.
21	Subsidiaries of InterDigital.
23.1	Consent of Arthur Andersen LLP.
27	Financial Data Schedule.

EXHIBIT 2.2

INTERDIGITAL COMMUNICATIONS CORPORATION

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made as of this ____ day of December, 1999, by and between InterDigital Communications Corporation, a Pennsylvania corporation ("Parent"), and InterDigital Patents Corporation, a Delaware corporation ("Sub"; each of Parent and Sub are sometimes referred to as a "Constituent Corporation").

WITNESSETH:

WHEREAS, it is deemed to be in the best interests of Sub that it be merged with and into Parent (the "Merger"), with Parent being the surviving corporation in the Merger (the "Surviving Corporation"), in accordance with the terms and conditions fully set forth below;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be legally bound, Parent and Sub hereby agree as follows:

1. Merger. Sub shall be merged with and into Parent in accordance with Section 1924 of the Pennsylvania Business Corporation Law of 1988, as amended (the "PBCL"), and Section 253 of the Delaware General Corporation Law, as amended (the "DGCL"), and Parent shall be the Surviving Corporation. All appropriate documents necessary to effectuate the Merger under the PBCL and the DGCL shall be filed as soon as practicable with the Corporation Bureau of the Secretary of the Commonwealth of Pennsylvania and with the Secretary of State of the State of Delaware. The date of filing of the Articles of Merger with the Secretary of the Commonwealth of Pennsylvania shall be the "Effective Date" of the Merger.
2. Governing Documents. The Articles of Incorporation and Bylaws of the Parent, as in effect on the Effective Date of the Merger, shall continue in full force and effect as the Articles of Incorporation and Bylaws of the Surviving Corporation in the Merger.
3. Officers and Directors. The directors of Parent immediately prior to the Effective Date shall be the directors of the Surviving Corporation and the officers of Parent prior to the Effective Date shall be the officers of the Surviving Corporation, and such directors and officers will hold office from the Effective Date until their respective successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation and Bylaws of

the Surviving Corporation, as the same may be lawfully amended, or as otherwise provided by law.

4. Succession and Effects of Merger. As of the Effective Date and as a result of the Merger:

The separate existence of Sub shall cease and Sub shall be merged with and into Parent. The Surviving Corporation shall have all of the rights, privileges, immunities and powers provided for in, and shall be subject to all of the duties and liabilities granted or imposed by, the PBCL. The Surviving Corporation shall also thereupon and thereafter possess all of the rights, privileges, immunities, powers and franchises, of a public as well as of a private nature, of each of the Constituent Corporations. All property, real, personal and mixed, and all debts due on whatever account and all other causes of action and all and every other interest of, or belonging to or due to, each of the Constituent Corporations so merged, shall be deemed to be transferred to and vested in such Surviving Corporation without further act or deed. The title to any real estate, or any interest therein, vested in either of the Constituent Corporations shall not revert or in any way be impaired by reason of the Merger. The Surviving Corporation shall thereafter be responsible and liable for all of the liabilities and obligations of each of the Constituent Corporations so merged. Any claim existing or action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgement as if such Merger had not taken place, or the Surviving Corporation may be substituted in the place of one or more the Constituent Corporations. Neither the rights of the creditors nor any liens upon the property of the Sub shall be impaired by the Merger but such liens shall be limited to the property upon which there were liens immediately prior to the Effective Date.

5. Further Assistance. From time to time, as and when required by the Surviving Corporation or by its successors or assigns, there shall be executed and delivered on behalf of Sub such deeds and other instruments, and there shall be taken or caused to be taken by all such further and other action, as shall be appropriate, advisable or necessary in order to vest, perfect or confirm, or record or otherwise, in the Surviving Corporation the title to and possession of all property interests, assets, rights, privileges, immunities, powers, franchises and authority of Parent, and otherwise to carry out the purposes of these resolutions. The officers and directors of the Surviving Corporation are fully authorized in the name and on behalf of Parent or otherwise, to take any and all such action and to execute and deliver any and all such deeds and other instruments.

6. Capital Stock. The capital stock of Parent shall be unaffected by the Merger, and the authorized shares of each class of capital stock of Sub, whether issued or unissued, at the Effective Date, by virtue of the Merger and without any further action, shall be canceled and retired and cease to exist without any conversion thereof and without any payment with respect thereto.

7. Abandonment and Termination. The Merger may be abandoned and this Agreement terminated by the Board of Directors of Parent and Sub at any time prior to the Effective Date. In the event of the abandonment and termination of the Merger and this Agreement, this Agreement shall become void and have no effect, without any liability on the part of Parent or Sub or the stockholders, directors or officers of any of them.

8. Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to its principles of conflicts of laws.

9. Miscellaneous. This Agreement may be amended only by a writing signed by both Constituent Corporations. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. This Agreement may be executed in any number of counterparts (including by facsimile signature) each of which shall be an original and all of which, when taken together, shall be deemed one and the same agreement. The failure of any party to insist on strict performance of any provision of this Agreement will not constitute a waiver of any rights hereunder unless such waiver is in writing. This Agreement shall inure to the benefit and be binding upon the parties hereto and their respective successors and permitted assigns. Neither party may assign any of its rights or obligations hereunder without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed as of this day and year first above written.

INTERDIGITAL COMMUNICATIONS CORPORATION

By:

Howard E. Goldberg Interim President

INTERDIGITAL PATENTS CORPORATION

By:

William J. Merritt General Counsel

EXHIBIT 3.2

INTERDIGITAL COMMUNICATIONS CORPORATION

(a Pennsylvania corporation)

BY-LAWS

(as amended through March 2, 2000)

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 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 of 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 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. Unless otherwise ordered by the Board of Directors, the Vice-President (or Vice-Presidents in order of their numbered designations) shall, in the case of death, resignation, absence or disability of the President, perform the duties of that Officer, until the return of the President, or until the disability shall have been removed or a new President shall have been elected.

Section 4.5 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 4.6 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 4.7 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 books to be kept for such purpose, and shall attend to the giving of all notices by the Corporation, including notices of meetings of shareholders and of the Board of Directors. He shall have charge

of the share certificate books, transfer books, capital stock ledger and such other books and papers as the Board of Directors may direct. He 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 to him by the Board of Directors.

Section 4.8 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 4.9 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's fees and disbursements, punitive and other damages, judgements,

finances, 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's 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.

EXHIBIT 4.4

AMENDMENT NO. 3
to the
RIGHTS AGREEMENT
Between
INTERDIGITAL COMMUNICATIONS CORPORATION
and
AMERICAN STOCK TRANSFER AND TRUST COMPANY
dated as of
DECEMBER 31, 1996

THIS AMENDMENT NO. 3, dated as of March 24, 2000, to the RIGHTS AGREEMENT between INTERDIGITAL COMMUNICATIONS CORPORATION and AMERICAN STOCK TRANSFER AND TRUST COMPANY dated as of DECEMBER 31, 1996.

WHEREAS, InterDigital Communications Corporation ("InterDigital") and American Stock Transfer and Trust Company ("ASTT") entered into a Rights Agreement, dated as of December 31, 1996 (the "Agreement"); and

WHEREAS, the Independent Directors, as defined in Section 1(l) of the Agreement have unanimously approved all of the following amendments, and particularly the amendment set forth in paragraph (1) below, as required by Section 26 of the Agreement; and

WHEREAS, InterDigital desires to amend the Agreement as set forth more specifically below; and

WHEREAS, to implement the desired Amendments, already approved by the InterDigital Board of Directors, InterDigital and ASTT, pursuant to Section 26 of the Agreement, have agreed to amend the Agreement as set forth herein.

NOW THEREFORE, the parties, intending to be legally bound, agree as follows:

(1) The Purchase Price designated in Section 7(b), and in any other place in which it appears in such Rights Agreement, shall be changed from \$45.00 to \$250.00

(2) The definition of "Acquiring Person" in Section 1(a) shall be amended to read as follows:

"(a) "Acquiring Person" means any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan maintained by the Company or any of its Subsidiaries or any trustee or fiduciary with respect to such plan acting in such capacity) that shall be the Beneficial Owner of 10% or more of the shares of Common Stock then outstanding; provided, however, that the term "Acquiring Person" shall not include an Exempt

Person. Notwithstanding the foregoing, if a majority of the Independent Directors determines in good faith that a Person who would otherwise be an Acquiring Person has become such inadvertently and without any intention of changing or influencing control of the Company, and if such Person divests himself or itself as promptly as practicable of a sufficient number of such shares of Common Stock so that such Person would no longer be the Beneficial Owner of that percentage of shares which would otherwise result in him or it being an Acquiring Person, then such Person shall not be deemed to be or to have become an Acquiring Person for any purposes of this Agreement. A majority of the Independent Directors may make all determinations of fact and intent necessary for purposes of the preceding exception so long as made by them in good faith."

(3) Section 1(c)(i) shall be amended by adding the following phrase at the end of such subsection:

"but the foregoing exception shall not apply, whether or not reportable by such Person on Schedule 13D under the Exchange Act, if such voting power arises from a revocable proxy given in response to a proxy or consent solicited by or on behalf of such Person and in furtherance of such Person's publicly announced intention to acquire control, through any means, over the Company or its Board of Directors or in furtherance of such Person's publicly announced and unsolicited intention to acquire all or substantially all of the assets or stock of the Company;"

(4) The definition of "Stock Acquisition Date" in Section 1(v) shall be amended to read as follows:

"(v) "Stock Acquisition Date" means the earliest of

(i) the first date of public announcement (including, without limitation, the filing of any report pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such; (ii) the date that a majority of the Independent Directors first becomes aware that an Acquiring Person has become such; or (iii) the actual date, to the extent such can be ascertained with certainty by the Company or a majority of the Independent Directors, that an Acquiring Person actually became such."

(5) Clause (i) of Section 3(a) shall be amended as follows:

"Until (i) the earliest of (x) the Close of Business on the tenth Business Day after the Stock Acquisition Date, (y) the Close of Business on the tenth Business Day after the date that a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any

employee benefit plan maintained by the Company or any of its Subsidiaries or any trustee or fiduciary with respect to such plan acting in such capacity) is first published or sent or given within the meaning of Rule 14d-4(a) of the Exchange Act Regulations or any successor rule, if upon consummation thereof such Person would be the Beneficial Owner of 10% or more of the shares of Company Common Stock then outstanding, or (z) the Close of Business on the tenth Business Day after the first date that any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan maintained by the Company or any of its Subsidiaries or any trustee or fiduciary with respect to such plan acting in such capacity) publicly announces an intent to acquire control over the Company and proposes in a proxy or consent solicitation (including a public announcement of such or the preliminary filing of a proxy or consent solicitation statement with the Securities and Exchange Commission) to elect such number of directors as, were they elected, would represent a change of control in the composition of the Board of Directors of the Company such that the nominees of such Person, if elected, would outnumber the Independent Directors on the Board of Directors of the Company, or (ii) ..."

(6) Section 26 shall be amended as follows:

"Section 26. Supplements and Amendments. Prior to the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates evidencing shares of Company Common Stock. From and after the Distribution Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder, or (iv) to change or supplement the provisions hereunder in any manner that the Company may deem necessary or desirable and that shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, however, that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) subject to Section 30, a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the

benefits to the holders of the Rights. The foregoing notwithstanding, from and after the Distribution Date, any supplement or amendment not restricted only to clauses (i) and (ii) of the preceding sentence shall be effective only if there are Independent Directors then in office, and such supplement or amendment shall also have been approved by a majority of such Independent Directors. Upon the delivery of a certificate from an appropriate officer of the Company or, in any case where the concurrence of a majority of the Independent Directors is required, from the majority of the Independent Directors, that states that the proposed supplement or amendment is in compliance with the terms of this

Section 26, the Rights Agent shall execute such supplement or amendment, subject to the Right Agent's right to apply to counsel by the Right Agent and the Right Agent being reasonably assured that such supplement or amendment is no way detrimental to the Right Agent's right or interest. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made that changes the Redemption Price, the Purchase Price, the Expiration Date or the number of Units of Preferred Stock for which a Right is exercisable without the approval of a majority of the Independent Directors. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Company Common Stock."

(7) Amendments No. 1 and No. 2 to the Rights Agreement are hereby rescinded and revoked in their entirety.

(8) All other terms, provisions and conditions of the Agreement remain unaltered and in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 3 to be duly executed, all as of the date first written above.

ATTEST:

INTERDIGITAL COMMUNICATIONS
CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

ATTEST:

AMERICAN STOCK TRANSFER AND
TRUST COMPANY

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 10.23

**INTERDIGITAL COMMUNICATIONS CORPORATION
1999 RESTRICTED STOCK PLAN**

(Effective October 14, 1999)

1. PURPOSE

The purpose of the Plan is to promote the ability of InterDigital Communications Corporation (the "Company") to recruit and retain key employees, directors, consultants and advisors, and enhance the growth, profitability and shareholder value of the Company by providing the incentive of long-term awards for continued service and the attainment of performance objectives.

2. DEFINITIONS

(a) "Affiliate" means, with respect to any Person, any other person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "Award" means an award of Restricted Stock granted under the Plan.

(c) "Award Agreement" means a written agreement evidencing and reflecting the terms of an Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Change of Control" shall mean the happening of any of the following:

(i) the acquisition in one or more transactions by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Exchange Act) of "Beneficial Ownership" (as the term beneficial ownership is used for purposes of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities"), provided that for purposes of this paragraph, Voting Securities acquired directly from the Company by any Person shall be excluded from the determination of such Person's Beneficial Ownership of Voting Securities (but such Voting Securities shall be included in the calculation of the total number of Voting Securities then outstanding); or

(ii) approval by shareholders of the Company of (A) a merger, reorganization or consolidation involving the Company if the shareholders of the Company immediately before such merger, reorganization or consolidation do not or will not own directly or indirectly immediately following such merger, reorganization or consolidation, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such merger, reorganization or consolidation in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, reorganization or consolidation or (B) (1) a complete liquidation or dissolution of the Company or (2) an agreement for the sale or other disposition of all or substantially all of the assets of the Company; or

(iii) acceptance by shareholders of the Company of shares in a share exchange if 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 fifty percent (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.

(f) "Committee" means the Compensation & Stock Option Committee of the Board.

(g) "Company" means InterDigital Communications Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

(h) "Date of Grant" means the date on which an Award is granted.

(i) "Eligible Person" means an employee of a Participating Company, or a director of, or consultant or advisor to a Participating Company as determined by the Committee.

(j) "Grantee" means an Eligible Person who is granted an Award.

(k) "Gross-Up Amount" means the quotient obtained by the following formula:

$$\text{Gross-Up Amount} = \text{Taxable Income}$$

1 - Tax Rate

where:

(i) "Taxable Income" is the amount that is includible in the Grantee's taxable income for federal, state and local tax purposes, as applicable, as the result of the grant or lapse of forfeiture conditions on an Award or other circumstances triggering the imposition of taxation, and

- (ii) "Tax Rate" is the highest marginal federal, state and local tax rates.
- (l) "Participating Company" means the Company and each of the Subsidiary Companies.
- (m) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.
- (n) "Plan" means the InterDigital Communications Corporation 1999 Restricted Stock Plan, as set forth herein, and as amended from time to time.
- (o) "Restricted Stock" means Shares subject to restrictions as set forth in an Award.
- (p) "Share" or "Shares" means a share or shares of Common Stock, \$.01 par value, of the Company.
- (q) "Subsidiary Companies" means any Affiliate that is controlled by the Company.
- (r) "Terminating Event" means either the liquidation of the Company or a Change in Control.
- (s) "Third Party" means any Person, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Company or an Affiliate of the Company
- (t) "1933 Act" means the Securities Act of 1933, as amended.
- (u) "1934 Act" means the Securities Exchange Act of 1934, as amended.

3. RIGHTS TO BE GRANTED

Rights that may be granted under the Plan are rights to Restricted Stock, which gives the Grantee ownership rights in the Shares subject to the Award, which Shares may be subject to a substantial risk of forfeiture or other restrictions on transferability, as set forth in Paragraph 7. Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement in such form as the General Counsel of the Company (subject to the terms of the Plan) may from time to time determine. Each Award Agreement shall incorporate by reference all terms and conditions of the Plan.

4. SHARES SUBJECT TO THE PLAN

Not more than 1,500,000 Shares in the aggregate may be issued under the Plan pursuant to the grant of Awards, subject to adjustment in accordance with Paragraph 9. The Shares issued

under the Plan may, at the Company's option, be either Shares held in treasury or Shares originally issued for such purpose. If Restricted Stock is forfeited pursuant to the terms of an Award, other Awards with respect to such Shares may be granted.

5. ADMINISTRATION OF THE PLAN

(a) Administration. The Plan shall be administered by the Committee.

(b) Grants. Subject to the express terms and conditions set forth in the Plan, the Committee shall have the power, from time to time, to:

(i) select those Eligible Persons to whom Awards shall be granted under the Plan, determine the number of Shares to be granted pursuant to each Award, and, pursuant to the provisions of the Plan (as well as any other Company plan relating to such Award), to determine or modify the terms and conditions of each Award, including the restrictions applicable to such Shares, based on such factors as the Committee shall determine in its sole discretion;

(ii) interpret the Plan's provisions, prescribe, amend and rescind rules and regulations for the Plan, and make all other determinations necessary or advisable for the administration of the Plan; and

(iii) amend the terms of any agreement relating to any Award issued under the Plan; provided that no Award shall be materially adversely affected by any such amendment without the written consent of the Grantee.

The determination of the Committee in all matters as stated above shall be conclusive.

(c) Meetings. In its capacity as administrator of the Plan, the Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

(d) Exculpation. No member of the Committee shall be personally liable for monetary damages for any action taken or any failure to take any action in connection with the administration of the Plan or the granting of Awards thereunder.

(e) Indemnification. Each member of the Committee shall be entitled without further act on his part to indemnity from the Company to the fullest extent provided by applicable law and the Company's Articles of Incorporation and By-laws in connection with or arising out of

any action, suit or proceeding with respect to the administration of the Plan or the granting of Awards thereunder in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of the action, suit or proceeding.

6. ELIGIBILITY

Awards may be granted only to Eligible Persons, as determined by the Committee.

7. RESTRICTED STOCK AWARDS

The Committee may grant Awards in accordance with the Plan. The terms and conditions of Awards shall be set forth in writing as determined from time to time by the Committee, consistent, however, with the following:

- (a) Time of Grant. All Awards shall be granted within ten (10) years from the date of adoption of the Plan by the Board.
- (b) Shares Awarded. The provisions of Awards need not be the same with respect to each Grantee. No cash or other consideration shall be required to be paid by the Grantee in exchange for an Award.
- (c) Awards and Certificates. A certificate shall be issued to each Grantee in respect of Shares subject to an Award. Such certificate shall be registered in the name of the Grantee and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. The Company may require that the certificate evidencing such Restricted Stock be held by the Company until all restrictions on such Restricted Stock have lapsed. In the absence of a determination by the Committee at the time of grant, Shares bearing forfeiture conditions shall be so held by the Company and Shares without forfeiture conditions shall not be so held.
- (d) Restrictions. Subject to the provisions of the Plan and the Award, during a period set by the Committee commencing with the Date of Grant, the Grantee shall not be permitted to sell, transfer, pledge or assign Restricted Stock awarded under the Plan except by will or by the laws of descent and distribution.
- (e) Lapse of Restrictions. Subject to the provisions of the Plan and the Award, restrictions upon Shares subject to an Award shall lapse at such time or times and on such terms and conditions as the Committee may determine and as are set forth in the Award. The Award may provide for the lapse of restrictions in installments, as determined by the Committee. The Committee may, in its sole discretion, waive, in whole or in part, any remaining restrictions with respect to such Grantee's Restricted Stock.

(f) Rights of the Grantee. Grantees may have such rights with respect to Shares subject to an Award as may be determined by the Committee and set forth in the Award, including the right to vote such Shares, and the right to receive dividends paid with respect to such Shares. In the absence of restrictions imposed by the Committee, the Grantee shall be a stockholder with respect to all the shares represented by the share certificates and shall have all the rights of a stockholder with respect to all the restricted shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares.

(g) Termination of Grantee's Employment. The transfer of employment of an Eligible Person between Participating Companies shall not be deemed a termination of employment. In the event that a Grantee terminates employment with all Participating Companies, then, except as otherwise provided pursuant to the provisions of an Award or as otherwise determined by the Committee, all Shares remaining subject to restrictions shall be forfeited by the Grantee, canceled by the Company and held in the Company's Treasury.

(h) Delivery of Shares. When the restrictions imposed on Restricted Stock lapse with respect to one or more Shares, the Company shall notify the Grantee that such restrictions no longer apply, and shall deliver to the Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) a certificate for the number of Shares for which restrictions have lapsed without any legend or restrictions (except those that may be imposed by the Committee, in its sole judgment, under Paragraph 8(a)). The right to payment of any fractional Shares that may have accrued shall be satisfied in cash, measured by the product of the fractional amount times the fair market value of a Share at the time the applicable restrictions lapse, as determined by the Committee.

(i) Tax Gross-Up Payments. The Committee may in its discretion provide that in connection with the grant of any Award, the lapse of any forfeiture condition or any other circumstance resulting in the imposition of taxation, the Company shall pay cash bonuses to the Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) in an aggregate amount not to exceed the Gross-Up Amount minus the Taxable Income. In the absence of a determination by the Committee at the time of grant, the Company shall pay the aforesaid tax gross up payment in an aggregate amount equal to the Gross-Up Amount minus the Taxable Income. The Committee may, in its discretion, further provide that, in the event of a Change in Control, the amount payable under this Section shall include an additional amount sufficient to indemnify the Grantee (or such other person to whom ownership rights may have passed by will or the laws of descent and distribution) for the amount of any excise tax under Section 4999 of the Internal Revenue Code, or any successor provision ("Section 4999"), on the "excess parachute payment" under Section 280G of the Internal Revenue Code, or any successor provision, to such Grantee or other person along with the amount of any applicable income tax on the total amount of such gross up payment, so that the Grantee or such other person will receive, net after all income taxes, the full value of the Award

after the Grantee has paid any income taxes and any excise taxes due under Section 4999 of the Code on the "excess parachute payment" and any excise tax under Section 4999.

8. SECURITIES LAWS; TAXES

(a) Securities Laws. The Committee shall have the power to make each grant of Awards under the Plan subject to such conditions as it deems necessary or appropriate to comply with the then-existing requirements of the 1933 Act and the 1934 Act. In the event the grant of an Award of Restricted Stock is not registered under the 1933 Act, such conditions may include the delivery by the Grantee of an investment representation to the Company in connection with the lapse of restrictions on Shares subject to an Award, or the execution of an agreement by the Grantee to refrain from selling or otherwise disposing of the Shares acquired for a specified period of time or on specified terms.

(b) Taxes. Subject to the rules of Paragraph 8(c), the Company shall be entitled, if necessary or desirable, to withhold the amount of any tax, charge or assessment attributable to the grant of any Award or lapse of restrictions under any Award. The Company shall not be required to deliver Shares pursuant to any Award until it has been indemnified to its satisfaction for any such tax, charge or assessment.

(c) Payment of Tax Liabilities; Election to Withhold Shares or Pay Cash to Satisfy Tax Liability. In connection with the grant of any Award or the lapse of restrictions under any Award, the Company shall have the right to (A) require the Grantee to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery or transfer of any certificate or certificates for Shares subject to such Award, or (B) take any action whatever that it deems necessary to protect its interests with respect to tax liabilities, including, but not limited to the Company's withholding a portion of the Shares subject to such Award having a fair market value approximately equal to the minimum amount of taxes required to be withheld by the Company under applicable law. The Company's obligation to make any delivery or transfer of Shares shall be conditioned on the Grantee's compliance, to the Company's satisfaction, with any withholding requirement.

9. CHANGES IN CAPITALIZATION

In the event that Shares are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Company, the Board shall make appropriate equitable anti-dilution adjustments to the number and class of shares of stock available for issuance under the Plan, and subject to outstanding Awards. Any reference to the term "Shares" in the Plan and option agreements shall be a reference to the appropriate number and class of shares of stock available for issuance under the Plan, as adjusted pursuant to this Paragraph 9. The Board's adjustment

shall be effective and binding for all purposes of this Plan. The adjustment provided for in this Paragraph 9 may require the Company to issue fractional shares, and the total adjustment with respect to the Plan shall be determined accordingly.

10. TERMINATING EVENTS

Immediately prior to and contingent upon the consummation of any Terminating Event, all Company imposed restrictions on Restricted Stock (other than Restricted Stock that has previously been forfeited) shall be eliminated.

11. AMENDMENT AND TERMINATION

The Plan may be amended by the Committee or the Company's Board of Directors at any time; provided, that no Award shall be adversely affected by any such termination or amendment without the written consent of the Grantee. No Restricted Stock may be awarded under the Plan at any time after the date that is ten years after the effective date of the Plan; provided, that the Plan shall not be deemed to have terminated until all Restricted Stock shall have either had applicable restrictions lapse or have been forfeited or have otherwise been canceled.

12. EFFECTIVE DATE

The effective date of the Plan is October 14, 1999.

13. GOVERNING LAW

The Plan and all determinations made and actions taken pursuant to the Plan shall be governed by and construed in accordance with Pennsylvania law.

Exhibit 10.25

**AMENDMENT TO THE INTERDIGITAL COMMUNICATIONS CORPORATION
1995 STOCK OPTION PLAN FOR EMPLOYEES AND OUTSIDE DIRECTORS**

Section 4(a) of the Plan is hereby amended by inserting the following sentence at the end of such subsection:

"The Board or the Committee is authorized to delegate non-exclusive authority for granting Options to new hires other than executive officers, subject to such restrictions and conditions as may be provided in the Board's or Committee's delegation."

EXHIBIT 21

SUBSIDIARIES OF INTERDIGITAL

Company -----	State of Incorporation -----
Digital Cellular Corporation	Pennsylvania
InterDigital Finance Corporation	Delaware
InterDigital Mobilecom, Inc.	New York
InterDigital Technology Corporation	Delaware
InterDigital SE Asia, Ltd.	Pennsylvania
InterDigital Telecom, Inc.	New York
Universal Service Telephone Corp.	Nevada
USTC Supply Corporation	Nevada
USTC World Trade Corporation	Nevada
Wireless Digital Networks, Inc.	Pennsylvania

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To InterDigital Communications Corporation:

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into InterDigital's previously filed Registration Statements File No. 333-94553, File No. 33-32888, File No. 33-43253, File No. 33-44689, File No. 33-47388, File No. 33-53388, File No. 33-53660, File No. 33- 88248, File No. 33-89920. File No. 33-89922, File No. 33-60711, File No. 33-61021, File No. 333-02345 and File No. 333-10521.

Philadelphia, PA Arthur Andersen LL

March 29, 2000

ARTICLE 5

(Replace this text with the legend)

CIK: 0000354913

NAME: InterDigital Communications Corporation

MULTIPLIER: 1,000

CURRENCY: U.S. Dollars

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	DEC 31 1999
EXCHANGE RATE	1.000
CASH	14,592
SECURITIES	68,550
RECEIVABLES	11,357
ALLOWANCES	473
INVENTORY	3,092
CURRENT ASSETS	108,479
PP&E	24,997
DEPRECIATION	17,603
TOTAL ASSETS	126,308
CURRENT LIABILITIES	13,245
BONDS	2,559
PREFERRED MANDATORY	0
PREFERRED	10
COMMON	510
OTHER SE	108,724
TOTAL LIABILITY AND EQUITY	126,308
SALES	4,496
TOTAL REVENUES	70,667
CGS	5,876
TOTAL COSTS	5,876
OTHER EXPENSES	20,481
LOSS PROVISION	0
INTEREST EXPENSE	323
INCOME PRETAX	29,952
INCOME TAX	3,246
INCOME CONTINUING	26,706
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	26,706
EPS BASIC	.55
EPS DILUTED	.52

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