

INTERDIGITAL INC.

FORM 10-Q (Quarterly Report)

Filed 05/15/00 for the Period Ending 03/31/00

Address	781 THIRD AVE KING OF PRUSSIA, PA 19406-1409
Telephone	6108787800
CIK	0000354913
SIC Code	6794 - Patent Owners and Lessors
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

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

FORM 10-Q

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

For the quarterly period ended March 31, 2000

or

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

For the transition period from _____ to _____

Commission File Number 1-11152

**INTERDIGITAL COMMUNICATIONS
CORPORATION**

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

23-1882087

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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

Common Stock, par value \$.01 per share

52,988,049 shares

Class

Outstanding at April 30, 2000

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

INDEX

	PAGES

Part I - Financial Information:	
Item 1. Consolidated Financial Statements (unaudited)	3
Consolidated Balance Sheets - March 31, 2000 and December 31, 1999	3
Consolidated Statements of Operations - Three Months Ended March 31, 2000 and 1999	4
Consolidated Statements of Cash Flows - Three Months Ended March 31, 2000 and 1999	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3. Quantitative And Qualitative Disclosure About Market Risk	11
Part II - Other Information:	12
Item 1. Legal Proceedings	12
Item 6. Exhibits and Reports on Form 8-K	12

PART I - FINANCIAL INFORMATION

Item I. FINANCIAL STATEMENTS

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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

ASSETS	MARCH 31, 2000	DECEMBER 31, 1999
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 28,376	\$ 14,592
Short term investments	71,981	68,550
Accounts receivable	9,498	10,884
Inventories	788	3,092
Other current assets	6,171	11,625
	-----	-----
Total current assets	116,814	108,743
	-----	-----
Property, plant and equipment, net	7,570	7,393
Patents, net	9,664	9,723
Long term deposits	227	284
Other	466	428
	-----	-----
	17,927	17,828
	-----	-----
	\$ 134,741	\$ 126,571
	=====	=====
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long term debt	\$ 431	\$ 446
Accounts payable	3,461	2,454
Accrued compensation and related expenses	2,126	4,326
Deferred revenue	147	69
Foreign and domestic taxes payable	967	1,093
Other accrued expenses	3,423	4,857
	-----	-----
Total current liabilities	10,555	13,245
LONG-TERM DEBT	2,459	2,559
OTHER NON-CURRENT LIABILITIES	960	1,260
	-----	-----
TOTAL LIABILITIES	13,974	17,064
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred Stock \$.10 par value, 14,399 shares authorized- \$2.50 Convertible Preferred, 55 and 102 shares issued and outstanding	6	10
Common Stock, \$.01 par value, 100,000 shares authorized, 53,217 shares and 50,985 shares issued and outstanding	532	510
Additional paid-in capital	260,637	249,976
Accumulated deficit	(133,171)	(133,588)
Unearned Compensation	(1,605)	(1,769)
	-----	-----
Treasury stock, 1,042 and 50 shares held at cost	126,399	115,139
	(5,632)	(5,632)
	-----	-----
Total shareholders' equity	120,767	109,507
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 134,741	\$ 126,571
	=====	=====

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)

(unaudited)

**FOR THE THREE MONTHS
ENDED MARCH 31,**

	2000	1999
	-----	-----
REVENUES:		
Product	\$ 4,558	\$ 1,097
Licensing and strategic partner	7,648	34,045
	-----	-----
	12,206	35,142
	-----	-----
COST OF PRODUCT AND OPERATING EXPENSES:		
Cost of product	3,826	1,695
Sales and marketing	1,521	955
General and administrative	2,668	1,518
Patents administration and licensing	(450)	2,797
Development	5,443	5,598
	-----	-----
	13,008	12,563
	-----	-----
Income (loss) from operations	(802)	22,579
INTEREST INCOME (EXPENSE):		
Interest income	1,651	832
Interest and financing expenses	(67)	(90)
	-----	-----
Income before income taxes	782	23,321
INCOME TAX PROVISION	(331)	(2,096)
	-----	-----
Net income	451	21,225
PREFERRED STOCK DIVIDENDS	(34)	(64)
	-----	-----
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	\$ 417	\$ 21,161
	=====	=====
NET INCOME PER COMMON SHARE - BASIC	\$ 0.01	\$ 0.44
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	51,290	48,424
	=====	=====
NET INCOME PER COMMON SHARE - DILUTED	\$ 0.01	\$ 0.43
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	56,046	48,855
	=====	=====

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS CASH FLOWS
(in thousands)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 417	\$ 21,225
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	1,041	1,222
Deferred revenue	78	(1,554)
Amortization of unearned compensation	164	--
Decrease (increase) in assets -		
Receivables	1,386	12,588
Inventories	2,304	640
Other current assets	5,454	9
Increase (decrease) in liabilities		
Accounts payable	1,007	(515)
Accrued compensation	(2,200)	(1,324)
Other accrued expenses	(1,860)	(1,854)
Net cash provided by operating activities	7,791	30,437
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of short-term investments, net	(3,431)	(45,185)
Purchase of property and equipment	(832)	(742)
Patent costs	(327)	(159)
Other non-current assets	19	(18)
Net cash used in investing activities	(4,571)	(46,104)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sales of Common Stock and exercises of stock options and warrants	10,679	--
Payments on long-term debt, including capital lease obligations	(115)	(248)
Cash dividends on Preferred Stock	--	(64)
Net cash provided by (used in) financing activities	10,564	(312)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,784	(15,979)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,592	20,059
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 28,376	\$ 4,080
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 64	\$ 84
Income taxes paid, including foreign withholding taxes	\$ 456	\$ 3,175

The accompanying notes are an integral part of these statements.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2000

(UNAUDITED)

1. BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal, recurring adjustments) necessary to present fairly the financial position of InterDigital Communications Corporation (the "Company" or "InterDigital") as of March 31, 2000, and the results of its operations and cash flows for the three month periods ended March 31, 2000 and 1999. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and accordingly do not include all of the detailed schedules, information and notes necessary for a fair presentation of financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's latest annual report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

2. LITIGATION:

InterDigital and InterDigital Technology Corporation ("ITC"), a wholly owned subsidiary, are parties to a certain patent-related litigation in which ITC is asserting that a certain third party infringes ITC's patents. ITC generally is seeking injunctive relief and monetary damages. The alleged infringer generally seeks declarations that ITC's patents are invalid and/or that its products do not infringe ITC's patents as well as monetary damages. ITC is also involved in administrative proceedings in which various parties have challenged the validity of ITC's patents.

Also, InterDigital is party to litigation in which a former distributor of UltraPhone(R) systems is claiming a breach of contract to team to supply, and to supply UltraPhone systems in Kenya and for fraudulent representation as to our future plans for the product. The plaintiff seeks both injunctive relief as well as damages in the form of direct, indirect and consequential damages. We have asserted a counterclaim for past due balances. The case is currently in discovery.

In addition to litigation associated with patent enforcement and licensing activities and the other litigation described above, the Company is a party to certain legal actions arising in the ordinary course of its business. Based on current information, Management believes that the outcomes of these matters will not have a material impact on the Company's financial position or results of operations.

3. REVENUES BY GEOGRAPHY:

Revenues by geographic area are as follows (in thousands):

	Three Months Ended March 31,	
	2000	1999
U.S.	\$ 240	\$ 325
Non U.S.	11,966	34,817
	\$12,206	\$35,142
	=====	=====

In the three months ended March 31, 2000, 63% of InterDigital's total revenues were derived from licensing and strategic partner activities. These revenues consisted of \$4.3 million from recurring royalties, and recognition of \$3.3 million related to development activities for Nokia. During the same period in 1999, licensing and strategic partner revenue accounted for 97% of InterDigital's total revenue and consisted of \$0.6 million in recurring royalties, the recognition of \$1.9 million from strategic partners and \$31.5 million from new licensing agreements.

4. NET INCOME PER SHARE:

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

	(In thousands, except per share data)					
	Three Months Ended March 31, 2000			Three Months Ended March 31, 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income per Share-Basic:						
Income available to common stockholders	\$417	51,290	\$.01	\$21,161	48,424	\$ 0.44
Effect of Dilutive Options and Warrants	--	4,756	--	--	431	(0.01)
Income per Share-Diluted:						
Income available to common stockholders + dilutive effects of options and warrants	\$417	56,046	\$.01	\$21,161	48,855	\$ 0.43

During the three months ended March 31, 2000, there were 0.7 million options to purchase common stock outstanding that were excluded from the computation of diluted earnings per share because they are antidilutive. Options and warrants to purchase Common Stock were also outstanding during the three months ended March 31, 1999, but were not included in the computation of diluted net income/loss per share because they were antidilutive.

5. NEW ACCOUNTING PRONOUNCEMENTS:

In the second quarter of 2000, we plan to modify our recognition policy in response to Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements", which applies to all U.S. companies, that was issued by the Securities and Exchange Commission ("SEC") in December, 1999. SAB No. 101 expresses the views of the SEC in applying generally accepted accounting principles to certain transactions, including licensing agreements involving non-refundable up-front payments. Historically, we have recorded such fees as revenue upon the signing of the applicable license agreement because the Company has delivered the license and has no remaining obligations. Following SAB No. 101 guidance, we expect to record a cumulative change in accounting principle in the second quarter of 2000 to defer the portion of up-front payments that represents amounts which have not been exhausted through product sales by licensees as of December 31, 2000. Thereafter, we will recognize the revenue associated with the deferred pre-payments generally as such royalty pre-payments are exhausted by the licensees through current product sales. The amount of the expected cumulative change in accounting principle is currently expected to be in the \$19 to \$31 million range, depending upon analysis and interpretation of royalty reports provided by our licensees. This change in accounting policy will not affect cash flows or the amount of earnings the Company will ultimately recognize.

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

OVERVIEW

The following discussion should be read in conjunction with the 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 known as the UltraPhone(R) system. We also developed a CDMA-based WLL system, known as 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(TM) 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. 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.

As part of our shift, we sought to enter into arrangements with key equipment providers involving 3G technology and products. 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 technology 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 Quarterly Report. (See "Statement Pursuant to the Securities Litigation Reform Act of 1995" 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 the B-CDMA Alliance. In April 1999, Alcatel informed us that it was also withdrawing from our B-CDMA technology 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 technology 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 fully exit the business.

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 "Statement Pursuant to the Securities Litigation Reform Act of 1995" below.)

FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

We generated positive cash flows from operating activities of \$7.8 million in the first quarter of 2000 compared to \$30.4 million in the same period in 1999. The high level of positive operating cash flow in the first quarter of 1999 resulted from cash receipts arising from a first quarter 1999 license agreement with Nokia and fourth quarter 1998 agreements with Kokusai and Sanyo. The positive operating cash flow in the first quarter of 2000 was mainly due to the net effect of positive earnings and related non-cash charges, reductions in accounts receivable and inventory levels and collection of receivables related to the resolution of a performance bond on a previous contract and options exercised in late 1999.

Net cash used in investing activities decreased to \$4.6 million in the first quarter of 2000 from \$46.1 million in the comparable period of 1999. The decrease was due primarily to a lower level of additional investment of funds in short-term, highly liquid assets in 2000 (\$3.4 million in 2000 versus \$45.2 million in 1999). Investments in property and equipment and patents were \$1.2 million in the first quarter of 2000 as compared to \$0.9 million in the first quarter of 1999.

During the first quarter of 2000, net cash provided by financing activities was \$10.6 million as compared to \$0.3 million used in the first quarter of 1999. The increase resulted from net proceeds of \$10.7 million related to option and warrant exercises.

As of March 31, 2000 we had \$100.4 million of cash, cash equivalents and short-term investments, compared to \$83.1 million as of December 31, 1999. Our working capital excluding cash, cash equivalents and short-term investments decreased to \$5.9 million from \$12.4 at year-end 1999 principally as a result of the aforementioned decreases in receivables and inventory.

We are capable of supporting our operating requirements during the remainder of 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 remaining investment in inventories at March 31, 2000 is realizable based on outstanding orders to be shipped in the second quarter of 2000. Property and equipment are currently being utilized in the Company's on-going business activities, and the Company believes that no 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 March 31, 2000 balance sheet.

RESULTS OF OPERATIONS

First Quarter of 2000 Compared to the First Quarter of 1999

Revenues

Revenues in the first quarter of 2000 totaled \$12.2 million compared to \$35.1 million in last year's first quarter. The decrease in first quarter 2000 relates to a lower amount of licensing revenue from new sources. In 2000, we recognized \$4.3 million from recurring royalties, \$3.3 million in specialized engineering services and \$4.6 million in product revenues. In 1999, new licensee revenue related to an agreement with Nokia was \$31.5 million, recurring royalties were \$0.6 million, strategic partner revenue was \$1.9 million and product revenue was \$1.1 million. The increase in recurring royalties resulted from a higher number of licensees who have exhausted prepayments and are now on a current basis. The product revenues in the first quarter of 2000 primarily relate to a final order of UltraPhone systems. We expect final shipments in the second quarter of 2000, after which we expect to fully exit the business.

Cost of Product

Cost of product revenues increased 126% to \$3.8 million from \$1.7 million in the first quarter of 1999. The increase reflects costs associated with higher product sales levels in the first quarter of 2000.

Other Operating Expenses

Sales and marketing expenses increased 59% in the first quarter of 2000 to \$1.5 million from \$1.0 million in last year's first quarter. The increase was principally due to increased expenses associated with strategic marketing analysis activities.

General and administrative expenses were \$2.7 million in the first quarter of 2000, as compared to first quarter 1999 expenses of \$1.5 million. The 76% increase primarily resulted from higher costs related to a variety of corporate planning initiatives.

Patents administration and licensing expenses decreased to (\$0.5) million during the first quarter of 2000 as compared to \$2.8 million during the same period in 1999. The decrease resulted from a recovery under our insurance policies of over \$1.5 million of previous year expenses associated with the Ericsson litigation. In February 2000, we and our insurers defined a method, timing and limitation of reimbursement for covered litigation expenses.

Development expenses for the first quarter of 2000 decreased slightly to \$5.4 million as compared to \$5.6 million during the first quarter of 1999. The decrease reflects the absence of certain costs incurred in 1999 related to the B-CDMA technology development program. We expect costs in this area to increase over the course of the year as we further invest in resources to support 3G development efforts.

Other Income and Expense

Interest income for the first quarter of 2000 was \$1.7 million as compared to \$0.8 million for the first quarter of 1999. The increase principally resulted from higher average invested cash balances in the first quarter of 2000 as compared to the same period in 1999. Interest expense for the three month period ended March 31, 2000 of \$67,000 was slightly lower than first quarter 1999 levels.

Plan to Modify Revenue Recognition Policy

In the second quarter of 2000, we plan to modify our recognition policy in response to Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements", which applies to all U.S. companies, that was issued by the Securities and Exchange Commission ("SEC") in December, 1999. SAB No. 101 expresses the views of the SEC in applying generally accepted accounting principles to certain transactions, including licensing agreements involving non-refundable up-front payments. Historically, we have recorded such fees as revenue upon the signing of the applicable license agreement because the Company has delivered the license and has no remaining obligations. Following SAB No. 101 guidance, we expect to record a cumulative change in accounting principle in the second quarter of 2000 to defer the portion of up-front payments that represents amounts which have not been exhausted through product sales by licensees as of December 31, 2000. Thereafter, we will recognize the revenue associated with the deferred pre-payments generally as such royalty pre-payments are exhausted by the licensees through current product sales. The amount of the expected cumulative change in accounting principle is currently expected to be in the \$19 to \$31 million range, depending upon analysis and interpretation of royalty reports provided by our licensees. This change in accounting policy will not affect cash flows or the amount of earnings the Company will ultimately recognize.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The foregoing Management's Discussion and Analysis contains forward looking statements reflecting, among other things, InterDigital's current beliefs and expectations as to its business objectives, timing of 3G market development, standards, sources of and variability in revenue streams, ability to support operating requirements, ability to obtain financing, and completion of UltraPhone(R) system business. Words such as "expects", "plan", "believes", and "expect", 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. InterDigital cautions the 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. For example, InterDigital's ability to refocus its resources on 3G and market system-on-a-chip ASICs and components may be affected by general economic and industry specific conditions, the Company's ability to achieve its development goals and the abilities of certain third parties to meet InterDigital's expectations and commitments, its ability to enter into additional alliances, strategic engineering relationships and/or licenses for its patents and other intellectual property on acceptable terms, its ability to retain or hire adequate personnel, changes in standards, adverse court decisions and the costs related to enforcement of its patent rights. Sources and fluctuations in revenues may be affected by the length and variability of negotiating cycles for partnership and licensing agreements, changes

in markets for our technology arising from the rapid changes in technology development generally, our ability to enter into new license or partnership agreements either at all or on acceptable terms, the ability to enforce existing license agreements and intellectual property rights, the outcomes of patent related litigation and proceedings, and the levels of sales by licensees. InterDigital's ability to support its operating requirements could be affected by shifts in InterDigital's strategies as well as the above risk factors. InterDigital's ability to obtain external financing should the need arise could be impacted by then current economic conditions and its ability to secure acceptable terms. Ability to make final shipments and exit the UltraPhone product business could be delayed by adverse outcome of the pending Cavalier litigation. (See Part II, Item 1. "Legal Proceedings"). In addition, factors affecting one forward looking statement may affect other forward looking statements and other factors may exist that are not listed above or that are not fully known to InterDigital at this time. InterDigital undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in quantitative and qualitative market risk from the disclosure included in the December 31, 1999 Form 10-K.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1999, InterDigital is a party to a lawsuit involving Ericsson Inc. In April, 2000 the "Markman" hearing took place before a Special Master. The Special Master will make recommendations to the Court as to the meaning of certain terms contained in the patents in the lawsuit. His recommendations are not expected until later this year.

Also as reported in the Company's most recent Form 10-K, the Company is a party to a lawsuit involving Cavalier Technologies and Consultants Ltd. in which Cavalier seeks damages in the form of direct and indirect damages and lost profits. Cavalier also seeks injunctive relief preventing InterDigital from shipping remaining inventory of UltraPhone equipment to other customers. In discovery Cavalier has suggested it may seek extraordinary damages the basis of which the Company believes is frivolous. InterDigital intends to vigorously defend the suit. While we cannot predict the outcome of the litigation, InterDigital believes it has strong defenses against the claim brought by Cavalier.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following is a list of exhibits filed as part of the Form 10-Q.

Exhibit 27 Financial Data Schedule

(b) The following is a list of Current Reports on Form 8-K filed during the first quarter of 2000:

None.

SIGNATURES

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

INTERDIGITAL COMMUNICATIONS CORPORATION

Date: May 15, 2000

/s/ Mark Gercenstein

*Mark Gercenstein, Chief
Executive Officer*

Date: May 15, 2000

/s/ R. J. Fagan

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

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
CASH	28,376
SECURITIES	71,981
RECEIVABLES	9,498
ALLOWANCES	74
INVENTORY	788
CURRENT ASSETS	116,814
PP&E	7,570
DEPRECIATION	17,995
TOTAL ASSETS	134,741
CURRENT LIABILITIES	10,555
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	6
COMMON	532
OTHER SE	120,229
TOTAL LIABILITY AND EQUITY	134,741
SALES	4,558
TOTAL REVENUES	12,206
CGS	3,826
TOTAL COSTS	3,826
OTHER EXPENSES	9,182
LOSS PROVISION	0
INTEREST EXPENSE	67
INCOME PRETAX	782
INCOME TAX	331
INCOME CONTINUING	451
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	451
EPS BASIC	.01
EPS DILUTED	.01

End of FilingPowered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.