INTERDIGITAL INC.

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

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

For the quarterly period ended June 30, 2006

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 19406-1409
(Address of principal executive offices and zip code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer ☒ , an accelerated filer ☐ , or a non-accelerated filer ☐ (as defined by Rule 12b-2 of the Exchange Act).

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

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

Common Stock, par value $.01 per share	**51,720,639**
Class	Outstanding at August 1, 2006

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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

GLOSSARY OF TERMS

2G

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

2.5G

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

3G

"Third Generation." A generic term usually used in reference to the generation of digital mobile devices and networks after 2G and 2.5G, which provide high speed data communications capability along with voice services.

3GPP

"3G Partnership Project." A partnership of worldwide accredited standards organizations the purpose of which is to draft specifications for Third Generation mobile telephony.

Bandwidth

A range of frequencies that can carry a signal on a transmission medium, measured in Hertz and computed by subtracting the lower frequency limit from the upper frequency limit.

CDMA

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

cdmaOne

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

cdma2000 ®

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

Chip

An electronic circuit that consists of many individual circuit elements integrated onto a single substrate.

Circuit

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

Digital

Information transmission where the data is represented in discrete numerical form.

Digital Cellular

A cellular communications system that uses over-the-air digital transmission.

EDGE

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

FDMA

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

Frequency

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

GPRS

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

GSM

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

Hertz

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

Internet

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

IPR

Intellectual Property Right.

ITC

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

Multiple Access

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

Standards

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

TDMA

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

TIA/EIA-95

A 2G CDMA standard.

TIA

The Telecommunications Industry Association.

UMTS

"Universal Mobile Telecommunications System." The European name for 3G mobile telephony. UMTS uses WCDMA standards created by 3GPP.

WCDMA

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

Wideband

A communications channel with a user data rate higher than a voice-grade channel; usually 64Kbps to 2Mbps.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

PART I — FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	JUNE 30, 2006	DECEMBER 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$228,899	$ 27,877
Short-term investments	107,944	77,831
Accounts receivable	115,084	19,534
Deferred tax assets	46,503	42,103
Prepaid and other current assets	14,248	8,370
Total current assets	512,678	175,715
PROPERTY AND EQUIPMENT, NET	12,642	10,660
PATENTS, NET	65,421	59,516
DEFERRED TAX ASSETS	16,469	48,681
OTHER NON-CURRENT ASSETS	11,365	4,965
	105,897	123,822
TOTAL ASSETS	$618,575	$ 299,537
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 363	$ 350
Accounts payable	9,187	7,163
Accrued compensation and related expenses	7,674	17,040
Deferred revenue	104,297	20,055
Taxes payable	7,993	160
Other accrued expenses	8,302	5,766
Total current liabilities	137,816	50,534
LONG-TERM DEBT	1,387	1,572
LONG-TERM DEFERRED REVENUE	172,230	71,193
OTHER LONG-TERM LIABILITIES	3,588	1,924
TOTAL LIABILITIES	315,021	125,223
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common Stock, $.01 par value, 100,000 shares authorized, 63,409 and 60,537 shares issued and 53,521 and 54,032 shares outstanding	634	605
Additional paid-in capital	423,615	377,648
Retained Earnings (Accumulated deficit)	73,463	(109,839)
Accumulated other comprehensive loss	(183)	(192)
	497,529	268,222
Treasury stock, 9,888 and 6,506 shares of common held at cost	193,975	93,908
Total shareholders' equity	303,554	174,314
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$618,575	$ 299,537

The accompanying notes are an integral part of these statements.

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

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
REVENUES	$ 296,617	$ 38,601	$ 348,223	$ 74,098
OPERATING EXPENSES:				
Sales and marketing	1,561	1,537	3,385	3,817
General and administrative	5,695	5,912	10,716	12,478
Patents administration and licensing	12,804	10,080	22,786	21,327
Development	15,887	14,921	31,897	31,094
	35,947	32,450	68,784	68,716
Income from operations	260,670	6,151	279,439	5,382
OTHER INCOME:				
Interest and investment income, net	3,914	677	5,422	1,467
Income before income taxes	264,584	6,828	284,861	6,849
INCOME TAX PROVISION	(94,221)	(2,817)	(101,559)	(3,720)
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	$ 170,363	$ 4,011	$ 183,302	$ 3,129
NET INCOME PER COMMON SHARE - BASIC	$ 3.13	$ 0.07	$ 3.36	$ 0.06
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	54,397	53,642	54,590	54,344
NET INCOME PER COMMON SHARE - DILUTED	$ 2.98	$ 0.07	$ 3.20	$ 0.05
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	57,128	56,790	57,358	57,799

The accompanying notes are an integral part of these statements.

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

	FOR THE SIX MONTHS ENDED JUNE 30, 2006	FOR THE SIX MONTHS ENDED JUNE 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 183,302	$ 3,129
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,693	5,493
Deferred revenue recognized	(100,936)	(28,795)
Increase in deferred revenue	286,215	35,105
Deferred income taxes	27,812	4,933
Non-cash compensation	2,929	5,233
Increase in deferred charges	(9,870)	(34)
Other	(14)	(89)
(Increase) decrease in assets:		
Receivables	(95,550)	(3,957)
Other current assets	(2,351)	1,042
Increase (decrease) in liabilities:		
Accounts payable	1,889	151
Accrued compensation	(7,133)	(1,984)
Accrued taxes payable	7,670	—
Other accrued expenses	2,564	(178)
Net cash provided by operating activities	303,220	20,049
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(96,128)	(81,620)
Sales of short-term investments	65,992	109,736
Purchases of property and equipment	(4,484)	(3,011)
Capitalized patent costs	(9,972)	(8,607)
Acquisition of patents	—	(8,050)
Net cash (used) provided by investing activities	(44,592)	8,448
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options and warrants and employee stock purchase plan	28,316	1,910
Payments on long-term debt, including capital lease obligations	(172)	(161)
Repurchase of Common Stock	(100,067)	(34,085)
Tax benefit from stock options	14,317	—
Net cash used by financing activities	(57,606)	(32,336)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,022	(3,839)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	27,877	15,737
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 228,899	$ 11,898

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited, condensed, consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the financial position of InterDigital Communications Corporation (collectively with its subsidiaries referred to as "InterDigital," the "Company," "we," "us" and "our") as of June 30, 2006, and the results of our operations and cash flows for the three and six months ended June 30, 2006 and 2005. The accompanying unaudited, condensed, consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all of the detailed schedules, information and notes necessary to present fairly the financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's latest Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (2005 Form 10-K) as filed with the Securities and Exchange Commission (SEC) on March 14, 2006. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. We have one reportable segment.

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

The classification of certain prior period amounts has been changed to conform to the current period presentation.

There have been no material changes in our existing accounting policies from the disclosures included in our 2005 Form 10-K, except as follows:

Share-Based Compensation

In December 2004, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment* . SFAS No. 123(R) requires that compensation cost relating to share-based payment transactions be recognized in financial statements. The Company adopted the accounting provisions of SFAS No. 123(R) effective January 1, 2006. SFAS No. 123(R) replaces SFAS No. 123, *Accounting for Stock - Based Compensation* , and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* . As originally issued in 1995, SFAS No. 123 established as preferable the fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. We have elected to adopt the new rules using the modified-prospective method. Under the modified prospective method, prior periods are not revised for comparative purposes. The adoption of SFAS No. 123(R) did not have a material impact on our statement of operations. As a result of the application of this standard, in our consolidated statement of cash flows for the six months ended June 30, 2006, we classified a $14.3 million tax benefit associated with the exercise of stock options within cash flows from financing activities. Prior to the adoption of SFAS No. 123(R) we classified such tax benefits, if any, within cash flows from operating activities.

SFAS No. 123(R) requires that compensation cost relating to share-based payment transactions be measured based on the fair value of the instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123(R) further requires that share-based compensation expense be based on the awards ultimately expected to vest. This is accomplished by reducing the compensation expense for estimated forfeitures. Forfeitures must be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Prior to the adoption of SFAS No. 123(R), we recorded forfeitures in the period in which they occurred.

On November 10, 2005, the FASB issued FASB Staff Position No. SFAS No. 123(R), *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards* . Under this pronouncement, we have until December 2006 to elect, as provided in this pronouncement, an alternative transition method for calculating the tax effects of share-based compensation pursuant to SFAS No. 123(R). The alternative method provides a simplified computation to establish the beginning balance of the additional paid-in-capital pool (APIC pool) related to the tax effects of employee share-based compensation. Any positive balance in the APIC pool would be available to absorb tax shortfalls (which occur when tax deductions resulting from share-based compensation are less than the related book expense) recognized subsequent to the adoption of SFAS No. 123(R). We did not incur any net tax shortfalls in the six months ended June 30, 2006.

During the three and six months ended June 30, 2006, we issued the following share-based awards (units/shares in thousands):

	Three months	Six months
Restricted Stock Units (RSUs)	25	194
Restricted Stock	—	17
Common Stock	—	24
Total share-based awards	25	235

During first half 2006, we granted RSUs to all non-management personnel and newly hired or promoted members of management under our Long-Term Compensation Program (LTCP). RSUs vest either incrementally or in-full over three years subject to applicable plan and program terms. During first half 2006, we also issued shares of Restricted Stock to our executive officers and other key management personnel as part of their 2005 annual bonus. These shares were fully vested when granted but may not be transferred for two years. We issued Common Stock in first half 2006 primarily for our 2005 profit sharing contribution to eligible employees under our Savings and Protection Plan (Savings Plan). We also issued Common Stock as part of the Company's "employer match" under the Savings Plan. Shares issued into employee accounts under the Savings Plan vest in accordance with the terms of the Savings Plan, are transferable into other investment electives under the Savings Plan, and cannot be redeemed until employment with the Company terminates. We valued each of the above share-based awards at the fair market value of our Common Stock on the date of grant.

We have estimated forfeiture rates for RSUs currently granted at between 0% and 5%, depending upon the group receiving the grant and the specific terms of the award issued. We recorded a reduction in operating expenses for the cumulative effect of a change in accounting principle of less than $0.2 million upon adoption. This cumulative effect adjustment was recorded to apply an estimated forfeiture rate of 3% to the unvested RSUs which had been issued under the 2005–2007 cycle of our LTCP and which remained unvested and outstanding at December 31, 2005.

In second quarter 2006 and 2005, we recorded share-based compensation expense of $1.6 million and $2.4 million, respectively. In first half 2006 and 2005, we recorded share-based compensation expense of $2.9 million and $5.2 million, respectively. The majority of this expense, for all time periods in both years, related to RSU awards granted to managers under our LTCP.

Share-based compensation prior to January 1, 2006

Prior to the adoption of SFAS No. 123(R), we accounted for share-based employee compensation under the recognition and measurement principles of APB Opinion No. 25, and related interpretations. No stock-option-based employee compensation cost was reflected in net income, as all effected options had an exercise price equal to the market value of the underlying Common Stock on the date of grant. However, compensation expense was recognized related to Restricted Stock and RSU grants. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, to stock-option-based employee compensation for the three and six months ended June 30, 2005 (in thousands, except per share data):

	Three months	Six Months
Net income applicable to common shareholders — as reported	$ 4,011	$ 3,129
Add: Stock-based employee compensation expense included in reported net income	2,307	4,975
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,459)	(7,102)
Net Tax Effect	392	724
Net income applicable to common shareholders – pro forma	$ 3,251	$ 1,726
Net income per share – as reported – basic	0.07	0.06
Net income per share – as reported – diluted	0.07	0.05
Net income per share – pro forma – basic	0.06	0.03
Net income per share – pro forma – diluted	0.06	0.03

The fair value of each option grant in 2005 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three months	Six months
Expected option life (in years)	4.9	4.9
Risk-free interest rate	3.9%	3.9%
Volatility	80%	80%
Dividend yield	—	—
Weighted average fair value	$ 12.36	$ 12.52

New Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections,* which replaces APB Opinion No. 20, *Accounting Changes* , and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28* . SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method of accounting for and reporting a change in accounting principle or the correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and was adopted by the Company effective January 1, 2006. The adoption of SFAS No. 154 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* , by prescribing the minimum recognition threshold and measurement attribute a tax position taken or expected to be taken on a tax return is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. We are currently evaluating the impact of FIN 48, which must be implemented effective January 1, 2007.

2. SIGNIFICANT AGREEMENTS AND EVENTS:

Nokia Litigation and Legal Proceedings

In April 2006, InterDigital Communications Corporation (IDCC) and InterDigital Technology Corporation (ITC) entered into agreements with Nokia Corporation (Nokia) which resolved certain legal proceedings between them. Specifically, in an Arbitration Settlement Agreement, the parties resolved their disputes arising out of the June 2005 International Court of Arbitration of the International Chamber of Commerce (ICC) Arbitration Tribunal Award, which related to the January 1999 Patent License Agreement (the Nokia License Agreement) between the parties. Pursuant to the UK Settlement Agreement, Nokia dismissed its claims under Claim No. HC04 C01952, a proceeding that Nokia instituted in June 2004 against ITC in the High Court of Justice of England and Wales, Chancery Division, Patents Court, seeking to challenge three of our TDMA-related patents.

Pursuant to the Arbitration Settlement Agreement, on April 28, 2006, Nokia paid InterDigital $253 million. Nokia is deemed to have a fully paid-up license covering worldwide sales of 2G TDMA-based products, consisting primarily of GSM/GPRS/EDGE terminal units and infrastructure. Nokia is also released from infringement liability for worldwide sales of 3G terminal units and infrastructure through April 26, 2006. Under the Arbitration Settlement Agreement, the Nokia License Agreement was terminated.

We recognized $228 million of revenue related to the Arbitration Settlement Agreement in second quarter 2006 and will recognize $12.5 million in each of the third and fourth quarters of this year.

LG Electronics Inc.

In January 2006, IDCC's patent holding subsidiaries entered into a worldwide, non-transferable, non-exclusive, patent license agreement with LG Electronics Inc. (LG). The five-year patent license agreement, effective January 1, 2006, covers the sale, both prior to January 1, 2006 and during the five-year term, of terminal units compliant with all TDMA-based 2G standards (including TIA-136, GSM, GPRS, and EDGE) and all 3G standards (including WCDMA, TD-SCDMA and cdma2000 ® technology and its extensions), and infrastructure products compliant with cdma2000 ® technology and its extensions up to a limited threshold amount, under all patents owned by us prior to and during the term of the license. At the end of the five-year term, LG will receive a paid-up license to sell single-mode GSM/GPRS/EDGE terminal units under the patents included under the patent license agreement.

Under the terms of the patent license agreement, LG paid us the first of three equal installments of $95 million in first quarter 2006. The remaining two installments are due in first quarter 2007 and 2008, respectively. We have recorded the second installment of $95 million in both accounts receivable and deferred revenue at June 30, 2006, in accordance with our policy to recognize receivables that are due within twelve months. We are recognizing the revenue associated with this agreement on a straight-line basis from its inception through December 31, 2010.

Technology Solution Agreements

In August 2005, we entered into an agreement with Philips Semiconductors B.V. (Philips) to deliver our HSDPA technology solution to Philips for integration into Philips' family of Nexperia™ cellular system solutions. Under the agreement, we will also assist Philips with chip design and development, software modification and system integration and testing to implement our HSDPA technology solution into the Philips chipset. Subsequent to the delivery of portions of our HSDPA technology solution, we agreed to provide Philips with support and maintenance over an aggregate estimated period of approximately 2 years.

In December 2004, we entered into an agreement with General Dynamics C4 Systems (formerly known as, General Dynamics Decision Systems, Inc.) (General Dynamics), to serve as a subcontractor on the Mobile User Objective System (MUOS) program for the U.S. military. MUOS is an advanced tactical terrestrial and satellite communications system utilizing 3G commercial cellular technology to provide significantly improved high data rate and assured communications for U.S. warfighters. The Software License Agreement (SLA) required us to deliver to General Dynamics standards-compliant WCDMA modem technology, originating from the technology we developed under our agreement with Infineon Technologies AG, for incorporation into handheld terminals. We have also provided product training under the SLA and will provide maintenance for a period of three years, beginning January 1, 2006.

We are accounting for portions of these and other technology solution agreements using the percentage-of-completion method. From the inception of these agreements through June 30, 2006, we recognized related revenue of approximately $22.0 million using the percentage-of-completion method, including $1.2 million and $3.0 million in the three and six months ended June 30, 2006, respectively. Our accounts receivable at June 30, 2006 and December 31, 2005 included unbilled amounts of $6.3 million and $4.1 million, respectively. We expect to bill and collect such amounts within twelve months of each respective balance sheet date.

Acquisition of Patents

In first half 2005, we acquired, for a purchase price of approximately $8.1 million, selected patents, intellectual property blocks and related assets from an unrelated third party. These assets are designed to improve the range, throughput and reliability of wireless LAN and other wireless technology systems. The purchase price was allocated almost entirely to patent assets with a nominal amount being allocated to other assets. Based on our assessment in connection with the asset acquisition, we are amortizing these patents over their expected useful lives of approximately 15 years.

3. INCOME TAXES:

During first half 2006, our effective tax rate of 35.7% consisted of the statutory federal tax rate and the recognition of $1.8 million of foreign tax expense related to foreign source withholding tax payments made in prior years. During first half 2006, we paid $28.5 million and accrued $15.7 million of foreign source withholding taxes and established corresponding deferred tax assets related to foreign tax credits that we expect to utilize to offset future U.S. federal income taxes.

Excluding any prospective recognition of additional tax credits, we expect to provide for income taxes over the balance of 2006 at a rate equal to our combined federal and state effective rates, which would approximate 35% to 37% under current tax laws, plus an amount for deferred foreign source withholding tax expense, which is dependent, in part, upon licensee royalty reports. Our future book tax expense may also be affected by charges associated with any share-based tax shortfalls that may occur under SFAS No. 123(R). However, we cannot predict if, when, or to what extent this will affect our future tax expense. If, in the course of future tax planning, we identify tax saving opportunities that entail amending prior year returns in order to fully avail ourselves of credits that we previously considered unavailable to us, we will recognize the benefit of the credits in the period in which they are both identified and quantified. Due to the incremental contributions to taxable income from a first quarter 2006 license agreement with LG and second quarter 2006 dispute resolution with Nokia, we expect to utilize the majority of our NOLs and make cash tax payments associated with our projected 2006 taxable income. As a result, in second quarter 2006, we made an estimated payment of $23.0 million toward our 2006 federal income taxes.

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

A more-than-50% cumulative change in ownership occurred in 1992. As a result of such change, approximately $14 million of our NOL carryforwards were limited as of December 31, 2005. As a result of these limitations, we will not be able to utilize all of our NOL carryforwards to offset our U.S. federal tax liability in 2006. If we experience an additional more-than-50% cumulative ownership change, the full amount of the NOL carryforward may become subject to annual limitation under IRC Section 382.

Based on judgments associated with determining the annual limitation applicable to us under Internal Revenue Code Section 382, we did not include all NOL carryforwards in the computation of our gross deferred tax assets. We also excluded from this computation a portion of the federal research and experimental credits that may be available to us based upon estimates of the final credit that may be realized. Had we included all federal NOL carryforwards and research and experimental credits in the computation of gross deferred tax assets, our gross deferred tax assets at June 30, 2006 and December 31, 2005 would have been approximately $10 million greater.

4. INCOME PER SHARE:

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

	(In thousands, except per share data)					
	Three Months Ended June 30, 2006			Three Months Ended June 30, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income per share - basic:						
Income available to Common Shareholders	$ 170,363	54,397	$ 3.13	$ 4,011	53,642	$ 0.07
Effect of dilutive options, warrants and restricted stock units	—	2,731	(0.15)	—	3,148	—
Income per share - diluted:						
Income available to Common Shareholders + dilutive effects of options, warrants and restricted stock units	$ 170,363	57,128	$ 2.98	$ 4,011	56,790	$ 0.07

	Six Months Ended June 30, 2006			Six Months Ended June 30, 2005		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income per share - basic:						
Income available to Common Shareholders	$ 183,302	54,590	$ 3.36	$ 3,129	54,344	$ 0.06
Effect of dilutive options, warrants and restricted stock units	—	2,768	(0.16)	—	3,455	(0.01)
Income per share - diluted:						
Income available to Common Shareholders + dilutive effects of options, warrants and restricted stock units	$ 183,302	57,358	$ 3.20	$ 3,129	57,799	$ 0.05

For the three and six months ended June 30, 2006, options to purchase approximately 0.6 million and 0.7 million shares of Common Stock, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the weighted-average market price of our Common Stock during this period and, therefore, their effect would have been anti-dilutive.

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

5. LITIGATION AND LEGAL PROCEEDINGS :

Nokia

In April 2006, InterDigital Communications Corporation (IDCC) and ITC entered into agreements with Nokia Corporation (Nokia) which resolved certain legal proceedings between them. Specifically, in an Arbitration Settlement Agreement, the parties resolved their disputes arising out of the June 2005 International Court of Arbitration of the International Chamber of Commerce (ICC) Arbitration Tribunal Award, which related to the January 1999 Patent License Agreement between the parties (the Nokia License Agreement). Pursuant to the UK Settlement Agreement, Nokia dismissed its claims under Claim No. HC04 C01952, a proceeding that Nokia instituted in June 2004 against ITC in the High Court of Justice of England and Wales, Chancery Division, Patents Court (High Court), seeking to challenge three of our TDMA-related patents (UK 2G Proceeding).

Pursuant to the Arbitration Settlement Agreement, on April 28, 2006, Nokia paid InterDigital $253 million. Nokia is deemed to have a fully paid-up license covering worldwide sales of 2G TDMA-based products, consisting primarily of GSM/GPRS/EDGE terminal units and infrastructure. Nokia is also released from infringement liability for worldwide sales of 3G terminal units and infrastructure through April 26, 2006. Under the Arbitration Settlement Agreement, the Nokia License Agreement was terminated.

Pursuant to the UK Settlement Agreement, Nokia has withdrawn its challenge before the High Court in the UK 2G Proceeding. In consideration for the discontinuance of the UK 2G Proceeding, InterDigital agreed (i) not to assert against Nokia the three patents (and related non-UK counterparts) involved in that proceeding, and (ii) Nokia will have a paid-up license for single-mode IS-95 products. The paid-up license and the covenant not to assert became effective upon the discontinuance of the UK 2G Proceeding and Nokia’s withdrawal of its opposition to a related UK amendment application in the UK 2G Proceeding, both of which have occurred.

Nokia UK Proceeding

In July 2005, Nokia filed a claim in the High Court against ITC. Nokia’s claim seeks a declaration that 29 of ITC’s UMTS European patents registered in the UK are not essential IPR for the 3GPP standard using a definition of “essentiality” asserted by Nokia. ITC contends that 24 of these patents are essential under a definition of “essentiality” asserted by ITC. In April 2006, a hearing was held to contest the jurisdiction of the High Court to hear the case. Subsequently, the High Court denied ITC’s claim as to jurisdiction. ITC has appealed the decision as to jurisdiction to the English Court of Appeal which has scheduled a hearing for November 2006. We intend to vigorously defend the claim as to essentiality and are continuing to contest Nokia’s claim for declarations in the High Court. A trial date for the action has been set for a date not before October 15, 2007, at which time the High Court will rule on the definition of “essentiality”.

Nokia Delaware Proceeding

In January 2005, Nokia and Nokia, Inc. filed a complaint in the United States District Court for the District of Delaware against IDCC and ITC for declaratory judgments of patent invalidity and non-infringement of certain claims of certain patents, and violations of the Lanham Act. In December 2005, as a result of our motion to dismiss all of Nokia’s claims, the Delaware District Court entered an order to grant our motion to dismiss all of Nokia’s declaratory judgment claims due to lack of jurisdiction. The Delaware District Court did not dismiss Nokia’s claims relating to violations of the Lanham Act. Under the Lanham Act claim, Nokia alleges that we have used false or misleading descriptions or representations regarding our patents’ scope, validity, and applicability to products built to comply with 3G wireless phone standards, and that such statements have caused Nokia harm. A scheduling order was entered by the Delaware District Court which contemplates trial in 2008, but no specific trial date has been set.

Samsung

In 2002, Samsung Electronics Co. Ltd. (Samsung) elected, pursuant to the Most Favored Licensee (MFL) clause in its 1996 patent license agreement with ITC (Samsung Agreement), to have its royalty obligations commencing January 1, 2002 for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE wireless communications products be determined in accordance with the terms of the Nokia License Agreement, including its MFL provision. In March 2003, ITC notified Samsung that such Samsung obligations had been defined by the relevant licensing terms of the Ericsson Agreement (for infrastructure products) and the Sony Ericsson Agreement (for terminal unit products) as a result of the MFL provision in the Nokia License Agreement.

In November 2003, Samsung filed a Request for Arbitration with the International Chamber of Commerce against IDCC and ITC regarding Samsung's royalty obligations to ITC for its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products (Samsung Arbitration). In this arbitration proceeding, IDCC and ITC claim that the Ericsson Agreement and the Sony Ericsson Agreement define the financial terms under which Samsung is required to pay royalties on its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products commencing January 1, 2002 through December 31, 2006. IDCC and ITC also seek a declaration that the parties' rights and obligations are governed by the Samsung Agreement, and that the Nokia License Agreement dictates only Samsung's royalty obligations and most favored licensee rights for those TDMA products licensed under the Samsung Agreement. In the arbitration, Samsung has claimed that its obligations are not defined by the Ericsson Agreement, the Sony Ericsson Agreement, or the Final Award in the Nokia arbitration. Samsung seeks a determination of the amounts owed to InterDigital by Samsung, which Samsung claims to be substantially less than the amount that IDCC and ITC believe is owed. Samsung also claims that there was a novation of the Samsung Agreement such that Samsung is now licensed to IDCC's CDMA patents, including its 3G patents. If the arbitration panel were to agree with Samsung's position on Samsung's alleged CDMA rights, Samsung would be licensed to sell 3G products on the terms set forth in the Nokia License Agreement.

In January 2006, the final evidentiary hearing was held. Post-hearing briefings have been completed and we are awaiting a decision from the ICC Arbitral Tribunal.

Samsung also has asserted that depending on how the arbitration panel decides the arbitration matters, Samsung can: (i) pursuant to a purported "conditional election" made by Samsung in June 2006, substitute the royalty rates under the Nokia License Agreement for a royalty rate that Samsung purports to derive from the Nokia Arbitration Settlement Agreement or, alternatively (ii) elect a subsequent MFL event via the terms of the Samsung Agreement. We disagree with Samsung's position.

Federal

In October 2003, Federal Insurance Company (Federal), the insurance carrier which provided partial reimbursement to the Company of certain legal fees and expenses for the now-settled litigation involving the Company and Ericsson Inc., delivered to us a demand for arbitration under the Pennsylvania Uniform Arbitration Act. Federal claims, based on its determination of expected value to the Company resulting from our settlement involving Ericsson Inc., that an insurance reimbursement agreement (Agreement) requires us to reimburse Federal approximately $28.0 million for attorneys' fees and expenses it claims were paid by it. Additionally, under certain circumstances, Federal may seek to recover interest on its claim. In November 2003, the Company filed an action in United States District Court for the Eastern District of Pennsylvania (the Court) seeking a declaratory judgment that the reimbursement agreement is void and unenforceable, seeking reimbursement of attorneys' fees and expenses which have not been reimbursed by Federal and which were paid directly by the Company in connection with the Ericsson Inc. litigation, and seeking damages for Federal's bad faith and breach of its obligations under the insurance policy. In the alternative, in the event the reimbursement agreement was found to be valid and enforceable, the Company sought a declaratory judgment that Federal is entitled to reimbursement based only on certain portions of amounts received by the Company from Ericsson Inc. pursuant to the settlement of the litigation involving Ericsson Inc. Federal requested the Court dismiss the action and/or have the matter referred to arbitration.

In October 2005, the Court filed an order granting in part and denying in part Federal's motion to dismiss the Company's complaint. As part of its decision, the Court determined that the Agreement between Federal and the Company (which Agreement served as a basis for Federal's demand to recover any legal fees and expenses) is enforceable, but did not address whether Federal is entitled to recover any legal fees and expenses. Also, the Court reserved to a later time consideration of whether any arbitration award would be binding on the parties. Additionally, in October 2005, the Company filed a motion to reconsider the Court's order which subsequently was denied. An arbitrator has been selected and the parties are currently in the process of preparing for arbitration. A hearing date has not been scheduled.

Prior to Federal's demand for arbitration, we had accrued a contingent liability of $3.4 million related to the Agreement. We continue to evaluate this contingent liability and have maintained this accrual at June 30, 2006. While we continue to contest this matter, any adverse decision or settlement obligating us to pay amounts materially in excess of the accrued contingent liability could have a material negative effect on our consolidated financial position, results of operations or cash flows.

Other

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

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

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

6. REPURCHASE OF COMMON STOCK :

In first half 2006, our Board of Directors (Board) authorized the repurchase of up to $200 million of our outstanding common stock through open market purchases, pre-arranged trading plans or privately negotiated purchases. The amount and timing of purchases will be based on a variety of factors including potential share repurchase price, cash requirements, acquisition opportunities, strategic investments and other market and economic factors. During second quarter 2006, we repurchased approximately 3.4 million shares at a cost of $100 million. To date in third quarter 2006, we repurchased approximately 1.8 million additional shares at a cost of $50 million.

In first half 2005, we repurchased 2 million shares of our outstanding common stock at a cost of $34.1 million under repurchase programs authorized by our Board in October 2004 and March 2005.

7. COMMON STOCK COMPENSATION PLANS

Stock Compensation Plans

We have 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

We have granted options under two incentive stock option plans, three non-qualified stock option plans and two plans which provide for grants of both incentive and non-qualified stock options (Pre-existing Plans) to non-employee directors, officers and employees of the Company and other specified groups, depending on the plan. No further grants are allowed under the Pre-existing Plans. In 2000, our shareholders approved the 2000 Stock Award and Incentive Plan (2000 Plan) that allows for the granting of incentive and non-qualified options, as well as other securities. The 2000 Plan authorizes the offer and sale of up to approximately 7.4 million shares of common stock. The Board or the Compensation and Stock Option Committee of the Board determine the number of options to be granted. Under the terms of the 2000 Plan, the option price cannot be less than 100% of fair market value of the Common Stock at the date of grant.

In 2002, the Board approved the 2002 Plan that allows for the granting of incentive and non-qualified options, as well as other securities to Company employees who are not subject to the reporting requirements of Section 16 of the Securities Act of 1934 or an “affiliate” for purposes of Rule 144 of the Securities Act of 1933. The 2002 Plan authorizes the offer and sale of up to 1.5 million shares of common stock. The Board or the Compensation and Stock Option Committee of the Board determine the number of options to be granted. Under the terms of the 2002 Plan, the option price cannot be less than 100% of fair market value of the Common Stock at the date of grant. In addition, unless otherwise modified, no awards may be granted under the 2002 Plan after the close of business on March 31, 2012.

Under all of these 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. However, under plans that provide for both incentive and non-qualified stock options, grants most commonly vest in six semi-annual installments.

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 Number	Outstanding Options Price Range	Weighted Average Exercise Price
BALANCE AT DECEMBER 31, 2005	913	7,926	$0.01-39.00	$ 13.93
Granted	—	—	$ 0.00-0.00	$ —
Canceled	7	(7)	$ 15.72-39.00	$ 26.61
Exercised	—	(2,475)	$ 4.38-31.25	$ 11.44
BALANCE AT JUNE 30, 2006	920	5,444	$ 0.01-39.00	$ 15.05

The following table summarizes information regarding the stock options outstanding at June 30, 2006 (in thousands, except for per share amounts):

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life*	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.01 - 5.44	809	2.48	$ 5.09	809	$ 5.09
$ 5.50 - 9.00	562	8.55	7.28	562	7.28
$ 9.03 - 9.60	609	5.49	9.59	609	9.59
$ 9.76 - 11.63	666	11.30	10.78	666	10.78
$ 11.64 - 13.19	729	5.04	12.48	729	12.48
$ 13.25 - 17.13	592	5.50	15.82	592	15.82
$ 17.26 - 24.30	545	6.80	20.03	545	20.03
$ 24.36 - 31.81	380	5.33	25.87	380	25.87
$ 34.13 - 39.00	552	3.54	38.89	552	38.89
$ 0.01 - 39.00	5,444	5.93	$ 15.05	5,444	$ 15.05

* We currently have approximately 232,000 options outstanding that have an indefinite contractual life. These options were granted between 1983 and 1986 under Pre-existing Plans. For purposes of this table, these options were assigned an original life in excess of 50 years. The majority of these options have an exercise price of between $5.75 and $11.63.

At June 30, 2006, we had 4.9 million options outstanding which had exercise prices less than the fair market value of the Company's Common Stock at that date. These options had an aggregate intrinsic value of approximately $ 110 million based on the Company's June 30, 2006 closing stock price and would have generated $60.9 million of cash proceeds to the Company if they had been fully exercised.

Common Stock Warrants

As of June 30, 2006, we had warrants outstanding to purchase 80,000 of Common Stock at an exercise price of $7.63 per share. These warrants are exercisable and will expire in September 2006. The exercise price and number of shares of Common Stock to be obtained upon exercise of these warrants are subject to adjustment under conditions specified in the warrant certificate.

Restricted Stock

Under our 1999 Restricted Stock Plan, as amended (1999 Plan), we may issue up to 3.5 million shares of restricted common stock and restricted stock units to directors, employees, consultants and advisors. The restrictions on issued shares lapse over periods generally ranging from 1 to 5 years from the date of the grant. As of June 30, 2006 and December 31, 2005 we had issued 2.2 million and 2.0 million shares, respectively, of Restricted Stock and RSUs under the 1999 Plan. The related compensation expense has been, and will continue to be, amortized over vesting periods that are generally from 1 to 5 years. At June 30, 2006 and December 31, 2005, we had unrecognized compensation cost related to share-based awards of $7.1 million and $5.8 million, respectively. We expect to amortize the unrecognized compensation cost at June 30, 2006 over a weighted average period of 3.4 years using an accelerated method.

We grant RSUs as an element of compensation to all of our employees. These awards vest over three years, depending upon job level, according to the following schedules:

	Year 1	Year 2	Year 3
Employees below manager level	33%	33%	34%
Managers and technical equivalents	25%	25%	50%
Senior officers	0%	0%	100%

Information with respect to unvested RSU's under the above plan is summarized as follows (in thousands, except per share amounts):

	Number of Unvested RSUs	Weighted Average Grant Date Fair Value
Balance at December 31, 2005	814	$ 21.67
Granted	195	19.70
Forfeited	(18)	20.08
Vested	(335)	19.42
Balance at June 30, 2006	656	$ 22.43

8. COMPREHENSIVE INCOME :

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

	For the Three Months Ended June 30,	
	2006	2005
Net income	$170,363	$4,011
Unrealized (loss) gain on investments	(25)	97
Total comprehensive income	$170,338	$4,108

	For the Six Months Ended June 30,	
	2006	2005
Net income	$183,302	$3,129
Unrealized gain (loss) on investments	9	(36)
Total comprehensive income	$183,311	$3,093

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

OVERVIEW

The following discussion should be read in conjunction with the unaudited, condensed consolidated financial statements and notes thereto contained elsewhere in this document, in addition to InterDigital Communications Corporation's (collectively with its subsidiaries referred to as InterDigital, the Company, we, us and our) Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (2005 Form 10-K) as filed with the Securities and Exchange Commission (SEC) on March 14, 2006, other reports filed with the SEC, and the "Statement Pursuant to the Private Securities Litigation Reform Act of 1995" below. Please refer to the Glossary of Terms located after the Table of Contents for a list and detailed description of the various technical, industry and other defined terms that are used in this Form 10-Q for the three and six months ended June 30, 2006.

Nokia Litigation and Legal Proceedings

In April 2006, InterDigital Communications Corporation (IDCC) and ITC entered into agreements with Nokia Corporation (Nokia) which resolved certain legal proceedings between them. Specifically, in an Arbitration Settlement Agreement, the parties resolved their disputes arising out of the June 2005 International Court of Arbitration of the International Chamber of Commerce (ICC) Arbitration Tribunal Award, which related to the January 1999 Patent License Agreement between the parties (the Nokia License Agreement). Pursuant to the UK Settlement Agreement, Nokia dismissed its claims under Claim No. HC04 C01952, a proceeding that Nokia instituted in June 2004 against ITC in the High Court of Justice of England and Wales, Chancery Division, Patents Court, seeking to challenge three of our TDMA-related patents.

Pursuant to the Arbitration Settlement Agreement, on April 28, 2006, Nokia paid InterDigital $253 million. Nokia is deemed to have a fully paid-up license covering worldwide sales of 2G TDMA-based products, consisting primarily of GSM/GPRS/EDGE terminal units and infrastructure. Nokia is also released from infringement liability for worldwide sales of 3G terminal units and infrastructure through April 26, 2006. Under the Arbitration Settlement Agreement, the Nokia License Agreement was terminated.

We recognized $228 million of revenue related to the Arbitration Settlement Agreement in second quarter 2006 and will recognize $12.5 million in each of the third and forth quarters of this year.

New Material Patent License Agreement

In January 2006, IDCC's patent holding subsidiaries entered into a worldwide, non-transferable, non-exclusive, patent license agreement with LG Electronics Inc. (LG). The five-year patent license agreement, effective January 1, 2006, covers the sale, both prior to January 1, 2006 and during the five-year term, of terminal units compliant with all TDMA-based 2G standards (including TIA-136, GSM, GPRS, and EDGE) and all 3G standards (including WCDMA, TD-SCDMA and cdma2000 ® technology and its extensions), and infrastructure products compliant with cdma2000 ® technology and its extensions, up to a limited threshold amount, under all patents owned by us prior to and during the term of the license. At the end of the five year term, LG will receive a paid-up license to sell single-mode GSM/GPRS/EDGE terminal units under the patents included in the patent license agreement.

Under the terms of the patent license agreement, LG paid us the first of three equal installments of $95 million in first quarter 2006. The remaining two installments are due in first quarter 2007 and 2008, respectively. We are recognizing the revenue associated with this agreement on a straight-line basis from its inception through December 31, 2010.

Repurchase of Common Stock

In first half 2006, our Board of Directors (Board) authorized the repurchase of up to $200 million of our outstanding common stock through open market purchases, pre-arranged trading plans or privately negotiated purchases. The amount and timing of purchases are based on a variety of factors, including potential share repurchase price, cash requirements, acquisition opportunities, strategic investments and other market and economic factors. During second quarter 2006, we repurchased approximately 3.4 million shares at a cost of $100 million. To date in third quarter 2006, we repurchased approximately 1.8 million additional shares at a cost of $50 million.

In first half 2005, we repurchased 2 million shares of our outstanding common stock at a cost of $34.1 million under repurchase programs authorized by our Board in October 2004 and March 2005.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 1 of the *Notes to Consolidated Financial Statements* included in our 2005 Form 10-K. A discussion of our critical accounting policies, and the estimates related to them, are included in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2005 Form 10-K. There have been no material changes in our existing accounting policies from the disclosures included in our 2005 Form 10-K other than our adoption of SFAS No. 123(R).

New Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, *Accounting Changes and Error Corrections*, which replaces Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes* , and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28* . SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method of accounting for and reporting a change in accounting principle or the correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and was adopted by the Company effective January 1, 2006. The adoption of SFAS No. 154 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* , by prescribing the minimum recognition threshold and measurement attribute a tax position taken or expected to be taken on a tax return is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. We are currently evaluating the impact of FIN 48, which must be implemented effective January 1, 2007.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

We generated positive cash flow from operating activities of $303.2 million in the six month period ended June 30, 2006 (first half 2006) compared to $20.0 million in the six month period ended June 30, 2005 (first half 2005). The positive operating cash flow in first half 2006 arose principally from receipts of approximately $436.5 million related to 2G and 3G patent licensing agreements. These receipts included $253 million from Nokia, $95 million from LG, $45.4 million of current royalty payments from existing licensees and $43.2 million of new prepayments or fixed fee payments from existing licensees. These receipts were partially offset by cash operating expenses (operating expenses less depreciation of fixed assets, amortization of intangible assets and non-cash compensation) of $59.2 million, cash payments for foreign source withholding taxes of $28.5 million, an estimated federal tax payment of $23 million and changes in working capital during first half 2006. The positive operating cash flow in first half 2005 arose principally from receipts of approximately $72.5 million from patent licensing agreements. This included approximately $27.9 million from Sony Ericsson, the majority of which represents a new prepayment under our 2003 patent license agreement, $15.1 million from Sharp Corporation of Japan (Sharp) related to our 2G and 3G patent license agreements, $19.0 million from NEC Corporation of Japan (NEC) associated with our 3G patent license agreement, and approximately $10.5 million from other licensees related to their respective patent license agreements, including $6.4 million related to a new prepayment under an existing 3G patent license agreement. These receipts were partially offset by cash operating expenses (operating expenses less depreciation of fixed assets, amortization of intangible assets and non-cash compensation) of $58.0 million, and changes in working capital during first half 2005.

Our combined short-term and long-term deferred revenue balance at June 30, 2006 was approximately $276.5 million, an increase of $185.3 million from December 31, 2005. In first half 2006, we recorded gross increases in deferred revenue of approximately $286.2 million, $190 million of which related to payments either received or due from LG, $50.0 million related to the portion of the Nokia payment allocated to 2006 for accounting purposes, and approximately $41.3 million related to new prepayments from three other existing licensees. In first half 2006, we collected the first $95 million payment from LG and recorded $95 million in accounts receivable relating to LG's second payment obligation due in first quarter 2007. In accordance with our policy for recording long-term receivables from patent license agreements, we will defer recognition in accounts receivable of LG's third $95 million payment obligation, which is due in first quarter 2008, until twelve months prior to its due date. The gross increases in deferred revenue were offset, in part, by first half 2006 deferred revenue recognition of approximately $65.0 million related to the amortization of fixed-fee royalty payments and approximately $23.7 million from first half 2006 per-unit exhaustion of prepaid royalties based upon royalty reports provided by our licensees. We have no material obligations associated with our deferred revenue balances.

Based on current license agreements, we expect the amortization of fixed-fee royalty payments over the remaining two quarters of 2006 to reduce the June 30, 2006 deferred revenue balance of $276.5 million by $66.3 million. Additional reductions to deferred revenue will be dependent upon the level of per-unit royalties our licensees report against prepaid balances.

In first half 2006, we used $44.6 million in investing activities. In first half 2005, our investing activities provided $8.4 million. This change was driven principally by higher cash receipts. We purchased $30.1 million of short-term marketable securities, net of sales, in first half 2006. We sold $28.1 million of short-term marketable securities, net of purchases, in first half 2005. This change resulted from our investment of large cash receipts from operating activities in first half 2006. Purchases of property and equipment increased to $4.5 million in first half 2006 from $3.0 million in first half 2005 due to continued investment in development tools and our engineering information system network. Investment costs associated with patents increased from $8.6 million in first half 2005 to $10.0 million in first half 2006. This increase reflects a higher level of patenting activity over the past several years, combined with the lag effect between filing an initial patent application and the incurrence of costs to issue the patent in both the U.S. and foreign jurisdictions. In first half 2005, we also invested approximately $8.0 million to acquire patents and intellectual property.

Net cash used in financing activities in first half 2006 was $57.6 million compared to $32.3 million in first half 2005. This increase was primarily due to our investment of $100 million to repurchase outstanding shares of our Common Stock in first half 2006 compared to an investment of $34.1 million for the same purpose in 2005. We received proceeds from option and warrant exercises of $28.3 million and $1.9 million in first half 2006 and 2005, respectively. In first half 2006, we recorded a tax benefit related to the exercise of options of $14.3 million that reduces our federal income tax liability.

We had 4.9 million and 6.3 million options outstanding at June 30, 2006 and December 31, 2005, respectively, which had exercise prices less than the fair market value of the Company’s stock at each balance sheet date. These options would have generated $60.9 million and $63.5 million of cash proceeds to the Company if they had been fully exercised.

As of June 30, 2006, we had $336.8 million of cash, cash equivalents and short-term investments, compared to $105.7 million at December 31, 2005. Our working capital (adjusted to exclude cash, cash equivalents, short-term investments, current maturities of debt and current deferred revenue) increased to $142.7 million at June 30, 2006 from $39.9 million at December 31, 2005. This $102.8 million increase is primarily due to a $95.6 million increase in accounts receivable, a $4.4 million increase in our short-term deferred tax assets and $9.4 million decrease in accrued compensation and related expenses, partly offset by a $7.8 million increase in foreign and domestic taxes payable. Accounts receivable increased due to the recognition of LG’s second $95 million payment obligation due first quarter 2007 under our January 2006 license agreement. Short-term deferred tax assets increased primarily as a result of the recognition of U.S. foreign tax credits we expect to receive associated with foreign withholding tax payments made in connection with cash receipts from LG and Nokia. Accrued compensation and related expenses decreased due to our payment of the 2005 year-end bonus and the 2004–2005 performance-based cash incentive under our long-term compensation program (LTCP). Foreign and domestic taxes payable increased due to accruals of both foreign source withholding taxes, related to LG’s second $95 million payment, and U.S. income taxes payable.

In December 2005, we entered into a two-year $60 million unsecured revolving credit facility (Credit Agreement). Borrowings under the Credit Agreement can be used for general corporate purposes including capital expenditures, working capital, letters of credit, certain permitted acquisitions and investments, cash dividends and stock repurchases. As of June 30, 2006, we had no amounts outstanding under the Credit Agreement. As of June 30, 2006, we were in compliance with our covenants under the Credit Agreement and continue to be through the date of this filing.

Consistent with our strategy to focus our resources on the development and commercialization of advanced wireless technology products, we expect to see modest growth in operating cash needs related to planned staffing levels and continued investments in enabling capital assets in second half 2006. We are capable of supporting these and other near-term operating cash requirements, including the balance of our current share repurchase program, through cash and short-term investments on hand, other operating funds such as patent license royalty payments or funds from the above-noted credit facility. An adverse resolution of the litigation involving Federal Insurance Company (See, *Litigation and Legal Proceedings, Federal*) should not prevent us from supporting our operating requirements in the near-term. At present, we do not anticipate the need to seek additional financing through additional bank facilities or the sale of debt or equity securities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined by regulation S-K 303(a)(4) promulgated under the Securities Act of 1934.

RESULTS OF OPERATIONS

Second Quarter 2006 Compared to Second Quarter 2005

Revenues

	Second Quarter 2006	Second Quarter 2005
Per-unit royalty revenue	$ 34.4	$ 25.5
Fixed-fee and amortized royalty revenue	20.5	7.6
Recurring patent licensing royalties	54.9	33.1
Past infringement and other non-recurring royalties	240.0	—
Total patent licensing royalties	294.9	33.1
Technology solution revenue	1.7	5.5
Total Revenue	$ 296.6	$ 38.6

In second quarter 2006, revenues increased to $296.6 million from $38.6 million in second quarter 2005. This increase was driven by both the recognition of $228.0 million and $12.0 million, related to resolution of patent licensing matters with Nokia and Panasonic, respectively, and higher recurring patent license royalties. The increase in recurring patent license royalties was related to new agreements signed subsequent to second quarter 2005 with LG and Kyocera Corporation (Kyocera) as well as new or higher contributions from other existing licensees, including Panasonic.

Technology solution revenue decreased in second quarter 2006 to $1.7 million from $5.5 million in second quarter 2005 as contributions from HSDPA technology programs with Philips Semiconductor B.V. (Philips) and Infineon partially offset the decrease associated with the first quarter 2006 completion of deliverables under an agreement with General Dynamics C4 Systems (formerly known as, General Dynamics Decision Systems, Inc.) (General Dynamics), supporting a program for the U.S. military.

In second quarter 2006, 77% of our total revenue, or $228 million, was associated with the resolution of a patent licensing matter with Nokia. Of the remaining 23%, or $68.6 million, 73% was from companies that individually accounted for 10% or more of this amount and included Panasonic (23%), LG (21%), NEC (17%) and Sharp (12%). In second quarter 2005, 70% of our total revenue was related to NEC (36%), Sharp (20%) and General Dynamics (14%).

Operating Expenses

Operating expenses increased 11% to $35.9 million in second quarter 2006 from $32.5 million in second quarter 2005. The $3.4 million increase was due to net changes in the following items (in millions):

	Increase/(Decrease)
Commissions	$ 2.9
Long-term compensation program (LTCP)	1.7
Patent maintenance and amortization	0.9
Other personnel related costs	0.4
Other	0.5
Patent litigation and arbitration	(1.8)
Executive severance	(1.2)
Total Increase in Operating Expense	$ 3.4

The increase in commissions is associated with elevated patent license royalty revenue. Our LTCP costs increased from the prior year due to an adjustment to reduce our LTCP cash-incentive accrual in second quarter 2005. Patent maintenance and amortization costs increased due to continued increases in the number and carrying value of our patents. We also experienced other increases in operating expense in second quarter 2006 due to our ongoing product initiatives. The increases in operating expenses in second quarter 2006 were offset, in part, by a decrease in patent litigation and arbitration costs from $5.6 million to $3.8 million, resulting from lower activity levels in second quarter 2006 and a decrease in severance costs from the prior year due to second quarter 2005 changes in our executive management.

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

	Second Quarter 2006	Second Quarter 2005	(Decrease) Increase	
Sales and marketing	$ 1.5	$ 1.5	$ —	— %
General and administrative	5.7	5.9	(0.2)	(3)
Patents administration and licensing	12.8	10.1	2.7	27
Development	15.9	15.0	0.9	6
Total Operating Expense	$ 35.9	$ 32.5	$ 3.4	11%

Sales and Marketing Expense: Activity and expense levels were comparable to second quarter 2005.

General and Administrative Expense: The decrease relates to the net effect of amounts recorded in second quarter 2005 related to executive severance costs and an adjustment to reduce our LTCP accrual.

Patents Administration and Licensing Expense: The increase reflects the net effect of the above-noted items related to patent arbitration and litigation costs, commissions, patent maintenance and amortization expenses, and the LTCP accrual adjustment in second quarter 2005.

Development Expense: The increase is due to an adjustment to reduce our LTCP accrual in second quarter 2005.

Interest and Investment Income, Net

Net interest and investment income of $3.9 million in second quarter 2006 increased $3.2 million or 478% from $0.7 million in second quarter 2005. The increase resulted from both higher investment balances and higher rates of return in second quarter 2006.

Income Taxes

Our second quarter 2006 tax expense of $94.2 million consisted of the statutory federal tax rate and the recognition of $1.6 million of foreign tax expense related to foreign source withholding tax payments made in prior years. Second quarter 2005 tax expense of $2.8 million included non-cash charges for both federal income taxes and non-U.S. withholding taxes of $2.3 million and $0.5 million, respectively.

First Half 2006 Compared to First Half 2005

Revenues

	First Half 2006	First Half 2005
Per-unit royalty revenue	$ 64.5	$ 48.7
Fixed-fee and amortized royalty revenue	40.0	15.2
Recurring patent licensing royalties	104.5	63.9
Past infringement and other non-recurring royalties	240.0	—
Total patent licensing royalties	344.5	63.9
Technology solution revenue	3.7	10.2
Total Revenue	$ 348.2	$ 74.1

First half 2006 revenues increased to $348.2 million from $74.1 million in first half 2005. This increase was driven by both the recognition of $228.0 million and $12.0 million related to resolution of patent licensing matters with Nokia and Panasonic, respectively, and higher recurring patent license royalties. The increase in recurring patent license royalties was related to new agreements signed subsequent to first half 2005 with LG and Kyocera, as well as new or higher contributions from other existing licensees, including Panasonic.

Technology solution revenue decreased in first half 2006 to $3.7 million from $10.2 million in first half 2005 as contributions from HSDPA technology programs with Philips and Infineon partially offset a decrease associated with the first quarter 2006 completion of deliverables under an agreement with General Dynamics supporting a program for the U.S. military.

In first half 2006, 65% of our total revenue, or $228 million, was associated with the resolution of a patent licensing matter with Nokia. Of the remaining 35%, or $120.2 million, 68% was from companies that individually accounted for 10% or more of this amount and included LG (21%), NEC (19%), Sharp (15%) and Panasonic (13%). In first half 2005, 81% of our total revenue was related to NEC (34%), Sharp (23%), General Dynamics (14%) and Sony Ericsson (10%).

Operating Expenses

Operating expenses of $68.8 million in first half 2006 were level with first half 2005.

	Increase/(Decrease)
Commissions	$ 3.6
Patent maintenance and amortization	1.4
Other personnel related costs	1.0
Other	0.1
Patent litigation and arbitration	(4.3)
Executive Severance	(1.2)
Long-term compensation program (LTCP)	(0.5)
Total Increase in Operating Expense	$ 0.1

The increase in commissions was associated with elevated patent license royalty revenue. Patent maintenance and amortization costs increased due to continued increases in the number and carrying value of our patents. We also experienced increases in personnel related costs and other operating expense in first half 2006 due to our ongoing product initiatives. Patent litigation and arbitration costs of $7.7 million in first half 2006 decreased as a result of lower litigation and arbitration activity levels, and severance costs decreased due to first half 2005 changes in our executive management, respectively. LTCP costs decreased due to the effect of overlapping cycles in first half 2005.

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

	First Half 2006	First Half 2005	(Decrease) Increase	
Sales and marketing	$ 3.4	$ 3.8	$ (0.4)	(11)%
General and administrative	10.7	12.5	(1.8)	(14)
Patents administration and licensing	22.8	21.3	1.5	7
Development	31.9	31.1	0.8	3
Total Operating Expense	$ 68.8	$ 68.7	$ 0.1	— %

Sales and Marketing Expense: The decrease was primarily associated with lower LTCP costs in first half 2006 due to the effect of overlapping cycles in first half 2005.

General and Administrative Expense: The effect of executive severance costs in first half 2005 ($1.2 million) and a $0.3 million decrease in directors and officers insurance premiums contributed 84% of the decrease in general and administrative costs.

Patents Administration and Licensing Expense: The increase primarily reflects higher personnel costs and the net effect of the above-noted items related to patent arbitration and litigation costs, commissions and patent maintenance and amortization expenses.

Development Expense: The increase in development costs in first half 2006 was due to a variety of expenses associated with our ongoing product initiatives.

Interest and Investment Income, Net

Net interest and investment income of $5.4 million in first half 2006 increased $3.9 million or 270% from $1.5 million in first half 2005. The increase resulted from higher investment balances and higher rates of return on our investments in first half 2006.

Income Taxes

Our first half 2006 tax expense of $101.6 million consisted of the statutory federal tax rate and the recognition of $1.8 million of foreign tax expense related to foreign source withholding tax payments made in prior years. First half 2005 tax expense of $3.7 million included non-cash charges for both federal income taxes and non-U.S. withholding taxes of $2.3 million and $1.4 million, respectively.

Expected Trends

We will provide guidance on third quarter 2006 revenue shortly, after we receive and review the applicable royalty reports and update our forecasts on anticipated revenue from work associated with technology solution agreements. We anticipate that third quarter 2006 operating expenses, excluding patent arbitration or litigation costs, will grow by 2% to 4% over second quarter 2006, reflecting investment in our dual mode terminal unit ASIC offering. We also currently expect that third quarter 2006 patent arbitration and litigation costs will be between $4 million and $6 million. Lastly, we expect that our book tax rate for third quarter 2006 will approximate 35% to 37%.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (Form 10-Q), including "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations", contains forward-looking statements. Words such as "anticipate," "expect," "will," "believe," "could," "would," "dependent upon," "should not," "anticipate," "future" or similar expressions contained herein are intended to identify such forward-looking statements. Although forward-looking statements in this Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. These statements reflect, among other things, our current beliefs, plans and expectations as to:

(i) the amortization of fixed-fee royalty payments over the remaining two quarters of 2006 reducing our June 30, 2006 deferred revenue balance; (ii) additional reductions to deferred revenue; (iii) modest growth in operating cash needs in second half 2006; (iv) our ability to support our near-term operating cash requirements; (v) the impact of any adverse resolution in our dispute with Federal on our ability to meet our near-term operating requirements; (vi) our needs and plans with respect to additional financing or the sale of debt or equity securities; and (vii) our operating expenses (excluding patent arbitration and litigation costs), patent arbitration and litigation costs, and our book tax rate for third quarter 2006.

Forward-looking statements concerning our business, results of operations and financial condition are inherently subject to risks and uncertainties. We caution readers that actual results and outcomes could differ materially from those expressed in or anticipated by such forward-looking statements. You should carefully consider the risks and uncertainties outlined in greater detail in this Form 10-Q, including "Item 1A - Risk Factors," and in our Form 10-K for the year ended December 31, 2005, before making any investment decision with respect to our common stock. You should not place undue reliance on these forward-looking statements, which are only as of the date of this Form 10-Q. Factors affecting one forward-looking statement may affect other forward-looking statements. We undertake no obligation to revise or publicly update any forward-looking statement for any reason, except as otherwise required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK .

There have been no material changes in quantitative and qualitative market risk from the disclosures included in our 2005 Form 10-K.

Item 4. CONTROLS AND PROCEDURES .

The Company's Chief Executive Officer and its Chief Financial Officer, with the assistance of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective in their design to ensure that the information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that the information required to be disclosed by us in the reports that we file under the Securities and Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS .

Nokia

In April 2006, InterDigital Communications Corporation (IDCC) and ITC entered into agreements with Nokia Corporation (Nokia) which resolved certain legal proceedings between them. Specifically, in an Arbitration Settlement Agreement, the parties resolved their disputes arising out of the June 2005 International Court of Arbitration of the International Chamber of Commerce (ICC) Arbitration Tribunal Award, which related to the January 1999 Patent License Agreement between the parties (the Nokia License Agreement). Pursuant to the UK Settlement Agreement, Nokia dismissed its claims under Claim No. HC04 C01952, a proceeding that Nokia instituted in June 2004 against ITC in the High Court of Justice of England and Wales, Chancery Division, Patents Court (High Court), seeking to challenge three of our TDMA-related patents (UK 2G Proceeding).

Pursuant to the Arbitration Settlement Agreement, on April 28, 2006, Nokia paid InterDigital $253 million. Nokia is deemed to have a fully paid-up license covering worldwide sales of 2G TDMA-based products, consisting primarily of GSM/GPRS/EDGE terminal units and infrastructure. Nokia is also released from infringement liability for worldwide sales of 3G terminal units and infrastructure through April 26, 2006. Under the Arbitration Settlement Agreement, the Nokia License Agreement was terminated.

Pursuant to the UK Settlement Agreement, Nokia has withdrawn its challenge before the High Court in the UK 2G Proceeding. In consideration for the discontinuance of the UK 2G Proceeding, InterDigital agreed (i) not to assert against Nokia the three patents (and related non-UK counterparts) involved in that proceeding, and (ii) Nokia will have a paid-up license for single-mode IS-95 products. The paid-up license and the covenant not to assert became effective upon the discontinuance of the UK 2G Proceeding and Nokia's withdrawal of its opposition to a related UK amendment application in the UK 2G Proceeding, both of which have occurred.

Nokia UK Proceeding

In July 2005, Nokia filed a claim in the High Court against ITC. Nokia's claim seeks a declaration that 29 of ITC's UMTS European patents registered in the UK are not essential IPR for the 3GPP standard using a definition of "essentiality" asserted by Nokia. ITC contends that 24 of these patents are essential under a definition of "essentiality" asserted by ITC. In April 2006, a hearing was held to contest the jurisdiction of the High Court to hear the case. Subsequently, the High Court denied ITC's claim as to jurisdiction. ITC has appealed the decision as to jurisdiction to the English Court of Appeal which has scheduled a hearing for November 2006. We intend to vigorously defend the claim as to essentiality and are continuing to contest Nokia's claim for declarations in the High Court. A trial date for the action has been set for a date not before October 15, 2007, at which time the High Court will rule on the definition of "essentiality".

Nokia Delaware Proceeding

In January 2005, Nokia and Nokia, Inc. filed a complaint in the United States District Court for the District of Delaware against IDCC and ITC for declaratory judgments of patent invalidity and non-infringement of certain claims of certain patents, and violations of the Lanham Act. In December 2005, as a result of our motion to dismiss all of Nokia's claims, the Delaware District Court entered an order to grant our motion to dismiss all of Nokia's declaratory judgment claims due to lack of jurisdiction. The Delaware District Court did not dismiss Nokia's claims relating to violations of the Lanham Act. Under the Lanham Act claim, Nokia alleges that we have used false or misleading descriptions or representations regarding our patents' scope, validity, and applicability to products built to comply with 3G wireless phone standards, and that such statements have caused Nokia harm. A scheduling order was entered by the Delaware District Court which contemplates trial in 2008, but no specific trial date has been set.

Samsung

In 2002, Samsung Electronics Co. Ltd. (Samsung) elected, pursuant to the Most Favored Licensee (MFL) clause in its 1996 patent license agreement with ITC (Samsung Agreement), to have its royalty obligations commencing January 1, 2002 for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE wireless communications products be determined in accordance with the terms of the Nokia License Agreement, including its MFL provision. In March 2003, ITC notified Samsung that such Samsung obligations had been defined by the relevant licensing terms of the Ericsson Agreement (for infrastructure products) and the Sony Ericsson Agreement (for terminal unit products) as a result of the MFL provision in the Nokia License Agreement.

In November 2003, Samsung filed a Request for Arbitration with the International Chamber of Commerce against IDCC and ITC regarding Samsung's royalty obligations to ITC for its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products (Samsung Arbitration). In this arbitration proceeding, IDCC and ITC claim that the Ericsson Agreement and the Sony Ericsson Agreement define the financial terms under which Samsung is required to pay royalties on its worldwide sales of 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE products commencing January 1, 2002 through December 31, 2006. IDCC and ITC also seek a declaration that the parties' rights and obligations are governed by the Samsung Agreement, and that the Nokia License Agreement dictates only Samsung's royalty obligations and most favored licensee rights for those TDMA products licensed under the Samsung Agreement. In the arbitration, Samsung has claimed that its obligations are not defined by the Ericsson Agreement, the Sony Ericsson Agreement, or the Final Award in the Nokia arbitration. Samsung seeks a determination of the amounts owed to InterDigital by Samsung, which Samsung claims to be substantially less than the amount that IDCC and ITC believe is owed. Samsung also claims that there was a novation of the Samsung Agreement such that Samsung is now licensed to IDCC's CDMA patents, including its 3G patents. If the arbitration panel were to agree with Samsung's position on Samsung's alleged CDMA rights, Samsung would be licensed to sell 3G products on the terms set forth in the Nokia License Agreement.

In January 2006, the final evidentiary hearing was held. Post-hearing briefings have been completed and we are awaiting a decision from the ICC Arbitral Tribunal.

Samsung also has asserted that depending on how the arbitration panel decides the arbitration matters, Samsung can: (i) pursuant to a purported "conditional election" made by Samsung in June 2006, substitute the royalty rates under the Nokia License Agreement for a royalty rate that Samsung purports to derive from the Nokia Arbitration Settlement Agreement or, alternatively (ii) elect a subsequent MFL event via the terms of the Samsung Agreement. We disagree with Samsung's position.

Federal

In October 2003, Federal Insurance Company (Federal), the insurance carrier which provided partial reimbursement to the Company of certain legal fees and expenses for the now-settled litigation involving the Company and Ericsson Inc., delivered to us a demand for arbitration under the Pennsylvania Uniform Arbitration Act. Federal claims, based on its determination of expected value to the Company resulting from our settlement involving Ericsson Inc., that an insurance reimbursement agreement (Agreement) requires us to reimburse Federal approximately $28.0 million for attorneys' fees and expenses it claims were paid by it. Additionally, under certain circumstances, Federal may seek to recover interest on its claim. In November 2003, the Company filed an action in United States District Court for the Eastern District of Pennsylvania (the Court) seeking a declaratory judgment that the reimbursement agreement is void and unenforceable, seeking reimbursement of attorneys' fees and expenses which have not been reimbursed by Federal and which were paid directly by the Company in connection with the Ericsson Inc. litigation, and seeking damages for Federal's bad faith and breach of its obligations under the insurance policy. In the alternative, in the event the reimbursement agreement was found to be valid and enforceable, the Company sought a declaratory judgment that Federal is entitled to reimbursement based only on certain portions of amounts received by the Company from Ericsson Inc. pursuant to the settlement of the litigation involving Ericsson Inc. Federal requested the Court dismiss the action and/or have the matter referred to arbitration.

In October 2005, the Court filed an order granting in part and denying in part Federal's motion to dismiss the Company's complaint. As part of its decision, the Court determined that the Agreement between Federal and the Company (which Agreement served as a basis for Federal's demand to recover any legal fees and expenses) is enforceable, but did not address whether Federal is entitled to recover any legal fees and expenses. Also, the Court reserved to a later time consideration of whether any arbitration award would be binding on the parties. Additionally, in October 2005, the Company filed a motion to reconsider the Court's order which subsequently was denied. An arbitrator has been selected and the parties are currently in the process of preparing for arbitration. A hearing date has not been scheduled.

Prior to Federal's demand for arbitration, we had accrued a contingent liability of $3.4 million related to the Agreement. We continue to evaluate this contingent liability and have maintained this accrual at June 30, 2006. While we continue to contest this matter, any adverse decision or settlement obligating us to pay amounts materially in excess of the accrued contingent liability could have a material negative effect on our consolidated financial position, results of operations or cash flows.

Other

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

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

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

Item 1A. RISK FACTORS .

There have been no material changes in our risk factors as previously described in our 2005 Form 10-K with the exception of the following changes:

(i)The Company’s resolution of its patent royalty dispute with Nokia eliminates, as an important risk factor, our inability to collect royalties on sales of Nokia’s 2G products; and

(ii) The Impact of Potential Domestic Patent Reform Legislation, USPTO Reforms as well as Imposed International Patent Rules May Impact Our Patent Prosecution and Licensing Strategies. A Recent U.S. Supreme Court Ruling Clarifying the Standard for Granting Injunctive Relief in Patent Infringement Cases Could Impact Our Licensing Related to Our U.S. Patents:

Changes to domestic patent laws and regulations may occur in the future. Specifically, the USPTO has proposed modifications to the current U.S. patent rules such that it could change, in addition to other topics, the patent application continuation practice, which may impact patent costs and the potential scope of future patent coverage. The U.S. Congress is also reviewing select patent laws which may require us to re-evaluate and modify our patent prosecution strategies in the future. Changes to foreign patent practice have also been imposed by the European Patent Office which also may limit our ability to file divisional applications. We continue to monitor and evaluate our prosecution and licensing strategies with regard to these proposals and changes. In addition, a recent U.S. Supreme Court ruling has clarified the standard for the granting of permanent injunctive relief in patent infringement cases involving U.S. patents. Depending on how lower courts interpret this ruling for any applicable matters in which we are involved, the ruling could impact our ability to pursue and obtain injunctive relief against infringers of certain of our intellectual property rights and could impact our licensing and litigation settlement strategies with respect to U.S. patents.

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

(c) Issuer Purchases of Equity Securities.

The following table provides information regarding the Company’s purchases of its Common Stock, $0.01 par value, during second quarter 2006:

Period	Total Number of Shares (or Units) Purchased (1)	Average Price paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2006 - April 30, 2006	**855,988**	**$ 23.3647**	**855,988**	**$ 79,982,892**
May 1, 2006 - May 31, 2006	**—**	**$ —**	**—**	**$ 179,982,893**
June 1, 2006 - June 30, 2006	**2,525,927**	**$ 31.6715**	**2,525,927**	**$ 100,000,029(2)**
Total	**3,381,915**	**$ 29.5690**	**3,381,915**	**$ 100,000,029(2)**

(1) In March 2006, we announced that our Board of Directors authorized the repurchase of up to $100 million of our outstanding Common Stock from time-to-time through open-market purchases, prearranged plans or privately negotiated transactions (Repurchase Program). The amount and timing of purchases will be based on a variety of factors including share repurchase

price, cash requirements, acquisition opportunities, strategic investments and other market and economic factors. In May 2006, we announced that the Board of Directors expanded the Repurchase Program, by an additional $100 million, to a total of $200 million.

(2) Represents the maximum remaining investment to repurchase shares as of June 30, 2006. As of the date of this filing on Form 10-Q, we have repurchased 5.2 million shares of our Common Stock under the Repurchase Program, at a total cost of approximately $150 million.

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

At our 2006 Annual Meeting of Shareholders (the Meeting) held on June 1, 2006, our Shareholders elected Messrs. D. Ridgely Bolgiano and William J. Merritt as directors of the Company, approved a non-binding Shareholder proposal regarding the annual election of directors, and ratified the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants for the year ending December 31, 2006. Our Shareholders elected Mr. Bolgiano as a director by a vote of 50,567,825 shares in favor and 1,218,431 shares withheld. Our Shareholders elected Mr. Merritt as a director by a vote of 50,679,375 shares in favor and 1,106,881 shares withheld. Messrs. Harry G. Campagna, Steven T. Clontz, Edward B. Kamins, Robert S. Roath, Robert W. Shaner, and Alan P. Zabarsky also continue to serve their terms as directors of the Company. The vote approving the shareholder proposal to elect directors on an annual basis was 16,811,574 shares in favor, 7,066,374 shares against, 276,228 shares abstaining and 27,632,080 broker non-votes. The vote ratifying the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants for the year ending December 31, 2006 was 51,234,245 shares in favor, 380,071 shares against, 171,940 shares abstaining and no broker non-votes.

Item 6. EXHIBITS .

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

Exhibit Number	Exhibit Description
10.83*	Arbitration Settlement Agreement by and between InterDigital Communications Corporation, InterDigital Technology Corporation and Nokia Corporation dated April 26, 2006.
†10.84	Employment Agreement by and between InterDigital Communications Corporation and James Nolan dated May 16, 2006.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William J. Merritt.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Richard J. Fagan.

* An application has been submitted to the Securities and Exchange Commission for confidential treatment, pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, of portions of this exhibit. These portions have been omitted from this exhibit.

† Management contract or compensatory plan or arrangement.

SIGNATURES

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

INTERDIGITAL COMMUNICATIONS CORPORATION

Date: August 7, 2006

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

Date: August 7, 2006

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

EXHIBIT 10.83

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

Arbitration Settlement Agreement

By and between

InterDigital Communications Corporation,
InterDigital Technology Corporation

And

Nokia Corporation

Dated and Effective as of April 26, 2006

ARBITRATION SETTLEMENT AGREEMENT

This Settlement Agreement is entered into and effective as of April 26, 2006 by and between InterDigital Communications Corporation ("IDCC"), a Pennsylvania corporation with offices at 781 Third Avenue, King of Prussia PA 19406, and InterDigital Technology Corporation ("ITC"), a Delaware corporation having a mailing address of Suite 105, Hagley Building, 3411 Silverside Road, Concord Plaza, Wilmington, DE 19810, (individually and together, "InterDigital"), on the one hand, and Nokia Corporation ("Nokia"), a Finnish corporation with offices at Keilalahdentie 4, 02150 Espoo, Finland, on the other hand. (IDCC, ITC, and Nokia are sometimes referred to herein individually as a "Party" or together as the "Parties").

BACKGROUND

A. InterDigital and Nokia are parties to three interrelated contracts relating to digital cellular technology, including the Nokia PLA, the TDD Development Agreement, and the Master Agreement.

B. In 2003, a dispute arose between InterDigital and Nokia concerning Nokia's royalty obligations for the sale of certain terminal unit and infrastructure products under the Nokia PLA. Pursuant to the terms of the Master Agreement and the Nokia PLA, the Parties submitted their dispute to Arbitration. In mid-2005, the Arbitral Tribunal issued its Award, in which it, among other things: (i) concluded that Nokia's obligation under the Nokia PLA to pay royalties on certain Period 2 terminal unit and infrastructure sales had been triggered; and (ii) set forth the Period 1 and Period 2 royalty rates to be applied to Nokia's sales of such certain terminal unit and infrastructure products under the Nokia PLA.

C. In July 2005, InterDigital filed an action before the United States District Court for the Southern District of New York to confirm the Award. In December 2005, Judge William H. Pauley III issued the Order confirming the Award. In January 2006, Nokia filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit.

D. After the Tribunal issued the Award, a dispute between InterDigital and Nokia arose over, among other things, the calculation and scope of Nokia's royalty base and resultant royalty obligation under the terms of the Award and the Nokia PLA. In December 2005, ITC sent Nokia a Notice of Dispute, initiating additional dispute resolution procedures. In January 2006, Nokia responded in correspondence, identifying additional issues in dispute. On March 30, 2006, InterDigital commenced an arbitration before the International Chamber of Commerce related to its December 2005 Notice of Dispute (the "Second Arbitration"). In addition, on March 24, 2006, ITC sent Nokia a Notice of Dispute initiating additional dispute resolution procedures related to Nokia's purported breach of certain confidentiality obligations under the Master Agreement (the "Confidentiality Dispute").

E. The Parties hereto desire to settle and resolve certain past, current and future disputes involving Nokia's license under the InterDigital Patents for sales of 2G Covered Terminal Units, 2G Covered Infrastructure, and certain Excluded Products and payment of royalties on 2G Covered Terminal Units, 2G Covered Infrastructure, and certain Excluded Products, including, without limitation, disputes over the calculation of Nokia's royalty obligation under the terms of the Award by, among other things, implementing the Award (including the rates set forth therein as to Nokia and its Affiliates), as follows.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the Parties agree as follows:

1. **DEFINITIONS .** The terms set forth in Exhibit "A," attached hereto and incorporated herein, when used with initial capital letters in this Agreement, shall have the meanings ascribed to them in Exhibit "A" for purposes of this Agreement.

2. **DISMISSAL & CESSATION OF DISPUTES .** In consideration of the Parties' releases, acknowledgements, and agreements set forth herein, Nokia shall: (i) within 2 business days after obtaining confirmation by email from InterDigital that InterDigital has received the Settlement Fee [1] , cause its counsel to file a Notice of Withdrawal of Nokia's Notice of Appeal of the Order; (ii) promptly take any other steps necessary to dismiss and terminate any appeal of the Order with prejudice; and (iii) refrain from taking any action to appeal, vacate or otherwise attack the validity of the Award or the Order. In addition, InterDigital shall, within 2 business days of receiving the Settlement Fee, submit a letter to the Secretariat of the ICC International Court of Arbitration requesting dismissal of the Second Arbitration with prejudice and thereafter take any and all other steps required to effect the dismissal of the Second Arbitration, and also withdraw without prejudice the Confidentiality Dispute. Each Party shall bear its own attorneys' fees and costs, if any, incurred in connection with the Arbitration, the federal court proceeding that resulted in the Order, Nokia's previous effort to appeal the Order, the Second Arbitration, and the Confidentiality Dispute.

3. **RELEASES .**

   a. InterDigital Release .

   (i) In consideration of the execution and delivery of this Agreement, effective and contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, and subject to (3)(a)(ii) below, InterDigital Group irrevocably releases, acquits and forever discharges Nokia Group and its attorneys and agents from any and all Claims that InterDigital or its predecessors, successors, Affiliates and assigns ever had, now have or hereafter can, shall or may have, for, upon or by reason of Claims asserted or which could have been asserted against Nokia or its Affiliates (a) relating to Nokia's or its Affiliates' Protected Acts with respect to 2G Covered Terminal Units, 2G Covered Infrastructure and Additional Released Products sold by Nokia or its Affiliates, regardless of whether such Claims relate to an alleged infringement of the

[1] Note to the reader-the Settlement Fee is equal to $252,000,000.00

InterDigital Patents or the rights and obligations created by the Nokia PLA, the Master Agreement, the TDD Development Agreement or the Award; (b) relating to Nokia's payment obligations, including royalty reporting obligations, under the Award; (c) for any increase of, addition to, or premium of any kind charged against the Settlement Fee (except for interest, costs and attorney's fees that may become due under Section 5(c)), regardless of whether such Claim is pursued in a suit at law or equity, and regardless of the legal theory on which such Claim is pursued (*e.g.* , Lanham Act, antitrust law, fraud, fraudulent inducement, or negligent misrepresentation, or contract law based on the Nokia PLA, Master Agreement or TDD Development Agreement or under the Award); (d) for any increase of, addition to, or premium of any kind charged against monies already paid for 2G Covered Terminal Units, 2G Covered Infrastructure, or Additional Released Products under the Master Agreement, Nokia PLA, or TDD Development Agreement, regardless of whether such Claim is pursued in a suit at law or equity, and regardless of the legal theory on which such Claim is pursued (e.g. Lanham Act, antitrust law, fraud, fraudulent inducement, or negligent misrepresentation, contract law based on the Nokia PLA, Master Agreement or TDD Development Agreement); or (e) for any rights relating to 2G Covered Terminal Units, 2G Covered Infrastructure, or Additional Released Products that are different from those acknowledged and agreed to herein, whether under the Award, Master Agreement, Nokia PLA, or application of the terms of the Ericsson PLA, Sony Ericsson PLA, Ericsson Side Letter, Sony Ericsson Side Letter, or the Lucent Agreement (as defined in Section 4(a) below).

Effective and contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, InterDigital acknowledges and agrees that Nokia and its Affiliates will have a fully paid-up, perpetual, irrevocable, non-exclusive, world-wide license (without the right to grant sublicenses) under the InterDigital Patents for Protected Acts with respect to 2G Covered Terminal Units and 2G Covered Infrastructure sold by Nokia or its Affiliates. Any entity operating under Nokia's or Nokia's Affiliates' "have made" rights for the Protected Acts shall only have such rights with respect to (A) the entity's sales of 2G Covered Terminal Units and 2G Covered Infrastructure to Nokia or Nokia's Affiliates, (B) the entity's sales of ASICs, software, or other components to Nokia or Nokia's Affiliates when such ASICs, software, or other components are used as part of and within 2G Covered Terminal Units and 2G Covered Infrastructure sold by Nokia or Nokia's Affiliates, (C) the entity's internal use of reference designs and software to design and/or make 2G Covered Terminal Units or 2G Covered Infrastructure sold by such entity to Nokia or Nokia's Affiliates, and (D) the entity's internal use of reference designs and software to design and/or make ASICs, software or other components when such ASICs, software, or other components are sold to Nokia or Nokia's Affiliates to be used as part of and within 2G Covered Terminal Units and 2G Covered Infrastructure sold by Nokia or Nokia's Affiliates.

In addition, effective and contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, InterDigital acknowledges and agrees that Nokia and its Affiliates will have a fully paid-up, irrevocable, non-exclusive, world-wide release under the InterDigital Patents for Protected Acts with respect to Additional Released Products. Any entity that made Additional Released Products designed by or for Nokia or Nokia's Affiliates will also have a fully paid-up, irrevocable, not-exclusive, world-wide release under the InterDigital Patents with respect to (A) the entity's sales of such Additional Released Products to Nokia or Nokia's Affiliates, (B) the entity's sales of ASICs, software, or other components to Nokia or Nokia's Affiliates when such ASICs, software, or other components were used as part of and within the Additional Released Products sold by Nokia or Nokia's Affiliates, (C) the entity's internal use of reference designs and software to design and/or make the Additional Released Products sold by such entity to Nokia or Nokia's Affiliates, and (D) the entity's internal use of reference designs and software to design and/or make ASICs, software, or other components when such ASICs, software, or other components are sold to Nokia or Nokia's Affiliates to be used as part of and within Additional Released Products sold by Nokia or Nokia's Affiliates.

InterDigital also acknowledges and agrees that, effective and contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a), Nokia's and its Affiliates' customers have a release or will receive a pass-through license (as appropriate) from InterDigital with respect to 2G Covered Terminal Units and 2G Covered Infrastructure sold by Nokia or its Affiliates, and are released by InterDigital with respect to Additional Released Products sold by Nokia or its Affiliates to such customers. Such pass-through license or release (as appropriate) shall apply only to 2G Covered Terminal Units, 2G Covered Infrastructure, and Additional Released Products in each case sold by Nokia or its Affiliates to their customers, and will not apply to any Excluded Product that is not an Additional Released Product or to any third party products, including the customer's products, even if such products are used in combination with 2G Covered Terminal Units, 2G Covered Infrastructure, and Additional Released Products in each case sold by Nokia or its Affiliates (*e.g.* , if a third party handset is used in combination with a Nokia base station, the third party handset will not be licensed hereunder, and no third party will be licensed to the combination of any third party handset and the Nokia base station, but the Nokia base station remains licensed to Nokia and its customers).

The foregoing release and license do not include a release or license with respect to subject matter other than that expressly set forth above and do not apply to any third party products even when used in combination with 2G Covered Terminal Units, 2G Covered Infrastructure, and Additional Released Products in each case sold by Nokia or its Affiliates.

(ii) The release, acknowledgement, license and agreement described in Section 3(a)(i) above do not extend, by implication or otherwise, to (A) any products other than 2G Covered Terminal Units, 2G Covered Infrastructure and Additional Released Products in each case sold by Nokia or its Affiliates, including without limitation, any Excluded Product and any portion of any

Multi-Mode Product (including any portion compliant with a 2G Covered Standard) sold by Nokia or its Affiliates that is not an Additional Released Product; (B) any ASICs, software, or other components except when such ASICs, software, or other components are used as part of and within 2G Covered Terminal Units, 2G Covered Infrastructure or Additional Released Products sold by Nokia or its Affiliates and licensed or released in Section 3(a)(i) above; (C) any reference designs or software except for use of such reference designs or software to design and/or make 2G Covered Terminal Units, 2G Covered Infrastructure or Additional Released Products sold by Nokia or its Affiliates and licensed or released in Section 3(a)(i) above, or any ASICS, software or other components used as part of and within such 2G Covered Terminal Units, 2G Covered Infrastructure, or Additional Released Products; (D) any right to grant sublicenses; or (E) the rights and obligations under Sections 2.1, 3.5, 4, 8.1, 8.2 and 8.3 of the TDD Development Agreement and paragraphs 7 and 10 of Amendment No. 1 to the TDD Development Agreement.

b. Nokia Release .

(i) In consideration of the execution and delivery of this Agreement, effective and contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, and subject to 3(b)(ii) below, Nokia Group irrevocably releases, acquits and forever discharges InterDigital Group and its attorneys and agents from Claims that Nokia or its predecessors, successors, Affiliates and assigns ever had, now have or hereafter can, shall or may have, for, upon or by reason of Claims asserted or which could have been asserted against InterDigital or either or their Affiliates (a) that the Award is invalid, improper, subject to vacatur or otherwise subject to any challenge whatsoever at law, equity or by virtue of Nokia's MFL or other rights under the Nokia PLA, Master Agreement and TDD Development Agreement, (b) for any refund of, return, recovery, credit or set-off against, offset, or reduction of any kind of the Settlement Fee or monies already paid under the Master Agreement, Nokia PLA, TDD Development Agreement or this Agreement, regardless of whether such Claim is pursued in a suit at law or equity, and regardless of the legal theory on which such Claim is pursued (*e.g.* Lanham Act, antitrust law, fraud, fraudulent inducement, or negligent misrepresentation, contract law based on the Nokia PLA, Master Agreement, TDD Development Agreement or under the Award), (c) for any rights relating to 2G Covered Terminal Units, 2G Covered Infrastructure, or Additional Released Products that are different from those acknowledged and agreed to herein, whether under the Award, Master Agreement, or Nokia PLA, or (d) for any rights relating to or benefits arising from the application of the terms of the Ericsson PLA, Sony Ericsson PLA, Sony Ericsson Side Letter, or Ericsson Side Letter, except as expressly provided in Section 4(d) of this Agreement.

(ii) Except as set forth below in 3(b)(iii), the release and acknowledgement described in Section 3(b)(i) above does not extend, by implication or otherwise, to any Claims: (a) [***] ; (b) with respect to the rights and obligations under Sections 2.1, 3.5, 4, 8.1, 8.2 and 8.3 of the TDD Development Agreement and paragraphs 7 and 10 of Amendment No. 1 to the TDD Development Agreement; (c) that Nokia has asserted in the lawsuit currently pending in the United States District Court for the District of Delaware captioned *Nokia Corporation v. InterDigital Communications Corporation and InterDigital Technology Corporation* , Case No. 05-16-JJF ("the Delaware Action"); (d) that Nokia has asserted in the action currently pending in the United Kingdom High Court of Justice, Chancery Division, Patents Court captioned *Nokia Corporation and InterDigital Technology Corporation* , Claim No. HC 05 C02026 (the "UK 3G Action"); or (e) that Nokia has asserted in Claim No. HC04 C01952 in the High Court of Justice of England and Wales, Chancery Division, Patents Court initiated by Nokia against InterDigital, including the application to the Court of Appeal, Case No. A3/2004/2639, Chancery Division, Patents Court, captioned Nokia Corporation v. InterDigital Technology Corporation (the "UK 2G Action").

(iii) Notwithstanding Section 3(b)(ii) above, the release and acknowledgement described in Section 3(b)(i) shall apply to any Claim that all or any portion(s) of the [***] under the Nokia PLA, Master Agreement and/or TDD Development Agreement constitute [***] of any such amounts. Nokia and its Affiliates agree that no portion of the [***] under the Master Agreement, the Nokia PLA, and/or the TDD Development Agreement constitute [***] of any such amounts, and will not allege in the Delaware Action or in any other Proceeding, that all or any portion of the [***] under the Master Agreement, the Nokia PLA, and/or the TDD Development Agreement [***], a basis for [***], or [***] of any such amounts.

4. OTHER COVENANTS

a. Rights Under Prior Agreements Terminated . The Parties understand and agree that, as of the Effective Date and contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, all of the Parties' rights and obligations under the Award and the Nokia PLA shall have terminated, and, with respect to the Award, have been satisfied and discharged by this Agreement and, with respect to the Nokia PLA, have been satisfied and discharged by this Agreement and the UK Settlement Agreement. Further, Nokia acknowledges, represents, and warrants that it has not elected to accept any third party license agreement under Section 3.1.2 of the Nokia PLA as of the Effective Date, and InterDigital acknowledges, represents, and warrants that it has not executed any Major Competitor License Agreement (as that term is used and defined in the Master Agreement) other than those deemed to be Major Competitor License Agreements in the Award. Notwithstanding the foregoing, IDCC's subsidiary, Tantivy Communications, Inc., entered into a settlement agreement, which included a patent license, on November 1, 2005, with Lucent Technologies Inc. (the "Lucent Agreement"). InterDigital represents and warrants

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

that the license granted in the Lucent Agreement (i) licenses only those patents that were involved in the litigation between Lucent Technologies Inc. and Tantivy Communications, Inc., (ii) only covers certain Lucent infrastructure products compliant with “cdma2000,” and (iii) defines “cdma2000” as “a family of IMT-2000 standards, as amended, which evolved from narrow band CDMA technologies (e.g., IS-95 and cdmaOne) and, include without limitation CDMA2000 1X, CDMA 1X EV-DO, CDMA-2000 1X EV-DV and CDMA2000 3X.”

b. No Admission of Liability or Limitations on Patent Challenges . By entering into this Agreement, Nokia and its Affiliates do not make any admission as to the validity, scope, essentiality, enforceability, or value of any InterDigital Patent nor do Nokia or any of its Affiliates admit or agree that any product of Nokia or its Affiliates infringes any claim of any InterDigital Patent. By entering into this Agreement, InterDigital and its Affiliates do not make any admission as to the invalidity, scope, non-essentiality, unenforceability, or value of any InterDigital Patent nor do InterDigital or any of its Affiliates admit or agree that any products of Nokia or its Affiliates (including those released or licensed hereunder) do not infringe any claim of any InterDigital Patent. Further, notwithstanding anything to the contrary, nothing in any agreements between the parties shall preclude or limit in any way the ability of Nokia or its Affiliates to institute, participate as an adverse party in, otherwise provide material support or continue their participation in or support to, any Proceeding anywhere in the world challenging any [***] , including seeking to re-examine, declare not infringed, invalid, unenforceable or non-essential, or limit or construe the scope of any claim of any [***]. This provision shall in no way, however, eliminate or reduce, or expand or increase, any confidentiality obligations or restrictions (including those regarding the use of confidential information) that either party may have under any agreement (including those obligations and restrictions set forth in Article 5 of the Master Agreement) or court order.

c. Audit Rights . Contingent upon InterDigital’s receipt of the Settlement Fee in accordance with Section 5(a) herein, neither Party shall take any action after the Effective Date to pursue an audit or inspection of the other Party’s or the other Party’s Affiliates’ books and records for any purpose relating to 2G Covered Terminal Units, 2G Covered Infrastructure or Additional Released Products sold by Nokia or its Affiliates, or to InterDigital’s billing relating to the TDD development project. This Section shall not be deemed to preclude discovery in any Proceeding between the Parties to the extent such discovery is otherwise available. Notwithstanding the above, as to any entity that is created or comes into existence after the Effective Date and that Nokia claims as an Affiliate under this Agreement, InterDigital shall have the right to obtain an audit only as to the questions of whether the claimed Affiliate has [***], or as to what [***]. In addition, in the event that [***] pursuant to Section [***], InterDigital may request an audit at its own expense, and in accordance with the provisions of this Section 4(c) regarding compliance with Section [***], which audit

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will [***] for Nokia's 2G Covered Terminal Units or 2G Covered Infrastructure, [***], and the [***] and regarding compliance with Section [***], which audit will only address whether an [***] described in Section [***], what [***] by Nokia, and the [***] of 2G Covered Terminal Units and 2G Covered Infrastructure [***]. Similarly, as to [***] the Effective Date and that InterDigital or one of its Affiliates claims [***] under this Agreement, Nokia shall have the right to obtain an audit only as to the questions of [***] by InterDigital or one of its Affiliates, or as to the [***] of the [***] and the [***] of InterDigital or one of its Affiliates to [***]. The auditing party shall be entitled to audit, in each case at its own expense, no more than once per calendar year, following fifteen (15) business days prior notice, using an independent certified public accountant or independent patent licensing professional that has signed an appropriate and reasonable nondisclosure agreement with the Party being audited. Any information obtained during the course of the audit shall be held in confidence by the auditing Party and the auditor except as necessary to enforce this agreement.

d. [***] .

Contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, in the event that InterDigital sues Nokia for patent infringement based upon infringement of an InterDigital Patent by Nokia's or its Affiliates' [***] (other than subsequent to a declaratory judgment claim regarding non-infringement in the United States or similar claim regarding infringement or lack thereof in another jurisdiction brought by Nokia or its Affiliates specifically concerning [***]), Nokia can claim the benefit of whatever [***], and Nokia shall be free to litigate in any such infringement action Nokia's position that the [***], with respect to which InterDigital may contest. If the court finds that the [***], InterDigital agrees that (regardless of any definitions, terms, or conditions of this Agreement to the contrary) the release from InterDigital and Nokia's paid-up license (both set out in Section 3(a)(i) above) extend to and cover [***] by Nokia, but such license, with regard to [***], shall be altered as follows: [***] shall apply to Nokia's license for [***]. Any benefits obtained by Nokia under this Section 4(d) shall not alter in any way Nokia's rights with regard to 2G Covered Terminal Units or Additional Released Products.

In the event that, prior to a declaratory judgment claim or similar claim as described above or a court action involving Nokia as described above, the scope of the [***], is interpreted in a final, non-appealable and binding judicial or arbitral determination then InterDigital shall promptly notify Nokia of such event.

Nothing in this Section 4(d) shall affect (i) Nokia's release to InterDigital, (ii) Nokia's payment obligations, as set forth in Section 5 herein, or (iii) Nokia's rights with regard to Infrastructure under Section 4 of the TDD Development Agreement. Nothing in this Section shall be construed as an acknowledgment or admission from InterDigital that the [***] .

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e. Use of this Agreement . Contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, InterDigital acknowledges and agrees that it will not [***] in any manner in the Delaware Action, the UK 2G Action, or the UK 3G Action to challenge [***] currently being asserted in those actions (or, in the case of the UK 3G Action, a future claim that any or all of the InterDigital Patents currently in the UK 3G action are invalid), or to otherwise [***] in those actions from [***], but InterDigital may [***] for the limited purpose of [***] of this Agreement to support [***]. Nokia acknowledges and agrees that it will not use this Agreement in any manner in the Delaware Action, the UK 2G Action, or the UK 3G Action in an effort to [***], but Nokia may use this Agreement for the limited purpose of [***] this Agreement to support [***] by InterDigital. Notwithstanding the foregoing, neither Party shall offer into evidence or otherwise disclose to the fact-finder at any trial between or involving both InterDigital and Nokia (other than in an action for breach of this Agreement and other than by court order) [***]. In the event that a court orders that the [***] be offered into evidence or otherwise disclosed to the fact-finder at any trial, either Party may offer into evidence or otherwise disclose to the fact-finder the terms, including [***]. In addition, in the event that a court orders that the terms, including [***] be offered into evidence or otherwise disclosed to the fact-finder at any trial, either Party may offer into evidence or otherwise disclose to the fact-finder the amount or approximate [***].

f. Agreement Not to Pursue Infringement Claims . Contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, InterDigital and its Affiliates agree not to initiate or assert any patent infringement claims in any action, litigation, arbitration, or other legal or administrative proceeding (including a United States International Trade Commission action or comparable actions in any other jurisdictions around the world) against Nokia or its Affiliates before [***], other than in response to a future affirmative action or claim initiated or asserted on or after the Effective Date by Nokia or its Affiliates concerning the validity or infringement of InterDigital Patents (but specifically excepting any [***] of: (i) [***]; or (ii) [***]). InterDigital may, at its option, file such responsive action, litigation or proceeding in any forum of InterDigital's choice, subject to the rights of Nokia or its Affiliates to contest personal jurisdiction or seek to dismiss, stay, or transfer the action.

g. Potential Future Royalties on Excluded Products . Contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, in the event that, after January 1, 2007, any of Nokia's or its Affiliates' Excluded Products sold during the period between the Effective Date and December 31, 2006, are found to infringe any InterDigital Patent and a royalty rate or amount is imposed on such product sales,

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the Parties agree that Nokia and its Affiliates will be entitled to a [***] for such product sales and that InterDigital [***] with respect to such product sales; provided, however, InterDigital may attempt to establish Nokia's [***] related to sales that occurred after such period. Except as necessary to enforce InterDigital's agreement not [***] or to enforce [***], the Parties agree and acknowledge that neither Party may use or refer to this provision in any way in any action seeking damages from Nokia or any of its Affiliates for patent infringement. In no event shall either Party offer into evidence or otherwise disclose to the fact finder at any trial between or involving both InterDigital and Nokia (other than in an action for breach of this Agreement and other than by court order) the existence of the [***] provided in this Section 4(g) and such [***] shall be [***].

5. <u>PAYMENTS</u>

a. Nokia shall pay to ITC the Settlement Fee on or before April 28, 2006, as further provided for in this Section 5. The Parties agree that this payment by Nokia is (i) unconditional and not refundable, and (ii) not subject to any deductions, additions, set-offs, increases, interest (except as set forth in Section 5(c) herein), offsets, premiums, discounts (including, without limitation, prepayment), credits (including, without limitation, any TDD Credit or Licensing Credit under Section 2.1.3 of the Nokia PLA or Period 1 Credit under the Nokia PLA), or withholdings (other than tax withholding as described in Section 6.3 of the Master Agreement).

b. Nokia shall pay the Settlement Fee to ITC in United States currency by wire transfer to the following account:

ABA #[***]
PNC Bank
300 Delaware Avenue
Wilmington, Delaware 19801
USA
Swift Code: [***]

Credit to: InterDigital Facility Company
Account # [***]

c. Other than any tax withholdings permitted under Section 6.3 of the Master Agreement, if the payment of the Settlement Fee is not made when due, it shall bear interest at the [***], from the date that such amount was payable under this Section 5 until the date upon which such payment is made. In any action to collect past due amounts which have not been paid in accordance with this Section 5, Nokia shall reimburse InterDigital for InterDigital's costs and reasonable attorneys' fees incurred in such action.

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6. CONFIDENTIALITY OF TERMS . Unless otherwise required by law or court or arbitral order, the Parties shall maintain as strictly confidential this Agreement and any proprietary information disclosed under, or as a result of the negotiation or performance of, this Settlement Agreement. Without limiting the foregoing, each Party acknowledges all pre-existing obligations of confidentiality (including in particular the separately executed Nondisclosure Agreement governing the communications made in connection with the negotiation and execution of this Agreement) and agree that they continue to be bound thereby in accordance with their terms. Notwithstanding the foregoing, following the exchange of fully-executed versions of this Agreement, either Party may (i) issue a press release discussing the execution of this Agreement and the material terms hereof, (ii) provide this Agreement or the contents thereof in confidence to other licensees to the extent required by most favored licensee clauses (but only to the extent such licensee is bound by a non-disclosure agreement), and (iii) disclose such information as may be necessary to satisfy SEC, NASDAQ, or other statutory, regulatory, taxation, or administrative requirements, to its accountants, or in a Proceeding between the Parties.

7. REPRESENTATIONS, WARRANTIES AND DISCLAIMERS

a. InterDigital and its Affiliates represent and warrant to Nokia and its Affiliates that InterDigital is the sole and lawful owner of all rights, title and interest in and to each and every Claim and other matters which its purports to release herein and that InterDigital has not heretofore assigned or transferred to any person or entity any right, title or interest in the released matters.

b. Nokia and its Affiliates represent and warrant to InterDigital and its Affiliates that Nokia is the sole and lawful owner of all rights, title and interest in and to each and every Claim and other matters which it purports to release herein and that Nokia has not heretofore assigned or transferred to any person or entity any right, title or interest in the released matters.

c. Each Party represents and warrants to the other Party that (i) the person signing this Agreement on its behalf is fully authorized and legally competent to execute and deliver this Agreement on its behalf; (ii) it is executing this Agreement wholly upon its own volition, individual judgment, belief, and knowledge; (iii) this Agreement is made without reliance upon any statement or representation of any other Party, except those representations and warranties expressed in this Agreement; (iv) the performance of this Agreement and the transactions contemplated hereunder have been fully authorized by all necessary corporate and other action; and (v) it is executing this Agreement after consultation with its own independent legal counsel.

d. This Agreement shall not be construed against any of the Parties hereto as an admission or concession as to the value of any Claims resolved herein.

e. Each Party represents and warrants to the other Party that the Settlement Fee, this Agreement, and all prior payments made under the Nokia PLA, TDD Development Agreement, and Master Agreement are in no way based upon any statement by InterDigital or its Affiliates regarding the validity, essentiality, and/or infringement of any InterDigital Patent.

f. Nokia represents and warrants that, as of the Effective Date, the only suits, arbitrations (including dispute resolution notices under the Master Agreement) or actions initiated by Nokia and currently pending between the Parties or their Affiliates are: (i) the Delaware Action; (ii) Nokia's appeal to the United States Court of Appeals for the Second Circuit of the Order confirming the Award; (iii) the UK 2G Action; and (iv) the UK 3G Action. InterDigital represents and warrants that, as of the Effective Date, the only suits, arbitrations (including dispute resolution notices under the Master Agreement) or actions initiated by InterDigital and currently pending between the Parties or their Affiliates are: (v) the Second Arbitration and (vi) the Confidentiality Dispute.

8. MISCELLANEOUS

a. Subject only to 8(b) and (c) below and the applicability of the pass-through rights granted in Section 3(a) above, this Agreement is personal to the Parties hereto and their respective Affiliates and may not be assigned or transferred, nor may any license or release granted hereunder be assigned or transferred whether by operation of law or otherwise, and any attempt to make any such assignment or transfer shall be null and void.

b. If, after the Effective Date, InterDigital and/or its Affiliates assigns or transfer any of the InterDigital Patents to third parties, it may do so only on the condition that (i) the assigned or transferred patents remain fully encumbered by the license and release described in this Agreement, which license and release shall remain valid and effective as to the patent once assigned or transferred and (ii) InterDigital provides the assignee or transferee written notice of this condition prior to effecting the assignment or transfer.

c. Contingent upon InterDigital's receipt of the Settlement Fee in accordance with Section 5(a) herein, if, after the Effective Date, Nokia assigns or transfers all or substantially all of any of its [***] of any of these [***] in the normal course of Nokia's business going forward, provided that the [***] are identified in Nokia's public documents, e.g., website, SEC filings, etc.) or assigns or transfers all or substantially all of its [***] in the normal course of Nokia's business going forward, provided that the [***] is identified in Nokia's public documents, e.g., website, SEC filings, etc.) to a third party (i.e., a party other than Nokia or one of its Affiliates), in either case through merger, divestiture of assets, the sale of shares, or otherwise, so that such divested [***] is not an Affiliate hereunder, Nokia may assign or transfer the paid-up license applicable to such transferred [***] to the acquiring entity only as to those Protected Acts undertaken by the acquiring entity for the [***] and in accordance with this Section c. Nokia shall be deemed to have assigned or transferred [***] to the third party acquiring entity if the assignment or transfer represents [***].

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

In the event that the third party acquiring entity at the time of the assignment or transfer is a licensee of InterDigital for 2G Covered Terminal Units or 2G Covered Infrastructure, whichever is applicable based on the [***] being transferred, Nokia's paid-up license may only be assigned or transferred to such third party acquiring entity under the following conditions: (a) the third party acquiring entity agrees in writing prior to the assignment or transfer that it will [***]; and (b) the [***].

In the event that the third party acquiring entity at the time of assignment or transfer is not a licensee of InterDigital, the paid-up license being transferred by Nokia [***] described in the [***].

In addition, whether or not the third party acquiring entity at the time of the assignment or transfer is a licensee of InterDigital for 2G Covered Terminal Units or 2G Covered Infrastructure, the paid-up license assigned or transferred by Nokia shall only apply (i) to Protected Acts of the third party acquiring entity on and after the acquisition date and (ii) to the [***] that was actually obtained from Nokia, [***]. Nokia's paid up license will be [***] by such assignment or transfer. For example, if Nokia sells [***] to a third party and during the [***] of 2G Covered Terminal Units, then the paid-up license assigned or transferred by Nokia to the third party shall only apply, [***] of 2G Covered Terminal Units made, used, sold, etc. by the third party, and Nokia's paid up license will be [***] by such assignment or transfer. Further, the transferred or assigned paid-up license shall not extend to any larger operations into which such assigned or transferred business group may be subsumed or any subsequent additions or expansion made to such business group by the acquiring entity.

Notwithstanding anything to the contrary, (i) Nokia may assign or transfer its paid-up license pursuant to this provision to a third party [***] and (ii) Nokia may not transfer the rights under Section 4(d) herein to a third party.

d. In the event that (i) Nokia acquires an entity after the Effective Date that meets the definition of Affiliate, but that does not constitute a Nokia Affiliate because the acquired entity had, in the [***] and (ii) Nokia merges the acquired entity into Nokia or one of Nokia's Affiliates, then the licenses set forth in Section 3(a)(i) shall not extend [***] to the number of unit sales by Nokia or its Affiliates of 2G Covered Terminal Units and/or 2G Covered Infrastructure that were [***] ; provided however, the licenses set forth in Section 3(a)(i) shall continue to cover all other unit sales by Nokia or its Afilliates of 2G Covered Terminal Units and/or

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2G Covered Infrastructure, including [***] unit sales of 2G Covered Terminal Units and/or 2G Covered Infrastructure by Nokia or Nokia's Affiliates that may be attributable to [***]. For example, if Nokia acquires and merges into itself an entity that sold [***], then [***] 2G Covered Terminal Units sold by Nokia or its Affiliates [***] after the acquisition would be unlicensed under this Agreement, but [***] unit sales of 2G Covered Terminal Units sold by Nokia or its Affiliates each calendar year after the acquisition would continue to be licensed under this Agreement.

In the event that (i) Nokia acquires an entity after the Effective Date that meets the definition of Affiliate, but that does not constitute a Nokia Affiliate because the acquired entity had, in the full calendar year prior to its acquisition, [***] and (ii) Nokia operates the acquired entity as a separate company (i.e., does not merge the entity into Nokia or one of Nokia's Affiliates), then any Protected Acts performed by the acquired entity with regard to 2G Covered Terminal Units and 2G Covered Infrastructure shall not benefit from any of the licenses granted to Nokia and Nokia's Affiliates under this Agreement.

e. No express or implied waiver of any breach of any term, condition or obligation of this Agreement shall be construed as a waiver of any subsequent breach of that term, condition or obligation or of any other term, condition or obligation of the same or of a different nature.

f. This Agreement shall be governed by and construed in accordance with New York law, without regard to conflict of laws principles. The exclusive jurisdiction and venue for any and all litigation over any alleged breach of this Agreement shall be the United States District Court, Southern District of New York (except that the provisions of this Agreement may be asserted as a defense or counterclaim in an action properly filed elsewhere subject to the restrictions on the manner of use of the Agreement contained herein). In particular, this provision will have no impact on any pending litigation between the Parties, namely the Delaware Action, the UK 2G Action, or the UK 3G Action.

g. The provisions of this Agreement shall be severable, and if any of them are held invalid or unenforceable, then that provision shall be construed to the maximum extent permitted by law. The invalidity or unenforceability of one provision shall not necessarily affect any other.

h. Each Party shall be responsible for all actions required of its Affiliates hereunder and shall be liable to the other Party for any adverse action or failure to perform by any of such Affiliates.

i. Each Party shall bear its own attorney's fees and related expenses incurred by or on behalf of said Party in connection with the negotiation of this Agreement.

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

j. This Agreement, the Award, the Master Agreement, the TDD Development Agreement, and the Nokia PLA constitute the entire agreement and understanding between the Parties as to the subjects addressed in this document, and supersede all prior agreements, understandings, discussions and other communications, if any, between the Parties with respect to the subject matter thereof, whether oral or written. In the event of a conflict between the terms of this Agreement and the Award, Master Agreement, and/or Nokia PLA, this Agreement shall control. In addition, the Parties hereby acknowledge the contemporaneous execution of the UK Settlement Agreement and agree that, to the extent there is deemed to be any conflict or inconsistency between the releases and licenses (or exclusions thereto) granted to Nokia in this Agreement for 2G Covered Terminal Units, 2G Covered Infrastructure, or Additional Release Products and the releases and licenses (and exclusions thereto) granted to Nokia in the UK Settlement Agreement, the terms and conditions of this Agreement shall control with regard to 2G Covered Terminal Units, 2G Covered Infrastructure, and Additional Released Products.

k. No modification or amendment to this Agreement will be effective unless it is in writing and executed by authorized representatives of the Parties, nor will any waiver of any rights be effective unless assented to in writing by the Party to be charged.

l. Each Party to this Agreement agrees to perform any further acts and execute and deliver any further documents that may be reasonably necessary to carry out the provisions of this Agreement.

m. This Agreement and any counterpart original thereof may be executed and transmitted by facsimile or by emailed portable document format (".PDF") document. The facsimile and/or .PDF signature shall be valid and acceptable for all purposes as if it were an original. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF , each of the Parties has caused this Agreement to be executed by its duly authorized officer as of the date first set out above.

Nokia Corporation

By: /s/ Ilkka Rahnasto /s/ Auli Luukkanen

Name: Ilkka Rahnasto Auli Luukkanen

Title: Vice President, IPR Director IPR Strategy & Development

Date: April 27, 2006

InterDigital Communications Corporation

By: /s/ William Merritt

Name: William Merritt

Title: President

Date: April 27, 2006

InterDigital Technology Corporation

By: /s/ William Merritt

Name: William Merritt

Title: President & CEO

Date: April 27, 2006

Exhibit 10.84

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of this 16 th day of May, 2006, by and between James Nolan, a New York resident (the “Employee”), and InterDigital Communications Corporation, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (the “Company”).

WHEREAS, the Company is engaged in the business of the design and development of advanced wireless technologies and products that drive voice and data communications and the licensing of wireless digital technology (as more particularly described in the Company’s Form 10-K for the year ended December 31, 2005) (the “Business”). The definition of Business shall change and evolve over time as the Company’s business changes and evolves, and such definition shall further automatically adjust each year with the filing of the Company’s then current Form 10-K to be consistent with the business of the Company described therein.

WHEREAS, Employee has been promoted to the position of Senior Engineering Officer of the Company (Employee’s “Position”) effective May 16, 2006, and Employee is willing to accept such Position upon the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, and intending to be legally bound, the parties, subject to the terms and conditions set forth herein, agree as follows:

1. Salary Increase . The Company hereby grants Employee an increase to his base salary as set forth in Section 4 below and Employee hereby accepts such increase.

2. Term and Duties . Until such time as Employee’s employment hereunder is terminated pursuant to the provisions of Section 9 hereto (the “Term”), Employee shall serve the Company faithfully and to the best of his ability and shall devote his full time, attention, skill and efforts to the performance of the duties required by or appropriate for his Position. Employee agrees to assume such duties and responsibilities as may be customarily incident to such position, and as may be reasonably assigned to Employee from time to time by the Chief Executive Officer of the Company. Employee shall report to the Chief Executive Officer of the Company.

3. Other Business Activities . During the Term, Employee will not, without the prior written consent of the Company, directly or indirectly engage in any other business activities or pursuits whatsoever, except activities in connection with any charitable or civic activities, personal investments and serving as an executor, trustee or in other similar fiduciary capacity; provided, however, that such activities do not interfere with his performance of his responsibilities and obligations pursuant to this Agreement.

4. Compensation .

(a) The Company shall pay Employee, and Employee hereby agrees to accept, as compensation for all services rendered hereunder and for Employee's covenants as provided for in Section 8 hereof, a base salary at the annual rate of Two Hundred and Twenty-Five Thousand Dollars (subject to any increase from time to time, the "Base Salary"). The Base Salary shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company or which are requested to be withheld by Employee, and which shall be withheld and paid in accordance with the Company's normal payroll practice for its similarly situated employees from time to time in effect.

(b) Employee shall be eligible to participate in the Company's Annual Employee Bonus Plan, as amended from time to time (the "Bonus Plan"), on terms and conditions no less favorable than those provided to the other Company senior and executive officers so long as the same may be in effect. For the Year 2006, Employee shall have a target bonus level of 40% of his Base Salary under the Bonus Plan. The goals shall be consistent with the goals set for other senior and executive officers. The bonus shall be subject to the terms of the Bonus Plan, as amended from time to time, and shall be referred to herein as the "Annual Target Bonus".

(c) Employee shall be eligible to participate in the Company's Long Term Compensation Program as it may be amended from time to time for so long as the same may be in effect ("Program"). Employee's eligibility for an LTIP cash bonus and Restricted Stock Unit award under the Program shall be 80% of Base Salary effective upon the next applicable cash and Restricted Stock Unit cycles.

(d) Employee has been awarded 5,000 Restricted Stock Units under the terms and conditions of the Company's 1999 Restricted Stock Plan ("1999 Plan") effective May 16, 2006. Subject to such terms and conditions of the 1999 Plan, the Restricted Stock Units shall vest as follows:

May 16, 2007	1,666 shares
May 16, 2008	1,667 shares
May 16, 2009	1,667 shares

(e) In the event any amount or benefit payable to the Employee under this Agreement or under any other plan, agreement or arrangement applicable to the Employee, is subject to an excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or imposed under any successor provision of the Code imposing a tax liability on "excess parachute payments" as that term is defined in Code Section 280G), Employee shall be entitled, in addition to any other amounts payable under the terms of this Agreement or under any other plan, agreement or arrangement applicable to the Employee, to a cash payment in an amount sufficient to indemnify the Employee (or such other person as may be liable for the payment of such excise tax) for the amount of any such excise tax, and leaving Employee with an amount, net after all federal, state and local taxes, equal to the amount Employee would have had if no portion of his benefit under the Plan constituted an "excess parachute payment." Notwithstanding the foregoing, the determination of the amount necessary to indemnify the Employee shall be made taking into account all other payments made to the Employee under any plans, agreements or arrangements aside from this Agreement that are intended to indemnify the Employee with respect to excise taxes on "excess parachute payments". Any disputes as to calculations to be made under this paragraph shall be resolved by the Company's independent auditors, whose determinations shall be final and binding. This provision shall survive the termination of this Agreement and Employee's employment.

(f) If any payment to Employee under the terms of this Agreement is determined to constitute a payment of nonqualified deferred compensation for purposes of Section 409A of the Code, such payment shall be delayed until the date that is six months after the date of Employee's separation from service with the Company, so as to comply with the special rule for certain "specified employees" set forth in Code Section 409A(a)(2)(B)(i) unless it is determined that immediate distribution is permissible (and does not trigger any additional tax liability pursuant to Code Section 409A(a)(l)) pursuant to Code Section 409A(a)(2)(A)(v) by reason of being payable in connection with a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company or is otherwise determined not to be subject to such additional tax liability.

5. Benefits and Expenses . Employee and his dependants shall be entitled to receive those employee benefits (including, without limitation, paid time off, medical plan, dental plan, optional 401K participation and expense reimbursement) as shall be provided to similarly situated employees of the Company ("Benefits").

6. Confidentiality . Employee recognizes and acknowledges that the Proprietary Information (as hereinafter defined) is a valuable, special and unique asset of the Business of the Company. As a result, both during the Term and thereafter, Employee shall not, without the prior written consent of the Company, for any reason either directly or indirectly divulge to any third party or use for his own benefit, or for any purpose other than the exclusive benefit of the Company, any confidential, proprietary, business and technical information or trade secrets of the Company or of any subsidiary or affiliate of the Company ("Proprietary Information") revealed, obtained or developed in the course of his employment with the Company. Such Proprietary Information shall include, but shall not be limited to, the intangible personal property described in Section 7(b) hereof, any information relating to methods of production and manufacture, research, computer codes or instructions (including source and object code listings, program logic algorithms, subroutines, modules or other subparts of computer programs and related documentation, including program notation), computer processing systems and techniques, concepts, layouts, flowcharts, specifications, know how, any associated user or service manuals or other like textual materials (including any other data and materials used in performing the Employee's duties), all computer inputs and outputs (regardless of the media on which stored or located), hardware and software configurations, designs (including information and material relating to any ASIC), architecture, interfaces, plans, sketches, blueprints, and any other materials prepared by the Employee in the course of, relating to or arising out of his employment by the Company, or prepared by any other Company employee, representative, or contractor for the Company, or its customers, costs, business studies, business procedures, finances, marketing data, methods, plans and efforts, the identities of licensees,

strategic partners, customers, contractors and suppliers and prospective licensees, strategic partners, customers, contractors and suppliers, the terms of contracts and agreements with licensees, strategic partners, customers, contractors and suppliers, the Company's relationship with actual and prospective licensees, strategic partners, customers, contractors and suppliers and the needs and requirements of, and the Company's course of dealing with, any such actual or prospective licensees, strategic partners, customers, contractors and suppliers, personnel information, customer and vendor credit information, and any other materials that have not been made available to the general public, provided, that nothing herein contained shall restrict Employee's ability to make such disclosures during the course of his employment as may be necessary or appropriate to the effective and efficient discharge of the duties required by or appropriate for his Position or as such disclosures may be required by law; and further provided, that nothing herein contained shall restrict Employee from divulging or using for his own benefit or for any other purpose any Proprietary Information that is readily available to the general public so long as such information did not become available to the general public as a direct or indirect result of Employee's breach of this Section 6. Failure by the Company to mark any of the Proprietary Information as confidential or proprietary shall not affect its status as Proprietary Information under the terms of this Agreement.

7. Property .

(a) All right, title and interest in and to Proprietary Information shall be and remain the sole and exclusive property of the Company. During the Term, Employee shall not remove from the Company's offices or premises any documents, records, notebooks, files, correspondence, reports, memoranda or similar materials of or containing Proprietary Information, or other materials or property of any kind belonging to the Company unless necessary or appropriate in accordance with the duties and responsibilities required by or appropriate for his Position and, in the event that such materials or property are removed, all of the foregoing shall be returned to their proper files or places of safekeeping as promptly as possible after the removal shall serve its specific purpose. Employee shall not make, retain, remove and/or distribute any copies of any of the foregoing for any reason whatsoever except as may be necessary in the discharge of his assigned duties and shall not divulge to any third person the nature of and/or contents of any of the foregoing or of any other oral or written information to which he may have access or with which for any reason he may become familiar, except as disclosure shall be necessary in the performance of his duties; and upon the termination of his employment with the Company, he shall leave with or return to the Company all originals and copies of the foregoing then in his possession, whether prepared by Employee or by others.

(b)(i) Employee agrees that all right, title and interest in and to any innovations, designs, systems, analyses, ideas for marketing programs, and all copyrights, patents, trademarks and trade names, or similar intangible personal property which have been or are developed or created in whole or in part by Employee (1) at any time and at any place while the Employee is employed by Company and which, in the case of any or all of the foregoing, are related to and used in connection with the Business of the Company, (2) as a result of tasks assigned to Employee by the Company, or (3) from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company (collectively, the "Intellectual Property"), shall be and remain forever the sole and exclusive property of the Company. The Employee shall promptly disclose to the Company all Intellectual Property, and the Employee shall have no claim for additional compensation for the Intellectual Property.

(ii) Employee acknowledges that all the Intellectual Property that is copyrightable shall be considered a work made for hire under United States Copyright Law. To the extent that any copyrightable Intellectual Property may not be considered a work made for hire under the applicable provisions of the United States Copyright Law, or to the extent that, notwithstanding the foregoing provisions, the Employee may retain an interest in any Intellectual Property that is not copyrightable, the Employee hereby irrevocably assigns and transfers to the Company any and all right, title, or interest that the Employee may have in the Intellectual Property under copyright, patent, trade secret and trademark law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company shall be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, and trademarks with respect thereto.

(iii) Employee further agrees to reveal promptly all information relating to the same to an appropriate officer of the Company and to cooperate with the Company and execute such documents as may be necessary or appropriate (1) in the event that the Company desires to seek copyright, patent or trademark protection, or other analogous protection, thereafter relating to the Intellectual Property, and when such protection is obtained, to renew and restore the same, or (2) to defend any opposition proceedings in respect of obtaining and maintaining such copyright, patent or trademark protection, or other analogous protection.

(iv) In the event the Company is unable after reasonable effort to secure Employee's signature on any of the documents referenced in Section 7(b)(iii) hereof, whether because of Employee's physical or mental incapacity or for any other reason whatsoever, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in his behalf and stead to execute and file any such documents and to do all other lawfully permitted acts to further the prosecution and issuance of any such copyright, patent or trademark protection, or other analogous protection, with the same legal force and effect as if executed by Employee.

8. Covenants . The Employee shall not, during the Term and thereafter for the Restricted Period (as defined below), do any of the following, directly or indirectly, without the prior written consent of the Company:

(a) engage or participate in any business directly competitive with the Company's Business, or the business of any of the Company's subsidiaries or affiliates, as same are conducted during the Term with respect to any period during the Term, or upon the termination of Employee's employment hereunder with respect to any period thereafter;

(b) become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent, consultant or otherwise) any person, firm, corporation, association or other entity engaged in any business that is directly competitive with the Business of the Company or the business of any subsidiary or affiliate of the Company, or become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent, consultant or otherwise) any portion of the business of any person, firm, corporation, association or other entity where such portion of such business is competitive with the Business of the Company or the business of any subsidiary or affiliate of the Company. Notwithstanding the foregoing, Employee may hold not more than one percent (1%) of the outstanding securities of any class of any publicly traded securities of a company that is engaged in activities referenced in Section 8(a) hereof;

(c) influence or attempt to influence any licensee, strategic partner, supplier, or customer of the Company or potential licensee, strategic partner, supplier or customer of the Company to terminate or modify any written or oral agreement or course of dealing with the Company; or

(d) influence or attempt to influence any person or entity to either (i) terminate or modify their employment, consulting, agency, distributorship or other arrangement with the Company, or (ii) employ or retain, or arrange to have any other person or entity employ or retain, any person or entity that has been employed or retained by the Company as an employee, consultant, agent or distributor of the Company at any time during the twelve (12) month period immediately preceding the termination of Employee's employment hereunder.

For purposes of this Agreement, the Restricted Period shall constitute (as applicable) (i) the period, if any, that Employee shall receive severance as set forth in Section 9 hereof, (ii) in the event Employee's employment hereunder is terminated for cause pursuant to Section 9(b) hereof, a period of one (1) year following such termination, or (iii) in the event that Employee terminates this Agreement without Good Reason, so long as the Company voluntarily pays severance to Employee (which the Company shall be under no obligation to do), for the period that Employee shall receive such severance, but in no event for a period longer than one (1) year. In the case of (iii) above, Employee's termination notice shall specify the name of any employer that Employee intends to accept employment with and the nature of the proposed position. Company shall render its decision whether or not to enforce the Restricted Period and notify Employee thereof within thirty days of Employee's notice of termination to Company.

An activity shall be deemed "directly competitive" when there is a reasonable likelihood based on Employee's actual possession (whether or not in tangible form) of technical information, trade secrets or confidential information of the Company or of any subsidiary or affiliate of the Company or its business associates, the activity prohibited would result in the use of such technical or trade secret or confidential information.

9. Termination . Employee's employment hereunder may be terminated during the Term upon the occurrence of any one of the events described in this Section 9. Upon termination, Employee shall be entitled only to such compensation and benefits as described in this Section 9.

(a) Termination by Employee . Employee may terminate Employee's employment hereunder at any time, for Good Reason or without Good Reason, by written notice of the termination of his employment hereunder. For purposes of this Agreement, Good Reason shall mean the failure by the Company to pay in a timely manner Base Salary or any other material form of compensation or material Benefit to be paid or provided to Employee which failure is not cured within ten (10) business days after notice to Company. In the event of a termination of Employee's employment hereunder pursuant to this Section 9(a), this Agreement shall terminate effective upon the passage of ten (10) days without cure if for Good Reason, otherwise upon receipt by Company of Employee's notice of termination unless otherwise mutually agreed in writing. In such event, Employee's rights to compensation and benefits hereunder shall terminate as of the date of termination, except that Employee shall be eligible for the accrued and unpaid Base Salary and Benefits as provided herein in accordance with the terms of the respective benefit plans or their terms and conditions as in effect at the time, and other forms of compensation payable herein ("Other Compensation") up through the date of termination. In addition, solely if such termination is for Good Reason and provided Employee signs Company's standard form termination letter as provided for in Section 10 below, Employee shall be eligible to receive (i) continued payment of Employee's Base Salary, and (ii) continued payment (during COBRA) of the Company's portion of the premium for medical and dental coverage on terms and conditions comparable to those most recently provided to the Employee pursuant to this Agreement, both for the period of twelve (12) months commencing upon the effective date of the Employee's release as defined in Section 10 below. Such severance payments shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company and shall be withheld and paid in accordance with the Company's normal payroll practice for its employees from time to time in effect. Except as specifically set forth in this Section 9(a), all Base Salary, Benefits and Other Compensation shall cease at the time of such termination, subject to the terms of any benefit or compensation plan then in force and applicable to Employee. Except as specifically set forth in this Section 9(a), the Company shall have no liability or obligation to Employee or any other person claiming under or through her for compensation or benefits hereunder by reason of such termination.

(b) Termination for Cause . If the Company terminates Employee's employment for Cause, then this Agreement shall terminate immediately and Employee's rights to compensation and benefits hereunder shall terminate as of the date of termination, except that Employee shall be eligible for the accrued and unpaid portion of her Base Salary, Benefits and Other Compensation up through the date of termination. For purposes of this Agreement, the term "Cause" shall mean (i) any material breach of Employee's employment obligations under this Agreement toward which there is no substantial progress to cure thirty (30) days after Employee's receipt of written notice of such breach from the Company, or (ii) Employee commits an act or omission which results in or is intended to result in gain or enrichment of Employee at the expense of Company; or (iii) an act by Employee involving any type of willful misconduct with respect to the Company, including without limitation fraud, embezzlement, theft or dishonesty in the course of her employment; or (iv) during the term of Employee's employment, Employee's conviction of a felony. Except as specifically set forth in this Section 9B, the Company shall have no liability or obligation to Employee or any other person claiming under or through her for compensation or benefits hereunder by reason of such termination.

(c) Termination on Death . If Employee dies, then this Agreement shall terminate immediately and Employee's rights to compensation and benefits hereunder shall terminate as of the date of death, except that Employee's executors, legal representatives or administrators shall be eligible for the accrued and unpaid portion of her Base Salary, Benefits and Other Compensation up through the date of death. Except as specifically set forth in this Section 9(c), the Company shall have no liability or obligation hereunder to Employee's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through her by reason of Employee's death, except that Employee's executors, legal representatives, administrators, or beneficiaries may be eligible to receive the payment prescribed under any life, death or disability benefits plan in which she is a participant as an employee of the Company, and to exercise any rights afforded under any compensation or benefit plan then in effect.

(d) Termination for Inability to Perform . In the event of a long term disability of the Employee (as such term is defined in the Company's Long Term Disability Plan) such that the Employee is not otherwise qualified to perform the essential functions of the Position with or without reasonable accommodation ("Inability to Perform"), Employee's employment hereunder may be terminated by the Company. In such event, this Agreement shall terminate on the date of termination and Employee will be eligible to receive all accrued and unpaid Base Salary and Benefits and Other Compensation, including payments prescribed under any disability insurance plan or arrangement in which Employee is a participant. Except as specifically set forth in this Section 9(d), the Company shall have no liability or obligation to Employee or any other person claiming under or through her for compensation or benefits hereunder by reason of Employee's disability or such termination. The foregoing shall not limit the Company's obligations to comply with the Americans With Disabilities Act.

(e) Termination Without "Cause" . The Company may terminate Employee's employment hereunder at any time, for any or no reason, without cause, effective upon the date designated by the Company. In the event Company terminates Employee's employment without Cause or due to Inability to Perform, as set forth above, this Agreement shall terminate on the date of termination and Employee shall be eligible to receive all accrued but unpaid Base Salary, Benefits and Other Compensation up to the date of termination. In addition, provided Employee signs Company's standard form termination letter as provided for in Section 10 below, Employee shall be entitled to receive (i) continued payment of Employee's Base Salary, and (ii) continued payment (during the applicable COBRA period) of the Company's portion of the premium for medical and dental coverage on terms and conditions comparable to those most recently provided to the Employee pursuant to this Agreement, both for the period of twelve (12) months commencing upon the effective date of the release as defined in Section 10 below. Such payments shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company and shall be withheld and paid in accordance with the Company's normal payroll practice for its employees from time to time in effect. Except as specifically set forth in this Section 9(e), the Company shall have no liability or obligation to Employee or any other person claiming under or through her for compensation or benefits hereunder by reason of such termination.

(f) Termination for Absenteeism .

(i) Regular attendance at work or in conducting work is an essential element of Employee's Position. Without limiting the Company's right to terminate Employee pursuant to Section 9(b) or 9(d) herein, in the event that Employee is absent for more than one hundred and fifty (150) days within any rolling twelve (12) month period, Employee's employment hereunder may be terminated by Company.

(ii) In the event of a termination of Employee's employment hereunder pursuant to Section 9(f)(i), Employee will be eligible to receive all accrued and unpaid (as of the date of such termination) Base Salary and Benefits and Other Compensation, including payments prescribed under any disability or life insurance plan or arrangement in which Employee is a participant or to which Employee is a party as an employee of the Company. In addition, provided Employee signs Company's standard form termination letter as provided for in Section 10 below, Employee shall be entitled to receive (i) continued payment of Employee's Base

Salary, and (ii) continued payment (during the applicable COBRA period) of the Company's portion of the premium for medical and dental coverage on terms and conditions comparable to those most recently provided to the Employee pursuant to this Agreement (to the extent such coverage is not provided under other Company policies, plans or programs relating to Disability), both for the period of twelve (12) months commencing upon the Effective Date of the release as defined in Section 10 below. Such severance payments shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company and shall be withheld and paid in accordance with the Company's normal payroll practice for its employees from time to time in effect. Such severance amounts shall be reduced by the amount of payments received by the Employee with respect to this period pursuant to any Social Security entitlement or any long term disability or any other employee benefit plan, policy or program maintained to provide benefits in the event of disability in which the Employee was entitled to participate at the time of termination under Section 9(f)(i). Except as specifically set forth in this Section 9(f)(i), the Company shall have no liability or obligation to Employee or any other person claiming under or through her for compensation or benefits hereunder by reason of such termination.

(g) Change of Control .

(i) If there is a Change of Control during the Term, and Employee's employment with the Company hereunder is terminated within one (1) year following such Change of Control by the Company (except for Cause) or by Employee (whether or not for Good Reason) Employee shall be eligible to receive all accrued but unpaid (as of the effective date of such termination) Base Salary, Benefits and Other Compensation. In addition, under these circumstances, provided Employee signs Company's standard form termination letter as provided for in Section 10 below, (i) Employee shall be eligible to receive, on the Effective Date as defined in Section 10 below, an amount equal to two (2) years' worth of Employee's Base Salary, and (ii) all stock options granted to Employee by Company which pursuant to the terms of the applicable option plan vest upon a "change in control" or "change of control" (as defined under that plan) shall vest, and (iii) all restrictions on restricted stock and RSUs, to the extent the Company in its sole discretion subsequently grants such securities, which pursuant to the terms of the applicable restricted stock plan lift (including as to vesting) shall be lifted. Such payments shall be inclusive of all applicable income, social security and other taxes and charges which are required by law to be withheld by the Company. Except as specifically set forth in this Section 9 (g), all Base Salary, Benefits and Other Compensation shall cease at the time of such termination, subject to the terms of any benefit or compensation plans then in force and applicable to Employee, and the Company shall have no other liability or obligation hereunder to Employee or any other person claiming under or through her by reason of such termination.

(ii) For purposes of this Section 9(g), a "Change of Control" means the acquisition (including by merger or consolidation, or by the issuance by the Company of its securities) by one Person or more than one Person 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 the Company on the date hereof or a sale of substantially all of the assets of the Company. A "Change of Control" shall not include a corporate reorganization of the Company. For these purposes, "Person" means an individual, partnership, corporation, joint venture, association, trust, unincorporated association, other entity or association.

10. Termination Letter . As a condition precedent to the Company’s payment of severance and continuation of medical and dental insurance coverage pursuant to Sections 9(a), 9(e), 9(f) and 9(g) above, Employee must sign and deliver to Company, Company’s form of termination letter, without revocation, which shall include, without limitation, a broad based employment release (containing, without limitation, a release of claims for age discrimination), an obligation to return Company property, a reiteration of Employee’s confidentiality obligations, and other terms protecting the Company’s reasonable business interests, within the time frame specified in the termination letter. The effective date of the release shall be the day after Employee’s right to revoke the release has expired.

12. Other Agreements . Employee represents and warrants to the Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee’s execution of this Agreement or Employee’s employment hereunder, or which are or would be inconsistent or in conflict with this Agreement or Employee’s employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder,

(b) Employee’s execution of this Agreement and Employee’s employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound, and

(c) Employee is free to execute this Agreement and to enter into the employ of the Company pursuant to the provisions set forth herein.

(d) Employee shall disclose the existence and terms of the restrictive covenants set forth in this Agreement to any employer that the Employee may work for during the term of this Agreement (which employment is not hereby authorized) or after the termination of the Employee’s employment at the Company.

13. Survival of Provisions . Notwithstanding anything in this Agreement to the contrary, all representations, warranties, obligations of performance, statements, responsibilities, indemnities, terms or conditions impliedly or expressly involving performance subsequent to the expiration or termination of this Agreement, or which cannot be determined to have been fully performed until after such time, or which by a fair reading of their nature are intended to survive shall be deemed to survive. If for any reason Employee shall continue to be employed by the Company following the termination of Employee’s employment under this Agreement, Employee shall have no right to receive any severance or other payments hereunder until Employee ceases to be employed by the Company, whereupon Employee’s right to severance or other payments, if any, shall be governed by the provisions of Section 9 hereof with respect to the particular circumstances involved in the Employee’s termination of employment.

14. Successors and Assigns . This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns. Subject to Section 9(g), the Company also may assign this Agreement in connection with any sale or merger (whether a sale or merger of stock or assets or otherwise) or corporate reorganization of the Company or the business of the Company.

Employee expressly consents to the assignment of the Confidentiality and Covenant provisions set forth in Paragraphs 6, 7 and 8 above of this Agreement to any new owner of the Company's business or purchaser of the Company. Employee may not assign, pledge or encumber his or her interest in or obligations under this Agreement without the written consent of the Chief Executive Officer of the Company.

15. Employee Benefits . This Agreement shall not be construed to be in lieu of or to the exclusion of any other rights, benefits and privileges to which Employee may be entitled as an employee of the Company under any retirement, pension, profit sharing, insurance, hospital or other plans or benefits which may now be in effect or which may hereafter be adopted.

16. Notice . Any notice or communication required or permitted under this Agreement shall be made in writing and sent by certified or registered mail, return receipt delivery, or by recognized overnight courier, addressed as follows:

If to Employee:

James Nolan
19 B Lone Oak Drive
Centerport, NY 11721

If to Company:

InterDigital Communications Corporation
781 Third Avenue
King of Prussia, Pennsylvania 19406
Attention: General Counsel

or to such other address as either party may from time to time duly specify by notice given to the other party in the manner specified above.

17. Entire Agreement: Amendments . This Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature between the parties hereto relating to the employment of Employee with the Company excepting the Non Disclosure and Assignment of Ideas Agreement dated February 28, 2005 and any applicable policies relating to Employee's employment with the Company and any forms relating to Employee's participation in employee benefit plans offered by the Company (including, without limitation, option and restricted stock agreements), and all agreements, acknowledgements, and obligations to be bound by Company policies and procedures to the extent that they do not conflict with the terms of this Agreement. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

18. Waiver . The waiver of the breach of any term or provision of this Agreement shall not operate as or be construed to be a waiver of any other or subsequent breach of this Agreement.

19. Governing Law . This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without reference to conflict of laws principles.

20. Invalidity. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the validity of any other provision of this Agreement, and such provision(s) shall be deemed modified to the extent necessary to make it enforceable.

21. Section Headings. The section headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

22. Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and legal holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or day which is a holiday in the Commonwealth of Pennsylvania, then such final day shall be deemed to be the next day which is not a Saturday, Sunday or legal holiday.

23. Specific Enforcement Extension of Period.

(a) Employee acknowledges that the restrictions contained in Sections 6, 7 and 8 hereof survive the termination of his employment, regardless of the reason, and are reasonable and necessary to protect the legitimate interests of the Company and its subsidiaries and affiliates and that the Company would not have entered into this Agreement in the absence of such restrictions. Employee also acknowledges that any breach by him of Sections 6, 7 or 8 hereof will cause continuing and irreparable injury to the Company for which monetary damages would not be an adequate remedy. The Employee shall not, in any action or proceeding to enforce any of the provisions of this Agreement, assert the claim or defense that an adequate remedy at law exists. In the event of such breach by Employee, the Company shall have the right to enforce the provisions of Sections 6, 7 and 8 of this Agreement by seeking injunctive or other relief in any court, and this Agreement shall not in any way limit remedies of law or in equity otherwise available to the Company. If an action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to recover, in addition to any other relief, reasonable attorneys' fees, costs and disbursements. In the event that the provisions of Sections 6, 7 or 8 hereof should ever be adjudicated to exceed the time, geographic, or other limitations permitted by applicable law in any applicable jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, or other limitations permitted by applicable law.

(b) In the event that Employee shall be in breach of any of the restrictions contained in Section 8 hereof, then the Restricted Period shall be extended for a period of time equal to the period of time that Employee is in breach of such restriction.

(c) In the event that Employee shall be in breach of any of the restrictions contained in Sections 6, 7 or 8 hereof, Employee shall forfeit his right to any further payments pursuant to Section 9 (without limiting any other relief to which the Company may be entitled), but the release in the termination letter as described in Section 10 will remain in full force and effect.

24. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the U.S. District Court of the Eastern District of Pennsylvania, or if such court

does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the Commonwealth of Pennsylvania, and the Employee hereby consents to the personal and exclusive jurisdiction of such court and hereby waives any objection that the Employee may have to the laying of venue of any such proceeding and any claim or defense of inconvenient forum.

25. Counterparts . This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

* * * *

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first written above.

ATTEST:

By: **/s/ Lisa Axt Alexander**
Lisa Axt Alexander
Title: Corporate Secretary

INTERDIGITAL COMMUNICATIONS CORPORATION

By: **/s/ William Merritt**
William J. Merritt
Title: Chief Executive Officer

[CORPORATE SEAL]

/s/ James Nolan
James Nolan

EXHIBIT 31.1

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER
OF
INTERDIGITAL COMMUNICATIONS CORPORATION

I, William J. Merritt, President and Chief Executive Officer, InterDigital Communications Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterDigital Communications Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2006

/s/ WILLIAM J. MERRITT

William J. Merritt
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
OF
INTERDIGITAL COMMUNICATIONS CORPORATION

I, Richard J. Fagan, Chief Financial Officer, InterDigital Communications Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterDigital Communications Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2006

/s/ R.J. FAGAN

Richard J. Fagan
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of InterDigital Communications Corporation (the "Company") for the quarter ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Merritt, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2006

/s/ WILLIAM J. MERRITT

William J. Merritt
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of InterDigital Communications Corporation (the "Company") for the quarter ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Fagan, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2006

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