Section 1: 10-Q (10-Q - 9.30.2018)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

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 1-33579

INTERDIGITAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

PENNSYLVANIA **(State or Other Jurisdiction of Incorporation or Organization)**	**82-4936666** **(I.R.S. Employer Identification No.)**

200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727
(Address of Principal Executive Offices and Zip Code)

(302) 281-3600
(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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer R	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) 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 $0.01 per share	**33,842,244**
Title of Class	**Outstanding at October 30, 2018**

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 508,829	$ 433,014
Short-term investments	549,521	724,981
Accounts receivable, less allowances of $456 and $456	29,769	216,293
Prepaid and other current assets	102,793	21,506
Total current assets	1,190,912	1,395,794
PROPERTY AND EQUIPMENT, NET	10,278	10,673
PATENTS, NET	462,965	325,408
DEFERRED TAX ASSETS	60,056	84,582
OTHER NON-CURRENT ASSETS	63,877	37,963
	597,176	458,626
TOTAL ASSETS	$ 1,788,088	$ 1,854,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 17,528	$ 10,260
Accrued compensation and related expenses	19,384	24,571
Deferred revenue	134,197	307,142
Taxes payable	98,022	14,881
Dividends payable	11,996	12,156
Other accrued expenses	12,425	7,431
Total current liabilities	293,552	376,441
LONG-TERM DEBT	313,527	285,126
LONG-TERM DEFERRED REVENUE	135,465	309,671
OTHER LONG-TERM LIABILITIES	30,495	10,034
TOTAL LIABILITIES	773,039	981,272
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value, 14,399 shares authorized, 0 shares issued and outstanding	—	—
Common Stock, $0.01 par value, 100,000 shares authorized, 71,117 and 70,749 shares issued and 34,442 and 34,622 shares outstanding	711	707
Additional paid-in capital	683,140	680,040
Retained earnings	1,436,171	1,249,091
Accumulated other comprehensive loss	(3,436)	(2,083)
	2,116,586	1,927,755
Treasury stock, 36,675 and 36,127 shares of common held at cost	1,115,995	1,072,488
Total InterDigital, Inc. shareholders' equity	1,000,591	855,267
Noncontrolling interest	14,458	17,881
Total equity	1,015,049	873,148
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,788,088	$ 1,854,420

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2018	**2017**	**2018**	**2017**
REVENUES:				
Patent licensing royalties	$ 74,045	$ 92,566	$ 230,018	$ 314,113
Technology solutions	1,034	4,759	2,060	13,521
	75,079	97,325	232,078	327,634
OPERATING EXPENSES:				
Patent administration and licensing	32,077	26,517	85,480	76,629
Development	17,276	17,293	49,279	56,172
Selling, general and administrative	12,806	12,640	38,569	39,042
	62,159	56,450	173,328	171,843
Income from operations	12,920	40,875	58,750	155,791
OTHER EXPENSE (NET)	(13,953)	(2,187)	(25,136)	(7,331)
Income (loss) before income taxes	(1,033)	38,688	33,614	148,460
INCOME TAX BENEFIT (PROVISION)	21,143	(3,963)	25,001	(29,413)
NET INCOME	$ 20,110	$ 34,725	$ 58,615	$ 119,047
Net loss attributable to noncontrolling interest	(1,297)	(811)	(3,423)	(2,744)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$ 21,407	$ 35,536	$ 62,038	$ 121,791
NET INCOME PER COMMON SHARE — BASIC	$ 0.62	$ 1.02	$ 1.79	$ 3.52
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — BASIC	34,651	34,709	34,687	34,589
NET INCOME PER COMMON SHARE — DILUTED	$ 0.60	$ 1.00	$ 1.74	$ 3.40
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — DILUTED	35,607	35,388	35,614	35,865
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 0.35	$ 0.35	$ 1.05	$ 0.95

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017	2018	2017
Net income	$ 20,110	$ 34,725	$ 58,615	$ 119,047
Unrealized (loss) gain on investments, net of tax	467	(94)	(904)	(181)
Comprehensive income	$ 20,577	$ 34,631	$ 57,711	$ 118,866
Comprehensive loss attributable to noncontrolling interest	(1,297)	(811)	(3,423)	(2,744)
Total comprehensive income attributable to InterDigital, Inc.	$ 21,874	$ 35,442	$ 61,134	$ 121,610

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 58,615	$ 119,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,024	42,809
Non-cash interest expense	10,684	9,753
Change in deferred revenue	9,822	90,056
Deferred income taxes	(27,673)	(7,853)
Share-based compensation	4,875	13,901
Loss on disposal of assets	8,176	—
Other	198	(4)
(Increase) decrease in assets:		
Receivables	36,861	(171,662)
Deferred charges and other assets	(63,783)	(13,316)
Increase (decrease) in liabilities:		
Accounts payable	5,640	(3,198)
Accrued compensation and other expenses	(5,618)	(1,798)
Accrued taxes payable and other tax contingencies	91,796	20,606
Net cash provided by operating activities	176,617	98,341
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(142,562)	(813,267)
Sales of short-term investments	317,447	678,119
Purchases of property and equipment	(1,882)	(942)
Capitalized patent costs	(23,845)	(26,306)
Acquisition of patents	(2,250)	—
Acquisition of business, net of cash acquired	(142,985)	—
Long-term investments	(6,686)	(3,201)
Net cash used in investing activities	(2,763)	(165,597)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	6,362	82
Dividends paid	(36,472)	(31,107)
Taxes withheld upon restricted stock unit vestings	(8,479)	(22,236)
Repurchase of common stock	(43,508)	—
Net cash used in financing activities	(82,097)	(53,261)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	91,757	(120,517)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	433,014	404,074
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 524,771	$ 283,557
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	4,740	4,740
Income taxes paid, including foreign withholding taxes	24,459	29,173
Non-cash investing and financing activities:		
Dividend payable	11,996	12,149
Non-cash acquisition of patents	—	12,800
Accrued capitalized patent costs, property and equipment, and acquisition of patents	(1,513)	(548)

Refer to Note 1, "*Basis of Presentation*" for more information regarding the impact of our adoption of ASC 606 and Note 9, "*Business Combinations*" for a reconciliation of cash, cash equivalents and restricted cash.

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018
(unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited, condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position of InterDigital, Inc. (individually and/or collectively with its subsidiaries referred to as “InterDigital,” the “Company,” “we,” “us” or “our,” unless otherwise indicated) as of September 30, 2018, and the results of our operations for the three and nine months ended September 30, 2018 and 2017 and our cash flows for the nine months ended September 30, 2018 and 2017. 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 state fairly the financial condition, results of operations and cash flows in conformity with United States generally accepted accounting principles (“GAAP”). The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP for year-end financial statements. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (our “2017 Form 10-K”) as filed with the Securities and Exchange Commission (“SEC”) on February 22, 2018. 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 GAAP 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.

Change in Accounting Policies

There have been no material changes or updates to our existing accounting policies from the disclosures included in our 2017 Form 10-K, except as indicated in the following footnotes:

- Note 1 - Basis of Presentation; and
- Note 9 - Business Combinations.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

New Accounting Guidance

Accounting Standards Update: Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606") which superseded most prior revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. We adopted the requirements of the new standard as of January 1, 2018 using the modified retrospective transition method applied to those contracts that were not completed as of January 1, 2018. Accordingly, all periods prior to January 1, 2018 are presented in accordance with ASC Topic 605, "Revenue Recognition" (“ASC 605”).

The adoption of the new guidance affected our recognition of revenue from both our fixed-fee and per-unit license agreements. For accounting purposes under this new guidance, we separate our fixed-fee license agreements into two categories: (i) those agreements that provide rights, over the term of the license, to future technologies that are highly interdependent or highly interrelated to the technologies provided at the inception of the agreement (“Dynamic Fixed-Fee Agreements”) and (ii) those agreements that do not provide for rights to such future technologies (“Static Fixed-Fee Agreements”). Under our previous accounting practices, after the fair value allocation between the past and future components of the agreement, we recognized the future components of revenue from all fixed-fee license agreements on a straight-line basis over the term of the related license agreement. As a result of our adoption of the new guidance, we will continue to recognize revenue from Dynamic Fixed-Fee Agreements on a straight-line basis over the term of the related license agreement, while we expect to recognize most or all of the revenue from Static Fixed-Fee Agreements in the quarter the license agreement is signed.

We will not recognize any ongoing revenue from Static Fixed-Fee Agreements already in existence at the time the guidance was adopted. Additionally, in the event a significant financing component is determined to exist in any of our agreements, we will recognize more or less revenue and corresponding interest expense or income, as appropriate.

In addition, under our previous accounting practices, we recognized revenue from our per-unit license agreements in the period in which we received the related royalty report, generally one quarter in arrears from the period in which the underlying sales occurred (i.e. on a "quarter-lag"). We are now required to record per-unit royalty revenue in the same period in which the licensee’s underlying sales occur. Because we generally do not receive the per-unit licensee royalty reports for sales during a given quarter within the time frame necessary to adequately review the reports and include the actual amounts in our quarterly results for such quarter, we accrue the related revenue based on estimates of our licensees’ underlying sales, subject to certain constraints on our ability to estimate such amounts. As a result of accruing revenue for the quarter based on such estimates, adjustments will be required in the following quarter to true-up revenue to the actual amounts reported by our licensees. In addition, to the extent we receive non-refundable prepayments related to per-unit license agreements that do not provide rights over the term of the license to future technologies that are highly interdependent or highly interrelated to the technologies provided at the inception of the agreement, we will recognize such prepayments as revenue in the period in which all remaining revenue recognition criteria have been met.

Finally, under our previous accounting practices, we established a receivable, and any related deferred tax asset for foreign withholding taxes, for payments expected to be received within twelve months from the balance sheet date, based on the terms of the license agreement. Our reporting of such payments resulted in increases to: accounts receivable and deferred revenue; and deferred tax assets and taxes payable. Under ASC 606, we will only recognize those amounts as they become due.

Timing of revenue recognition may differ significantly from the timing of invoicing to customers. Contract assets are included in accounts receivable and represent unbilled amounts expected to be received from customers in future periods, where the revenue recognized to date (or cumulative adjustments to retained earnings in the initial period of adopting ASC 606) exceeds the amount billed, and right to payment is subject to the underlying contractual terms. Contract assets are classified as long-term assets if the payments are expected to be received more than one year from the reporting date.

See below for a summary of adjustments related to our adoption of ASC 606. Amounts are in thousands.

	December 31, 2017	Static Fixed-Fee Agreements	Static Prepayments	Elimination of Quarter-Lag Reporting	Significant Financing Component	Related Tax Effects and Other Balance Sheet Impacts	**Total Adjustments**	**January 1, 2018**
Accounts Receivable	$ 216,293	$ 6,000	$ —	$ 10,948	$ —	$ (171,727)	$ (154,779)	$ 61,514
Deferred Tax Assets	84,582	—	—	—	—	(52,199)	(52,199)	32,383
Taxes Payable	(14,881)	—	—	—	—	8,655	8,655	(6,226)
Deferred Revenue	(616,813)	99,466	85,146	—	3,235	171,727	359,574	(257,239)
Retained Earnings	(1,249,091)	(105,466)	(85,146)	(10,948)	(3,235)	43,544	(161,251)	(1,410,342)

Disaggregated Revenue

The following tables present the disaggregation of our revenue for the three and nine months ended September 30, 2018 under ASC 606. Revenues for the three and nine months ended September 30, 2017 are presented in accordance with ASC 605. Amounts are in thousands.

	For the Three Months Ended September 30,			
	2018	2017	Increase/(Decrease)	
Variable patent royalty revenue	$ 13,645	$ 10,081	$ 3,564	35 %
Fixed-fee royalty revenue	60,272	73,653	(13,381)	(18)%
Current patent royalties [a]	73,917	83,734	(9,817)	(12)%
Non-current patent royalties [b]	128	8,832	(8,704)	(99)%
Total patent royalties	74,045	92,566	(18,521)	(20)%
Current technology solutions revenue [a]	1,034	4,759	(3,725)	(78)%
Total revenue	$ 75,079	$ 97,325	$ (22,246)	(23)%

	For the Nine Months Ended September 30,			
	2018	2017	Increase/(Decrease)	
Variable patent royalty revenue	$ 26,322	$ 37,338	$ (11,016)	(30)%
Fixed-fee royalty revenue	178,207	220,083	(41,876)	(19)%
Current patent royalties [a]	204,529	257,421	(52,892)	(21)%
Non-current patent royalties [b]	25,489	56,692	(31,203)	(55)%
Total patent royalties	230,018	314,113	(84,095)	(27)%
Current technology solutions revenue [a]	2,060	13,521	(11,461)	(85)%
Total revenue	$ 232,078	$ 327,634	$ (95,556)	(29)%

a. Recurring revenues consist of current patent royalties, inclusive of Dynamic Fixed-Fee Agreement royalties, and current technology solutions revenue.

b. Non-current patent royalties for the three and nine months ended September 30, 2018 consist of past patent royalties and royalties from static agreements. For the three and nine months ended September 30, 2017, non-current patent royalties consist of past patent royalties.

During first nine months 2018, we recognized $54.1 million of revenue that had been included in deferred revenue as of the beginning of the period. Additionally, upon adoption of ASC 606 on January 1, 2018, we had $24.7 million of contract assets. As of September 30, 2018, we had contract assets of $22.0 million and $5.5 million included within accounts receivable and other non-current assets, respectively.

Impact of Adoption of ASC 606

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our condensed current period consolidated income statement and balance sheet is presented below. We believe this additional information is vital during the transition year to allow readers of our financial statements to compare financial results from the preceding financial year given the absence of restatement of the prior period. The adoption of ASC 606 did not affect our reported total amounts of cash flows from operating, investing and financing activities. Amounts contained in the tables below are in thousands, except per share data.

	For the Three Months Ended September 30,			
	2018			2017
	As Reported ASC 606	Adjustment	ASC 605	As Reported (ASC 605)
REVENUES:				
Variable patent royalty revenue	$ 13,645	$ (5,242)	$ 8,403	$ 10,081
Fixed-fee royalty revenue	60,272	20,309	80,581	73,653
Current patent royalties	73,917	15,067	88,984	83,734
Non-current patent royalties	128	—	128	8,832
Total patent royalties	74,045	15,067	89,112	92,566
Current technology solutions revenue	1,034	1,197	2,231	4,759
	$ 75,079	$ 16,264	$ 91,343	$ 97,325
OPERATING EXPENSES:	62,159	—	62,159	56,450
Income from operations	12,920	16,264	29,184	40,875
OTHER EXPENSE (NET)	(13,953)	3,993	(9,960)	(2,187)
Income before income taxes	(1,033)	20,257	19,224	38,688
INCOME TAX BENEFIT (EXPENSE)	21,143	(6,676)	14,467	(3,963)
NET INCOME	$ 20,110	$ 13,581	$ 33,691	$ 34,725
Net loss attributable to noncontrolling interest	(1,297)	—	(1,297)	(811)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$ 21,407	$ 13,581	$ 34,988	$ 35,536
NET INCOME PER COMMON SHARE — BASIC	$ 0.62	$ 0.39	$ 1.01	$ 1.02
NET INCOME PER COMMON SHARE — DILUTED	$ 0.60	$ 0.38	$ 0.98	$ 1.00

	For the Nine Months Ended September 30,			
	2018			2017
	As Reported ASC 606	Adjustment	ASC 605	As Reported (ASC 605)
REVENUES:				
Variable patent royalty revenue	$ 26,322	$ (466)	$ 25,856	$ 37,338
Fixed-fee royalty revenue	178,207	60,081	238,288	220,083
Current patent royalties	204,529	59,615	264,144	257,421
Non-current patent royalties	25,489	(10,000)	15,489	56,692
Total patent royalties	230,018	49,615	279,633	314,113
Current technology solutions revenue	2,060	5,232	7,292	13,521
	$ 232,078	$ 54,847	$ 286,925	$ 327,634
OPERATING EXPENSES:	173,328	—	173,328	171,843
Income from operations	58,750	54,847	113,597	155,791
OTHER EXPENSE (NET)	(25,136)	13,004	(12,132)	(7,331)
Income before income taxes	33,614	67,851	101,465	148,460
INCOME TAX BENEFIT (EXPENSE)	25,001	(15,607)	9,394	(29,413)
NET INCOME	$ 58,615	$ 52,244	$ 110,859	$ 119,047
Net loss attributable to noncontrolling interest	(3,423)	—	(3,423)	(2,744)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$ 62,038	$ 52,244	$ 114,282	$ 121,791
NET INCOME PER COMMON SHARE — BASIC	$ 1.79	$ 1.50	$ 3.29	$ 3.52
NET INCOME PER COMMON SHARE — DILUTED	$ 1.74	$ 1.47	$ 3.21	$ 3.40

	September 30, 2018			December 31, 2017
	As Reported ASC 606	Adjustment	ASC 605	As Reported (ASC 605)
Accounts Receivable, net	$ 29,769	$ 206,079	$ 235,848	$ 216,293
Deferred Tax Assets	60,056	46,098	106,154	84,582
Other Non-current Assets	63,877	(5,500)	58,377	37,963
Taxes Payable	(98,022)	(16,438)	(114,460)	(14,881)
Deferred Revenue	(269,662)	(341,816)	(611,478)	(616,813)
Retained Earnings	(1,436,171)	111,577	(1,324,594)	(1,249,091)

Contracted Revenue

Based on contracts signed and committed Dynamic Fixed-Fee Agreement payments as of September 30, 2018, we expect to recognize the following amounts of revenue over the term of such contracts (in thousands):

	Revenue
Remainder 2018	$ 60,272
2019	237,339
2020	236,089
2021	169,039
2022	85,228

See below for our revised Revenue Recognition accounting policy upon adoption of the new guidance.

Revenue Recognition

We derive the vast majority of our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Such agreements are often complex and include multiple performance obligations. These agreements can include, without limitation, performance obligations related to the settlement of past patent infringement liabilities, patent and/or know-how licensing royalties on covered products sold by licensees, access to a portfolio of technology as it exists at a point in time, and access to a portfolio of technology at a point in time along with a promises to provide any technology updates to the portfolio during the term.

All agreements have been accounted for under ASC 606. This guidance requires the use of a five-step model to achieve the core underlying principle that an entity should recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. These steps include (1) identifying the contract with the customer, (2) identifying the performance obligations, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue as the entity satisfies the performance obligation(s). Additionally, we have elected to utilize certain practical expedients in the application of ASC 606. In evaluating the presence of a significant financing component in our agreements, we utilize the practical expedient to exclude any contracts wherein the gap between payment by our customers and the delivery of our performance obligation is less than one year. We have also elected to utilize the practical expedient related to costs of obtaining a contract where an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Timing of revenue recognition may differ significantly from the timing of invoicing to customers. Contract assets are included in accounts receivable and represent unbilled amounts expected to be received from customers in future periods, where the revenue recognized to date (or cumulative adjustments to retained earnings in the initial period of adopting ASC 606) exceeds the amount billed, and right to payment is subject to the underlying contractual terms. Contract assets are classified as long-term assets if the payments are expected to be received more than one year from the reporting date. Contract assets due within less than twelve months of the balance sheet date are included within accounts receivable in our Condensed Consolidated Balance Sheets. Contract assets due more than twelve months after the balance sheet date are included in Other non-current assets.

Patent License Agreements

Upon signing a patent license agreement, we provide the licensee permission to use our patented inventions in specific applications. We account for patent license agreements in accordance with the guidance indicated above. Under our patent license agreements, we typically receive one or a combination of the following forms of payment as consideration for permitting our licensees to use our patented inventions in their applications and products:

Consideration for Past Patent Royalties

Consideration related to a licensee's product sales from prior periods may result from a negotiated agreement with a licensee that utilized our patented inventions prior to signing a patent license agreement with us or from the resolution of a disagreement or arbitration with a licensee over the specific terms of an existing license agreement. We may also receive consideration for past patent royalties in connection with the settlement of patent litigation where there was no prior patent license agreement. In each of these cases, we record the consideration as revenue as prescribed by the five-step model.

Fixed-Fee Agreements

Fixed-fee agreements include fixed, non-refundable royalty payments that fulfill the licensee's obligations to us under a patent license agreement for a specified time period or for the term of the agreement for specified products, under certain patents or patent claims, for sales in certain countries, or a combination thereof - in each case for a specified time period (including for the life of the patents licensed under the agreement).

Dynamic fixed-fee license agreements contain a single performance obligation that represents ongoing access to a portfolio of technology over the license term, since our promise to transfer to the licensee access to the portfolio as it exists at inception of the license, along with promises to provide any technology updates to the portfolio during the term, are not separately identifiable. Upon entering a new agreement, we allocate the transaction price to the performance obligations delivered at signing (e.g. our existing patent portfolio) and future performance obligations (e.g. the technology updates). We use a time-based input method of progress to determine the timing of revenue recognition, and as such we recognize the future deliverables on a straight-line basis over the term of the agreement. We utilize the straight-line method as we believe that it best depicts efforts expended to develop and transfer updates to the customer evenly throughout the term of the agreement.

Static fixed-fee license agreements are fixed-price contracts that generally do not include updates to technology we create after the inception of the license agreement or in which the customer does not stand to substantively benefit from those updates during the term. Generally, our performance obligations are satisfied at contract signing, and as such revenue is recognized at that time.

Variable Agreements

Upon entering a new variable patent license agreement, the licensee typically agrees to pay royalties or license fees on licensed products sold during the term of the agreement. We utilize the sales- or usage- based royalty exception for these agreements and recognize revenues during the contract term when the underlying sale or usage occurs. Our licensees under variable agreements provide us with quarterly royalty reports that summarize their sales of covered products and their related royalty obligations to us. We typically receive these royalty reports subsequent to the period in which our licensees' underlying sales occurred. As a result, we are required to estimate revenues, subject to the constraint on our ability to estimate such amounts.

Technology Solutions

Technology solutions revenue consists primarily of revenue from royalty payments. We recognize revenue from royalty payments using the same methods described above under our policy for recognizing revenue from patent license agreements. Technology solutions revenues also consist of revenues from software licenses, engineering services and product sales. The nature of these contracts and timing of payments vary.

Patent Sales

Our business strategy of monetizing our intellectual property includes the sale of select patent assets. As patent sales executed under this strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue. We will recognize the revenue in accordance with the five-step model, generally upon closing of the patent sale transaction.

Accounting Standards Update: Leases

In February 2016, the FASB issued new guidance related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in first quarter 2019. Early adoption is permitted. We are in the process of determining the effect the adoption will have on the Company's consolidated financial statements.

Accounting Standards Update: Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends certain measurement, presentation, and disclosure requirements for financial instruments. The new guidance must be adopted by means of a cumulative-effect adjustment to the balance sheet in the year of adoption and became effective for the Company starting in first quarter 2018. We adopted this guidance in first quarter 2018, and it did not have a material effect on the Company's consolidated financial results. In conjunction with this adoption, we made an accounting policy election for a measurement alternative for equity investments that do not have readily determinable fair values, specifically related to our strategic investments in other entities. Under the alternative, our strategic investments in other entities without readily determinable fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, if any. As of September 30, 2018 and December 31, 2017, strategic investments in other entities totaled $17.4 million and $19.2 million, respectively.

Accounting Standards Update: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, "Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act"). The guidance is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. We early adopted this guidance in first quarter 2018, and reflected a $0.4 million adjustment to retained earnings during the period.

Accounting Standards Update: Improvements to Nonemployee Share-Based Payment Accounting

In June 2018, the FASB issued ASU No. 2018-07, "Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which is intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to nonemployees. The guidance is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. We do not expect the adoption of this guidance to have a material effect on the Company's consolidated financial statements.

2. INCOME TAXES

In first nine months 2018, based on the statutory federal tax rate net of discrete federal and state taxes, our effective tax rate was a benefit of 74.4%. The effective tax rate for first nine months 2018 was favorably impacted by provisions contained within the Tax Reform Act, discussed below. We recorded discrete net benefits of $18.4 million from excess tax benefits related to share-based compensation, our sale of a commercial initiative and a benefit from the anticipated filing by the Company of amended tax returns in connection with the Competent Authority Proceeding (as defined and discussed below). The effective rate would have been a benefit of 19.7% not including these discrete net benefits. This is compared to an effective tax rate provision of 19.8% based on the statutory federal tax rate net of discrete federal and state taxes during first nine months 2017. The effective tax rate for first nine months 2017 included a $12.1 million discrete benefit, primarily related to excess tax benefits from share-based compensation, and a $9.1 million discrete benefit, primarily related to the reversal of uncertain tax positions associated with domestic production activities refund claims. The effective tax rate would have been a provision of 34.2% not including these discrete benefits for first nine months 2017.

During first nine months 2018 and 2017, we paid approximately $16.5 million and $11.7 million, respectively, of foreign source withholding tax. Additionally, as of September 30, 2018 and December 31, 2017, we have included $0.6 million and $14.9 million, respectively, of foreign source withholding tax within our taxes payable and deferred tax asset balances. These amounts are related to receivables from foreign licensees.

On December 22, 2017, the Tax Reform Act was signed into law. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things: lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018; imposing a 13.125% tax rate on income that qualifies as Foreign Derived Intangible Income ("FDII"); repealing the deduction for domestic production activities; implementing a territorial tax system; and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The first nine months 2018 effective tax rate includes a forecasted $16.8 million net benefit related to our income qualifying as FDII. As a result of the Tax Reform Act, we recorded a tax charge of approximately $43.3 million in 2017 due to a re-measurement of deferred tax assets and liabilities, and we do not expect a material repatriation tax liability to be owed. We will continue to monitor as additional guidance is released. The tax charge represents provisional amounts and the Company’s current best estimates. Any adjustments recorded to the provisional amounts through fourth quarter 2018 will be included in net income as an adjustment to tax expense. The provisional amounts incorporate assumptions made based upon our current interpretation of the Tax Reform Act and may change as the Company receives additional clarification and implementation guidance.

The effective tax rate reported in any given year will continue to be influenced by a variety of factors, including timing differences between the recognition of book and tax revenue, the level of pre-tax income or loss, the foreign vs. domestic classification of the Company’s customers, and any discrete items that may occur. The Company further notes that its tax positions could be altered by pending IRS regulations that could clarify certain provisions of the Tax Reform Act.

As previously disclosed in our 2017 Form 10-K, we have paid foreign taxes, including to those foreign governments that have tax treaties with the U.S., for which we have claimed foreign tax credits against our U.S. tax obligations. On July 24, 2018, the Company received notification that its request for competent authority pertaining to Article 27 (Mutual Agreement

Procedure) of the United States-Republic of Korea Income Tax Convention had been reviewed by the Internal Revenue Service and an agreement had been reached (the "Competent Authority Proceeding"). As a result of this agreement, we expect to receive a total refund of approximately $97.4 million, inclusive of interest, a portion of which we have already received. We have recorded in taxes payable as of September 30, 2018 an amount corresponding to the expected total refund. In addition, we have recorded a net tax benefit of $15.7 million in our third quarter 2018 results related to an anticipated refund the Company expects to receive as a result of amending tax returns for tax years covered by this agreement.

3. NET INCOME PER SHARE

Basic Earnings Per Share ("EPS") is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other securities with features that could result in the issuance of common stock were exercised or converted to common stock. The following tables reconcile the numerator and the denominator of the basic and diluted net income per share computation (in thousands, except for per share data):

	For the Three Months Ended September 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
Numerator:				
Net income applicable to InterDigital, Inc.	$ 21,407	$ 21,407	$ 35,536	$ 35,536
Denominator:				
Weighted-average shares outstanding: Basic	34,651	34,651	34,709	34,709
Dilutive effect of stock options, RSUs, convertible securities and warrants		956		679
Weighted-average shares outstanding: Diluted		35,607		35,388
Earnings Per Share:				
Net income: Basic	$ 0.62	$ 0.62	$ 1.02	$ 1.02
Dilutive effect of stock options, RSUs, convertible securities and warrants		(0.02)		(0.02)
Net income: Diluted		$ 0.60		$ 1.00

	For the Nine Months Ended September 30,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
Numerator:				
Net income applicable to InterDigital, Inc.	$ 62,038	$ 62,038	$ 121,791	$ 121,791
Denominator:				
Weighted-average shares outstanding: Basic	34,687	34,687	34,589	34,589
Dilutive effect of stock options, RSUs, convertible securities and warrants		927		1,276
Weighted-average shares outstanding: Diluted		35,614		35,865
Earnings Per Share:				
Net income: Basic	$ 1.79	$ 1.79	$ 3.52	$ 3.52
Dilutive effect of stock options, RSUs, convertible securities and warrants		(0.05)		(0.12)
Net income: Diluted		$ 1.74		$ 3.40

Certain shares of common stock issuable upon the exercise or conversion of certain securities have been excluded from our computation of EPS because the strike price or conversion rate, as applicable, of such securities was greater than the average market price of our common stock and, as a result, the effect of such exercise or conversion would have been anti-dilutive. Set forth below are the securities and the weighted average number of shares of common stock underlying such securities that were excluded from our computation of EPS for the periods presented (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Restricted stock units and stock options	78	25	44	18
Convertible securities	—	—	—	—
Warrants	4,405	4,386	4,404	—
Total	4,483	4,411	4,448	18

Convertible Notes

During periods in which the average market price of the Company's common stock is above the applicable conversion price of the Company's 1.50% Senior Convertible Notes due 2020 (for purposes of this discussion, the "Convertible Notes") ($71.74 per share as of September 30, 2018) or above the strike price of our outstanding warrants ($87.68 per share as of September 30, 2018), the impact of conversion or exercise, as applicable, would be dilutive and such dilutive effect is reflected in diluted EPS. As a result, in periods where the average market price of the Company's common stock is above the conversion price or strike price, as applicable, under the treasury stock method, the Company calculates the number of shares issuable under the terms of the Convertible Notes and the warrants based on the average market price of the stock during the period, and includes that number in the total diluted shares outstanding for the period. See Note 7, "*Long-Term Debt*," for additional information about the Convertible Notes and warrants.

4. LITIGATION AND LEGAL PROCEEDINGS

ARBITRATIONS AND COURT PROCEEDINGS (OTHER THAN DE DISTRICT COURT ACTIONS RELATED TO USITC PROCEEDINGS)

Huawei China Proceedings

On February 21, 2012, InterDigital was served with two complaints filed by Huawei Technologies Co., Ltd. in the Shenzhen Intermediate People's Court in China on December 5, 2011. The first complaint named as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, LLC (now InterDigital Communications, Inc.), and alleged that InterDigital had abused its dominant market position in the market for the licensing of essential patents owned by InterDigital by engaging in allegedly unlawful practices, including differentiated pricing, tying and refusal to deal. The second complaint named as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. and alleged that InterDigital had failed to negotiate on FRAND terms with Huawei. Huawei asked the court to determine the FRAND rate for licensing essential Chinese patents to Huawei and also sought compensation for its costs associated with this matter.

On February 4, 2013, the Shenzhen Intermediate People's Court issued rulings in the two proceedings. With respect to the first complaint, the court decided that InterDigital had violated the Chinese Anti-Monopoly Law by (i) making proposals for royalties from Huawei that the court believed were excessive, (ii) tying the licensing of essential patents to the licensing of non-essential patents, (iii) requesting as part of its licensing proposals that Huawei provide a grant-back of certain patent rights to InterDigital and (iv) commencing a USITC action against Huawei while still in discussions with Huawei for a license. Based on these findings, the court ordered InterDigital to cease the alleged excessive pricing and alleged improper bundling of InterDigital's Chinese essential and non-essential patents, and to pay Huawei 20.0 million RMB (approximately $3.2 million) in damages related to attorneys' fees and other charges, without disclosing a factual basis for its determination of damages. The court dismissed Huawei's remaining allegations, including Huawei's claim that InterDigital improperly sought a worldwide license and improperly sought to bundle the licensing of essential patents on multiple generations of technologies. With respect to the second complaint, the court determined that, despite the fact that the FRAND requirement originates from ETSI's Intellectual Property Rights policy, which refers to French law, InterDigital's license offers to Huawei should be evaluated under Chinese law. Under Chinese law, the court concluded that the offers did not comply with FRAND. The court further ruled that the royalties to be paid by Huawei for InterDigital's 2G, 3G and 4G essential Chinese patents under Chinese law should not exceed 0.019% of the actual sales price of each Huawei product.

On March 11, 2013, InterDigital filed notices of appeal with respect to the judgments in both proceedings, seeking reversal of the court's February 4, 2013 rulings. On October 16, 2013, the Guangdong Province High Court issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the second proceeding, and on October 21, 2013, issued a ruling affirming the ruling of the Shenzhen Intermediate People's Court in the first proceeding.

InterDigital believes that the decisions are seriously flawed both legally and factually. For instance, in determining a purported FRAND rate, the Chinese courts applied an incorrect economic analysis by evaluating InterDigital’s lump-sum 2007 patent license agreement with Apple (the “2007 Apple PLA”) in hindsight to posit a running royalty rate. Indeed, the ALJ in USITC Inv. No. 337-TA-800 rejected that type of improper analysis. Moreover, the Chinese courts had an incomplete record and applied incorrect facts, including with respect to the now-expired and superseded 2007 Apple PLA, which had been found in an arbitration between InterDigital and Apple to be limited in scope.

On April 14, 2014, InterDigital filed a petition for retrial of the second proceeding with the Chinese Supreme People’s Court (“SPC”), seeking dismissal of the judgment or at least a higher, market-based royalty rate for a license to InterDigital’s Chinese standards-essential patents (“SEPs”). The petition for retrial argues, for example, that (1) the lower court improperly determined a Chinese FRAND running royalty rate by using as a benchmark the 2007 Apple lump sum fixed payment license agreement, and looking in hindsight at the unexpectedly successful sales of Apple iPhones to construct an artificial running royalty rate that neither InterDigital nor Apple could have intended and that would have varied significantly depending on the relative success or failure in hindsight of Apple iPhone sales; (2) the 2007 Apple PLA was also an inappropriate benchmark because its scope of product coverage was significantly limited as compared to the license that the court was considering for Huawei, particularly when there are other more comparable license agreements; and (3) if the appropriate benchmarks had been used, and the court had considered the range of royalties offered by other similarly situated SEP holders in the wireless telecommunications industry, the court would have determined a FRAND royalty that was substantially higher than 0.019%, and would have found, consistent with findings of the ALJ’s initial determination in the USITC 337-TA-800 proceeding, that there was no proof that InterDigital’s offers to Huawei violated its FRAND commitments.

The SPC held a hearing on October 31, 2014, regarding whether to grant a retrial and requested that both parties provide additional information regarding the facts and legal theories underlying the case. The SPC convened a second hearing on April 1, 2015 regarding whether to grant a retrial. If the retrial is granted, the SPC will likely schedule one or more additional hearings before it issues a decision on the merits of the case. The SPC retrial proceeding was excluded from the dismissal provisions of the August 2016 patent license agreement between Huawei and InterDigital, and a decision in this proceeding is still pending.

ZTE China Proceedings

On July 10 and 11, 2014, InterDigital was served with two complaints filed by ZTE Corporation in the Shenzhen Intermediate People's Court in China on April 3, 2014. The first complaint names as defendants the Company's wholly owned subsidiaries InterDigital Technology Corporation, InterDigital Communications, Inc., InterDigital Patent Holdings, Inc. and IPR Licensing, Inc. This complaint alleges that InterDigital has failed to comply with its FRAND obligations for the licensing of its Chinese standards-essential patents. ZTE is asking the court to determine the FRAND rate for licensing InterDigital’s standards-essential Chinese patents to ZTE and also seeks compensation for its litigation costs associated with this matter. The second complaint names as defendants InterDigital, Inc. and its wholly owned subsidiaries InterDigital Technology Corporation and InterDigital Communications, Inc. This complaint alleges that InterDigital has a dominant market position in China and the United States in the market for the licensing of essential patents owned by InterDigital, and abused its dominant market position in violation of the Chinese Anti-Monopoly Law by engaging in allegedly unlawful practices, including excessively high pricing, tying, discriminatory treatment, and imposing unreasonable trading conditions. ZTE originally sought relief in the amount of 20.0 million RMB (approximately $2.9 million based on the exchange rate as of September 30, 2018), an order requiring InterDigital to cease the allegedly unlawful conduct and compensation for its litigation costs associated with this matter.

On August 7, 2014, InterDigital filed petitions challenging the jurisdiction of the Shenzhen Intermediate People's Court to hear the actions. On August 28, 2014, the court denied InterDigital’s jurisdictional challenge with respect to the anti-monopoly law case. InterDigital filed an appeal of this decision on September 26, 2014. On September 28, 2014, the court denied InterDigital’s jurisdictional challenge with respect to the FRAND case, and InterDigital filed an appeal of that decision on October 27, 2014. On December 18, 2014, the Guangdong High Court issued decisions on both appeals upholding the Shenzhen Intermediate Court’s decisions that it had jurisdiction to hear these cases. On February 10, 2015, InterDigital filed a petition for retrial with the Supreme People’s Court regarding its jurisdictional challenges to both cases.

The Shenzhen Court held hearings on the anti-monopoly law case on May 11, 13, 15 and 18, 2015. At the May hearings, ZTE withdrew its claims alleging discriminatory treatment and the imposition of unfair trading conditions and increased its damages claim to 99.8 million RMB (approximately $14.5 million based on the exchange rate as of September 30, 2018). The Shenzhen Court held hearings in the FRAND case on July 29-31, 2015 and held a second hearing on the anti-monopoly law case on October 12, 2015.

On September 18, 2018, ZTE independently filed a petition with the Shenzhen Court to withdraw the complaint in its FRAND case against InterDigital, and on September 28, 2018, the Shenzhen Court granted ZTE's petition and dismissed the FRAND case without prejudice. On October 25, 2018, ZTE independently filed a petition with the Shenzhen Court to withdraw the complaint in its anti-monopoly law case against InterDigital, and on October 26, 2018, the Shenzhen Court granted ZTE's petition and dismissed the anti-monopoly law case without prejudice.

Asustek Actions

On April 15, 2015, Asustek Computer Incorporated ("Asus") filed a complaint in the CA Northern District Court against InterDigital, Inc., and its subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Patent Holdings, Inc. The complaint asserted the following causes of action: violation of Section Two of the Sherman Act, violation of Section 17200 of the California Business and Professions Code, breach of contract resulting from ongoing negotiations, breach of contract leading to and resulting in the parties' April 2008 patent license agreement (the "2008 Asus PLA"), promissory estoppel, waiver, and fraudulent inducement to contract. Among other allegations, Asus alleged that InterDigital breached its FRAND commitment. As relief, Asus sought a judgment that the 2008 Asus PLA is void or unenforceable, damages in the amount of excess royalties Asus paid under the 2008 Asus PLA plus interest, a judgment setting the proper FRAND terms and conditions for InterDigital's patent portfolio, an order requiring InterDigital to grant Asus a license on FRAND terms and conditions, and punitive damages and other relief.

In response, on May 30, 2015, InterDigital filed an Arbitration Demand with the ICDR. InterDigital claimed that Asus breached the 2008 Asus PLA's dispute resolution provision by filing its CA Northern District Court lawsuit and sought declaratory relief that it is not liable for any of the claims in Asus's complaint. On June 2, 2015, InterDigital filed in the CA Northern District Court a motion to compel arbitration on each of Asus's claims. On August 25, 2015, the court granted InterDigital's motion for all of Asus's claims except its claim for breach of contract resulting from ongoing negotiations. Aside from this claim, the court ruled that the issue of arbitrability should be decided by an arbitrator, and stayed the proceedings pending that determination.

Asus asserted counterclaims in the arbitration that mirrored its CA Northern District Court claims, except that it did not assert the breach of contract claim that the court determined was not arbitrable and it added a claim of violation of the Delaware Consumer Fraud Act. Asus also contended that its counterclaims were not arbitrable. InterDigital added a claim for breach of the 2008 Asus PLA's confidentiality provision.

On July 14, 2016, Asus filed a motion to lift the stay in the CA Northern District Court proceeding along with a notice of the arbitral tribunal's decision on arbitrability, informing the court of the arbitrators' decision that, other than InterDigital's breach of contract claims and Asus's fraudulent inducement claim, no other claim or counterclaim is arbitrable. Asus then filed in the CA Northern District Court an amended complaint on August 18, 2016. This amended complaint includes all of the claims in Asus's first CA Northern District Court complaint except fraudulent inducement and adds a claim of violation of the Delaware Consumer Fraud Act. It seeks the same relief as its first CA Northern District Court complaint, but also seeks a ruling that each of InterDigital's patents "declared [to standards-setting organizations] to be essential or potentially essential" is unenforceable and any contracts InterDigital entered into in furtherance of its unlawful conduct are void. On September 8, 2016, InterDigital filed its answer and counterclaims to Asus's amended complaint. It denied Asus's claims and filed a counterclaim for declaratory judgment that Asus's tort claims are invalid or preempted as applied under the First Amendment to the U.S. Constitution, the Patent Clause of the U.S. Constitution, and Title 35 of the U.S. Code. On September 28, 2016, Asus answered and denied InterDigital's counterclaims. On December 16, 2016, the court set a case schedule that includes a May 2019 trial date.

With respect to its arbitration counterclaim for fraudulent inducement, Asus stated in its pleadings that it was seeking return of excess royalties (which totaled close to $63 million as of the August 2016 date referenced in the pleadings and had increased with additional royalty payments made by Asus since such time), plus interest, costs and attorneys' fees. The evidentiary hearing in the arbitration was held in January 2017, and the parties presented oral closing arguments on March 22, 2017. On August 2, 2017, the arbitral tribunal issued its Final Award. The tribunal fully rejected Asus's counterclaim, finding that InterDigital did not fraudulently induce Asus to enter into the 2008 Asus PLA. Accordingly, the tribunal dismissed Asus's fraudulent inducement counterclaim in its entirety. The tribunal also dismissed InterDigital's claims that Asus breached the confidentiality provisions and the dispute resolution provisions of the 2008 Asus PLA. On October 20, 2017, InterDigital and Asus jointly moved to confirm both the tribunal's Final Award and the Interim Award on Jurisdiction in the CA Northern District. The court confirmed both awards on October 25, 2017.

On April 16, 2018, InterDigital filed a motion in the CA Northern District Court proceeding for leave to amend its counterclaims to include a claim of intentional interference with contract. On June 12, 2018, the court denied this motion.

On April 17, 2018, the parties served opening expert reports in the CA Northern District Court proceeding. Asus's damages expert contends that Asus is currently owed damages in the amount of $75.9 million based on its claims that InterDigital charged royalties inconsistent with its FRAND commitments. Those damages, which represent a substantial portion of the royalties paid by Asus through third quarter 2017, do not reflect Asus's most recent royalty payments. Asus also seeks interest, costs and attorneys' fees, as well as, in connection with its Sherman Act claim, treble damages.

On August 16, 2018, the parties filed motions for summary judgment. InterDigital contends that (1) Asus is judicially estopped from arguing that the 2008 Asus PLA is "non-FRAND" due to Asus's prior inconsistent positions; (2) issue preclusion prevents Asus from re-litigating issues decided in the arbitration; (3) as a matter of law, Asus cannot void the binding and enforceable 2008 Asus PLA; and (4) Asus's Sherman Act, promissory estoppel, and California UCL claims fail as a matter of law. For its part, Asus contends that, as a matter of law, InterDigital breached its contractual obligation to license its essential patents on FRAND terms and conditions by engaging in discriminatory licensing practices. The parties filed oppositions on September 13, 2018 and replies on September 27, 2018, and the court held an oral argument on October 11, 2018. These motions remain pending.

The Company has not recorded any accrual at September 30, 2018, for contingent losses associated with the CA Northern District Court Proceeding. While a material loss is reasonably possible, the Company cannot estimate the potential range of loss given the range of possible outcomes, as this matter is not at a sufficiently advanced stage to allow for such an estimate.

REGULATORY PROCEEDINGS

Investigation by National Development and Reform Commission of China

On September 23, 2013, counsel for InterDigital was informed by China's National Development and Reform Commission ("NDRC") that the NDRC had initiated a formal investigation into whether InterDigital has violated China's Anti-Monopoly Law ("AML") with respect to practices related to the licensing of InterDigital's standards-essential patents to Chinese companies. Companies found to violate the AML may be subject to a cease and desist order, fines and disgorgement of any illegal gains. On March 3, 2014, the Company submitted to NDRC, pursuant to a procedure set out in the AML, a formal application for suspension of the investigation that included proposed commitments by the Company. On May 22, 2014, NDRC formally suspended its investigation of the Company based on the commitments proposed by the Company. The Company's commitments with respect to the licensing of its patent portfolio for wireless mobile standards to Chinese manufacturers of cellular terminal units ("Chinese Manufacturers") are as follows:

1. Whenever InterDigital engages with a Chinese Manufacturer to license InterDigital's patent portfolio for 2G, 3G and 4G wireless mobile standards, InterDigital will offer such Chinese Manufacturer the option of taking a worldwide portfolio license of only its standards-essential wireless patents, and comply with F/RAND principles when negotiating and entering into such licensing agreements with Chinese Manufacturers.

2. As part of its licensing offer, InterDigital will not require that a Chinese Manufacturer agree to a royalty-free, reciprocal cross-license of such Chinese Manufacturer's similarly categorized standards-essential wireless patents.

3. Prior to commencing any action against a Chinese Manufacturer in which InterDigital may seek exclusionary or injunctive relief for the infringement of any of its wireless standards-essential patents, InterDigital will offer such Chinese Manufacturer the option to enter into expedited binding arbitration under fair and reasonable procedures to resolve the royalty rate and other terms of a worldwide license under InterDigital's wireless standards-essential patents. If the Chinese Manufacturer accepts InterDigital's binding arbitration offer or otherwise enters into an agreement with InterDigital on a binding arbitration mechanism, InterDigital will, in accordance with the terms of the arbitration agreement and patent license agreement, refrain from seeking exclusionary or injunctive relief against such company.

The commitments contained in item 3 above will expire five years from the effective date of the suspension of the investigation, or May 22, 2019.

USITC PROCEEDINGS AND RELATED DELAWARE DISTRICT COURT PROCEEDINGS

2013 USITC Proceeding (337-TA-868) and Related ZTE Delaware District Court Proceeding

USITC Proceeding (337-TA-868)

On January 2, 2013, the Company's wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed a complaint with the United States International Trade Commission (the "USITC" or "Commission") against Samsung Electronics Co., Ltd., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd., Huawei Device USA, Inc. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-868 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G and 4G wireless devices (including WCDMA-, cdma2000- and LTE-capable mobile phones, USB sticks, mobile hotspots, laptop computers and tablets and components of such devices) that infringe one or more of up to seven of InterDigital's U.S. patents. The complaint also extended to certain WCDMA and cdma2000 devices incorporating Wi-Fi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States infringing 3G or 4G wireless devices (and components), including LTE devices, that are imported by or on behalf of the 337-TA-868 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. Certain of the asserted patents were also asserted against Nokia, Huawei and ZTE in earlier pending USITC proceedings (including the Nokia, Huawei and ZTE 2011 USITC Proceeding (337-TA-800) and the Nokia 2007 USITC Proceeding (337-TA-613), as set forth below) and therefore were not asserted against those 337-TA-868 Respondents in this investigation.

On December 23, 2013, InterDigital and Huawei reached a settlement agreement to enter into binding arbitration to resolve their global patent licensing disputes. Pursuant to the settlement agreement, InterDigital and Huawei moved to dismiss all litigation matters pending between the parties except the action filed by Huawei in China to set a fair, reasonable and non-discriminatory ("FRAND") rate for the licensing of InterDigital's Chinese standards-essential patents (discussed above under "Huawei China Proceedings"), the decision in which InterDigital is permitted to further appeal. As a result, effective February 12, 2014, the Huawei Respondents were terminated from the 337-TA-868 investigation.

From February 10 to February 20, 2014, ALJ Essex presided over the evidentiary hearing in this investigation. The patents in issue in this investigation as of the hearing were U.S. Patent Nos. 7,190,966 (the "'966 patent") and 7,286,847 (the "'847 patent") asserted against ZTE and Samsung, and U.S. Patent No. 7,941,151 (the "'151 patent") asserted against ZTE, Samsung and Nokia.

On June 3, 2014, InterDigital and Samsung filed a joint motion to terminate the investigation as to Samsung on the basis of settlement. The ALJ granted the joint motion by initial determination issued on June 9, 2014, and the USITC determined not to review the initial determination on June 30, 2014.

On June 13, 2014, the ALJ issued an Initial Determination ("ID") in the 337-TA-868 investigation. In the ID, the ALJ found that no violation of Section 337 had occurred in connection with the importation of 3G/4G devices by ZTE or Nokia, on the basis that the accused devices do not infringe asserted claims 1-6, 8-9, 16-21 or 23-24 of the '151 patent, claims 1, 3, 6, 8, 9, or 11 of the '966 patent, or claims 3 or 5 of the '847 patent. The ALJ also found that claim 16 of the '151 patent was invalid as indefinite. Among other determinations, the ALJ further determined that InterDigital did not violate any FRAND obligations, a conclusion also reached by the ALJ in the 337-TA-800 investigation, and that Respondents have engaged in patent "hold out."

On June 30, 2014, InterDigital filed a Petition for Review with the USITC seeking review and reversal of certain of the ALJ's conclusions in the ID. On the same day, Respondents filed a Conditional Petition for Review urging alternative grounds for affirmance of the ID's finding that Section 337 was not violated and a Conditional Petition for Review with respect to FRAND issues.

In June 2014, Microsoft Mobile Oy ("MMO") was added as a respondent in the investigation.

On August 14, 2014, the Commission determined to review in part the June 13, 2014 ID but terminated the investigation with a finding of no violation.

On October 10, 2014, InterDigital filed a petition for review with the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"), appealing certain of the adverse determinations in the Commission's August 8, 2014 final determination including those related to the '966 and '847 patents. On June 2, 2015, InterDigital moved to voluntarily dismiss the Federal Circuit appeal, because, even if it were to prevail, it did not believe there would be sufficient time following the court's decision and mandate for the USITC to complete its proceedings on remand such that the accused products would be excluded before the '966 and '847 patents expire in June 2016. The court granted the motion and dismissed the appeal on June 18, 2015.

Related Delaware District Court Proceeding

On January 2, 2013, the Company’s wholly owned subsidiaries InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. filed four related district court actions in the Delaware District Court against the 337-TA-868 Respondents. The proceedings against Huawei, Samsung and Nokia were subsequently dismissed, as discussed below. The remaining complaint alleges that ZTE infringes the same patents with respect to the same products alleged in the complaint filed by InterDigital in USITC Proceeding (337-TA-868). The complaint seeks a permanent injunction and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys’ fees and costs.

On January 31, 2013, ZTE filed its answer and counterclaims to InterDigital’s Delaware District Court complaint; ZTE asserted counterclaims for breach of contract, equitable estoppel, waiver of right to enjoin and declarations that InterDigital has not offered ZTE licenses on FRAND terms, declarations seeking the determination of FRAND terms and declarations of noninfringement, invalidity and unenforceability. In addition to the declaratory relief specified in its counterclaims, ZTE seeks specific performance of InterDigital's purported contracts with ZTE and standards-setting organizations, appropriate damages in an amount to be determined at trial, reasonable attorneys’ fees and such other relief as the court may deem appropriate.

On March 21, 2013, pursuant to stipulation, the Delaware District Court granted InterDigital leave to file an amended complaint against ZTE to assert allegations of infringement of the ’244 patent. On March 22, 2013, ZTE filed its answer and counterclaims to InterDigital’s amended Delaware District Court complaint. On April 9, 2013, InterDigital filed a motion to dismiss ZTE’s counterclaims relating to its FRAND allegations. On July 12, 2013, the Delaware District Court held a hearing on InterDigital’s motion to dismiss. By order issued the same day, the Delaware District Court granted InterDigital’s motion, dismissing ZTE's counterclaims for equitable estoppel and waiver of the right to injunction or exclusionary relief with prejudice. It further dismissed the counterclaims for breach of contract and declaratory relief related to InterDigital’s FRAND commitments with leave to amend.

On August 6, 2013, ZTE filed its answer and amended counterclaims for breach of contract and for declaratory judgment seeking determination of FRAND terms. The counterclaims also continue to seek declarations of noninfringement, invalidity, and unenforceability. On August 30, 2013, InterDigital filed a motion to dismiss the declaratory judgment counterclaim relating to the request for determination of FRAND terms. On May 28, 2014, the court granted InterDigital’s motion and dismissed ZTE's FRAND-related declaratory judgment counterclaim, ruling that such declaratory judgment would serve no useful purpose.

On December 30, 2013, InterDigital and Huawei filed a stipulation of dismissal on account of the confidential settlement agreement and agreement to arbitrate their disputes in this action. On the same day, the Delaware District Court granted the stipulation of dismissal and dismissed the action against Huawei.

On February 11, 2014, the Delaware District Court judge entered an InterDigital, Nokia, and ZTE stipulated Amended Scheduling Order that bifurcated issues relating to damages, FRAND-related affirmative defenses, and any FRAND-related counterclaims.

On August 28, 2014, the court granted in part a motion by InterDigital for summary judgment that the asserted ’151 patent is not unenforceable by reason of inequitable conduct, holding that only one of the references forming the basis of defendants’ allegations would remain in issue, and granted a motion by InterDigital for summary judgment that the asserted claims of the ’966 and ’847 patents are not invalid for lack of enablement.

On August 5, 2014, InterDigital and Samsung filed a stipulation of dismissal in light of the parties’ settlement agreement. On the same day, the court granted the stipulation of dismissal and dismissed the action against Samsung with prejudice.

By order dated August 28, 2014, MMO was joined in the case against Nokia as a defendant.

The ZTE trial addressing infringement and validity of the ’966, ’847, ’244 and ’151 patents was held from October 20 to October 27, 2014. During the trial, the judge determined that further construction of certain claim language of the ’151 patent was required, and the judge decided to hold another trial as to ZTE's infringement of the ’151 patent at a later date. On October 28, 2014, the jury returned a unanimous verdict in favor of InterDigital, finding that the ’966, ’847 and ’244 patents are all valid and infringed by ZTE 3G and 4G cellular devices. The court issued formal judgment to this effect on October 29, 2014.

On November 26, 2014, ZTE filed a motion for judgment as a matter of law that the asserted claims of the ’966, ’847 and ’244 patents are not infringed and, in the alternative, for a new trial. InterDigital filed an opposition on December 15, 2014, and ZTE filed a reply on January 7, 2015.

The ZTE trial addressing infringement of the ’151 patent was held from April 20 to April 22, 2015. On April 22, 2015, the jury returned a verdict in favor of ZTE, finding that the ’151 patent is not infringed by ZTE 3G and 4G cellular devices.

On May 29, 2015, the court entered a new scheduling order for damages and FRAND-related issues, scheduling the ZTE trial related to damages and FRAND-related issues for October 2016.

On September 14, 2015, a panel of Administrative Law Judges of the United States Patent and Trademark Office Patent Trial and Appeal Board (the “PTAB”) issued a final written decision in two Inter Partes Review (“IPR”) cases concerning the ’244 patent. These IPR proceedings were commenced on petitions filed by ZTE Corporation and ZTE (USA) Inc. and by Microsoft Corporation, respectively. Specifically, the panel determined that a number of claims of the ’244 patent are unpatentable as obvious. IPR Licensing, Inc. appealed to the Federal Circuit seeking review of the PTAB’s decision. Oral argument in the appeal was heard on April 7, 2017. On April 20, 2017, the Federal Circuit affirmed the PTAB’s decision that most of the challenged claims of the ’244 patent are unpatentable as obvious. However, the court vacated and remanded the PTAB’s obviousness finding as to claim 8, which returned the matter to the PTAB for further proceedings as to that claim. On July 28, 2017, IPR Licensing, Inc., filed a petition for a writ of certiorari with the U.S. Supreme Court seeking to appeal the Federal Circuit decision, arguing that the petition should be held pending the Supreme Court’s decision in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, which will determine whether the IPR process as a whole is unconstitutional. On October 2, 2017, ZTE filed a response to the petition for a writ of certiorari in which ZTE agreed that the petition should be held pending the Court’s decision in *Oil States* and then disposed of as appropriate in light of that decision. On April 24, 2018, the Supreme Court rejected the petitioner’s constitutional challenge to the IPR process in the *Oil States* case. Accordingly, InterDigital expects that the Supreme Court will deny IPR Licensing, Inc.’s July 28, 2017 petition for a writ of certiorari. On March 6, 2018, in the PTAB remand proceeding, the PTAB again found claim 8 to be invalid. On April 10, 2018, IPR Licensing, Inc. appealed to the Federal Circuit seeking review of the PTAB’s decision. That appeal (the “’244 patent PTAB remand appeal”) remains pending.

On December 21, 2015, the district court entered another scheduling order that vacated the October 2016 date for the ZTE trial related to damages and FRAND-related issues as set forth in the May 2015 scheduling order.

On March 18, 2016, the court denied ZTE’s motion for judgment as a matter of law, or in the alternative for a new trial, with respect to the ’966 and ’847 patents. The court postponed its ruling on ZTE’s motion as to the ’244 patent pending the Federal Circuit’s decision on InterDigital’s appeal of the September 14, 2015 PTAB ruling and administratively closed that portion of the motion.

On April 18, 2016, ZTE filed a stipulated request for dismissal with prejudice of its counterclaims for breach of contract and patent unenforceability based on FRAND and withdrew its corresponding FRAND-related affirmative defenses. The court granted this request the same day. Also on April 18, 2016, ZTE filed a motion under Federal Rule of Civil Procedure 54(b) seeking certification of partial final judgment on the claims for infringement of the ’966 and ’847 patents to allow ZTE to file an immediate appeal as to those patents. The motion was granted on June 7, 2016, and a partial final judgment was entered on June 20, 2016. On July 18, 2016, ZTE filed its notice of appeal with the Federal Circuit regarding the Delaware District Court’s judgment against ZTE with respect to the ’966 and ’847 patents. Oral argument on ZTE’s appeal was heard on October 4, 2017. On November 3, 2017, the Federal Circuit issued its decision affirming the Delaware District Court judgment finding that the ’966 and ’847 patents are not invalid and are infringed by ZTE 3G and 4G cellular devices. On December 4, 2017, ZTE filed a petition for panel rehearing of the Federal Circuit’s decision. The Federal Circuit denied ZTE’s petition on December 20, 2017, and the court’s mandate issued on December 27, 2017.

On May 15, 2017, InterDigital and Nokia/MMO filed a stipulation of dismissal of the case against MMO, Nokia Corporation and Nokia, Inc. pursuant to a Settlement Agreement and Release of Claims among InterDigital, Microsoft Corporation, Microsoft Mobile, Inc., and MMO, dated May 9, 2017, (the “Microsoft Settlement Agreement”). On May 16, 2017, the Delaware District Court granted the stipulation and dismissed the case against MMO, Nokia Corporation and Nokia, Inc. with prejudice.

The case against ZTE remains pending. On January 16, 2018, InterDigital and ZTE filed a joint status report that informed the court of the Federal Circuit’s decision regarding the ’966 and ’847 patents and that the PTAB proceedings regarding the ’244 patent remained pending. The parties jointly requested that the case remain stayed so that the portion of the case related to damages potentially owed by ZTE as to the three patents-in-suit may be coordinated. The court granted this request on January 17, 2018. The case remains stayed through at least January 23, 2019.

2011 USITC Proceeding (337-TA-800) and Related ZTE Delaware District Court Proceeding

USITC Proceeding (337-TA-800)

On July 26, 2011, InterDigital's wholly owned subsidiaries InterDigital Communications, LLC (now InterDigital Communications, Inc.), InterDigital Technology Corporation and IPR Licensing, Inc. filed a complaint with the USITC against Nokia Corporation and Nokia Inc., Huawei Technologies Co., Ltd. and FutureWei Technologies, Inc. d/b/a Huawei Technologies (USA) and ZTE Corporation and ZTE (USA) Inc. (collectively, the "337-TA-800 Respondents"), alleging violations of Section 337 of the Tariff Act of 1930 in that they engaged in unfair trade practices by selling for importation into the United States, importing into the United States and/or selling after importation into the United States certain 3G wireless devices (including WCDMA- and cdma2000-capable mobile phones, USB sticks, mobile hotspots and tablets and components of such devices) that infringe several of InterDigital's U.S. patents. The action also extended to certain WCDMA and cdma2000 devices incorporating WiFi functionality. InterDigital's complaint with the USITC sought an exclusion order that would bar from entry into the United States any infringing 3G wireless devices (and components) that are imported by or on behalf of the 337-TA-800 Respondents, and also sought a cease-and-desist order to bar further sales of infringing products that have already been imported into the United States. In May 2012, Huawei Device USA, Inc. was added as a 337-TA-800 Respondent.

The ALJ held an evidentiary hearing from February 12-21, 2013. The patents in issue as of the hearing were U.S. Patent Nos. 8,009,636 (the "'636 patent"), 7,706, 830 (the "'830 patent"), 7,502,406 (the "'406 patent"), 7,616,970 (the "'970 patent"), 7,706,332 (the "'332 patent"), 7,536,013 (the "'013 patent") and 7,970,127 (the "'127 patent"). The ALJ's Initial Determination ("ID") issued on June 28, 2013, finding no violation because the asserted patents were not infringed and/or invalid. Among other determinations, with respect to the 337-TA-800 Respondents' FRAND and other equitable defenses, the ALJ found that Respondents had failed to prove either that InterDigital violated any FRAND obligations, that InterDigital failed to negotiate in good faith, or that InterDigital's licensing offers were discriminatory. The ALJ also found that InterDigital is not precluded from seeking injunctive relief based on any alleged FRAND commitments.

Petitions for review of the ID to the Commission were filed by InterDigital and the 337-TA-800 Respondents on July 15, 2013. On September 4, 2013, the Commission determined to review the ID in its entirety.

On December 19, 2013, the Commission issued its final determination. The Commission adopted, with some modification, the ALJ's finding of no violation of Section 337 as to Nokia, Huawei, and ZTE. The Commission did not rule on any other issue, including FRAND and domestic industry, and stated that all other issues remain under review.

On December 20, 2013, InterDigital filed in the Federal Circuit a petition for review seeking reversal of the Commission's final determination. On February 18, 2015, the Federal Circuit issued a decision affirming the USITC's determinations that the claims of the '830, '636, '406 and '332 patents were not infringed, that the claims of the '970 patent are invalid, and that the Respondents did not violate Section 337. On April 6, 2015, InterDigital filed a combined petition for panel rehearing and rehearing e*n banc* as to the '830 and '636 patents. The petition was denied on May 12, 2015, and the court's mandate issued on May 19, 2015.

Related Delaware District Court Proceeding

On July 26, 2011, the same date that InterDigital filed USITC Proceeding (337-TA-800), it filed a parallel action in the United States District Court for the District of Delaware against the 337-TA-800 Respondents alleging infringement of the same asserted patents identified in USITC Proceeding (337-TA-800). The Delaware District Court complaint seeks a permanent injunction and compensatory damages in an amount to be determined, as well as enhanced damages based on willful infringement, and recovery of reasonable attorneys' fees and costs. On September 23, 2011, the defendants in the Delaware District Court complaint filed a motion to stay the Delaware District Court action pending the parallel proceedings in the USITC. Because the USITC has instituted USITC Proceeding (337-TA-800), the defendants have a statutory right to a mandatory stay of the Delaware District Court proceeding pending a final determination in the USITC. On October 3, 2011, InterDigital amended the Delaware District Court complaint, adding LG as a defendant and adding the same additional patent that InterDigital requested be added to USITC Proceeding (337-TA-800). On October 11, 2011, the Delaware District Court granted the defendants' motion to stay. The case is currently stayed through December 10, 2018.

On January 14, 2014, InterDigital and Huawei filed a stipulation of dismissal of their disputes in this action on account of the confidential settlement agreement mentioned above. On the same day, the Delaware District Court granted the stipulation of dismissal.

On May 15, 2017, InterDigital and Nokia filed a stipulation of dismissal of their dispute pursuant to the Microsoft Settlement Agreement discussed above. On May 16, 2017, the Delaware District Court granted the stipulation and dismissed the case with prejudice with respect to Nokia Corporation and Nokia Inc.

In December 2017, InterDigital entered into a patent license agreement with LG, pursuant to which the parties agreed to terms for dismissal by InterDigital of the outstanding litigation among the parties and their affiliates. Accordingly, on

December 5, 2017, InterDigital and LG filed a stipulation of dismissal of the case against LG. On the same day, the Delaware District Court granted the stipulation and dismissed the case against LG with prejudice.

The case remains pending with respect to ZTE.

OTHER

We are party to certain other disputes and legal actions in the ordinary course of business, including arbitrations and legal proceedings with licensees regarding the terms of their agreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows. None of the preceding matters have met the requirements for accrual or disclosure of a potential range as of September 30, 2018.

5. EQUITY TRANSACTIONS

Changes in shareholders’ equity for the nine months ended September 30, 2018 and September 30, 2017 were as follows (in thousands):

	For the Nine Months Ended September 30,	
	2018	**2017**
Balance beginning of period, December 31	$ 855,267	$ 739,709
Cumulative effect of change in accounting principle	161,251	—
Net income attributable to InterDigital, Inc.	62,038	121,791
Unrealized (loss) gain on investments, net	(904)	(181)
Cash dividends declared	(36,312)	(32,966)
Repurchase of common stock	(43,508)	—
Exercise of common stock options	6,362	82
Taxes withheld upon vesting of restricted stock units	(8,478)	(22,235)
Share-based compensation	4,875	13,901
Total InterDigital, Inc. shareholders’ equity end of period	$ 1,000,591	$ 820,101
Noncontrolling Interest Balance beginning of period, December 31	17,881	14,659
Net loss attributable to noncontrolling interest	(3,423)	(2,744)
Noncontrolling interest	14,458	11,915
Total Equity end of period	$ 1,015,049	$ 832,016

Repurchase of Common Stock

In June 2014, our Board of Directors authorized a $300 million share repurchase program (the “2014 Repurchase Program”). In June 2015, our Board of Directors authorized a $100 million increase to the program, and in September 2017, our Board of Directors authorized another $100 million increase to the program, bringing the total amount of the 2014 Repurchase Program to $500 million. The Company may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

The table below sets forth the number of shares repurchased and the dollar value of shares repurchased under the 2014 Repurchase Program from inception of the program through third quarter 2018 (in thousands).

	2014 Repurchase Program	
	# of Shares	Value
2018	549	$ 43,508
2017	107	7,693
2016	1,304	64,685
2015	1,836	96,410
2014	3,554	152,625
Total	7,350	$ 364,921

Dividends

Cash dividends on outstanding common stock declared in 2018 and 2017 were as follows (in thousands, except per share data):

2018	Per Share	Total	Cumulative by Fiscal Year
First quarter	$ 0.35	$ 12,124	$ 12,124
Second quarter	$ 0.35	$ 12,192	$ 24,316
Third quarter	0.35	11,996	36,312
	$ 1.05	$ 36,312	

2017	Per Share	Total	Cumulative by Fiscal Year
First quarter	$ 0.30	$ 10,404	$ 10,404
Second quarter	0.30	10,413	20,817
Third quarter	0.35	12,149	32,966
Fourth quarter	0.35	12,156	45,122
	$ 1.30	$ 45,122	

In September 2017, we announced that our Board of Directors had approved an increase in the Company’s quarterly cash dividend to $0.35 per share. We currently expect to continue to pay dividends comparable to our quarterly $0.35 per share cash dividend in the future; however, continued payment of cash dividends and changes in the Company's dividend policy will depend on the Company's earnings, financial condition, capital resources and capital requirements, alternative uses of capital, restrictions imposed by any existing debt, economic conditions and other factors considered relevant by our Board of Directors.

6. CONCENTRATION OF CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Concentration of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash equivalents, short-term investments, and accounts receivable. We place our cash equivalents and short-term investments only in highly rated financial instruments and in United States government instruments.

Our accounts receivable and contract assets are derived principally from patent license and technology solutions agreements. As of September 30, 2018 and December 31, 2017, four and three licensees comprised 64% and 96% of our net accounts receivable balance, respectively. We perform ongoing credit evaluations of our licensees, who generally include large, multinational, wireless telecommunications equipment manufacturers. We believe that the book values of our financial instruments approximate their fair values.

Fair Value Measurements

We use various valuation techniques and assumptions when measuring the fair value of our assets and liabilities. We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. This guidance established a hierarchy that prioritizes fair value measurements based on the types of input used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

Level 1 Inputs — Level 1 includes financial instruments for which quoted market prices for identical instruments are available in active markets.

Level 2 Inputs — Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with insufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates.

Level 3 Inputs — Level 3 includes financial instruments for which fair value is derived from valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including the Company's own assumptions. The pricing models incorporate transaction details such as contractual terms, maturity and, in certain instances, timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of marketplace participants.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. We use quoted market prices for similar assets to estimate the fair value of our Level 2 investments.

Recurring Fair Value Measurements

Our financial assets are generally included within short-term investments on our condensed consolidated balance sheets, unless otherwise indicated. Our financial assets and liabilities that are accounted for at fair value on a recurring basis are presented in the tables below as of September 30, 2018 and December 31, 2017 (in thousands):

	Fair Value as of September 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market and demand accounts (a)	$ 415,614	$ —	$ —	$ 415,614
Commercial paper (b)	—	131,987	—	131,987
U.S. government securities	—	328,440	—	328,440
Corporate bonds, asset backed and other securities	—	198,251	—	198,251
Total	$ 415,614	$ 658,678	$ —	$ 1,074,292
Liabilities:				
Contingent consideration resulting from the Technicolor Acquisition	—	—	18,616	$ 18,616
Long-term debt resulting from the Technicolor Acquisition	—	—	18,107	$ 18,107
	$ —	$ —	$ 36,723	$ 36,723

	Fair Value as of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market and demand accounts (a)	$ 417,348	$ —	$ —	$ 417,348
Commercial paper (b)	—	66,132	—	66,132
U.S. government securities	—	511,032	—	511,032
Corporate bonds, asset backed and other securities	—	163,483	—	163,483
	$ 417,348	$ 740,647	$ —	$ 1,157,995

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(a) Primarily included within cash and cash equivalents.

(b) Includes $109.2 million and $15.7 million of commercial paper that is included within cash and cash equivalents as of September 30, 2018 and December 31, 2017, respectively.

Level 3 Fair Value Measurements

Contingent consideration

As discussed further in Note 9, we completed our acquisition of the patent licensing business of Technicolor (the "Technicolor Acquisition") during third quarter 2018. In conjunction with the Technicolor Acquisition, we recognized a contingent consideration liability which is measured at fair value on a recurring basis using significant unobservable inputs classified as Level 3 measurements within the fair value hierarchy. We utilized a Monte Carlo simulation model to determine the estimated fair value of the contingent consideration liability. A Monte Carlo simulation uses random numbers together with volatility assumptions to generate individual paths, or trials, for variables of interest governed by a Geometric Brownian Motion in a risk-neutral framework. Level 3 significant unobservable inputs include the following:

Significant Unobservable Input	Ranges
Risk-adjusted discount rate for revenue	13.5% - 14.5%
Credit risk discount rate	3.9% - 6.7%
Revenue volatility	35.0%
Projected years of earn out	2018 - 2030

Significant increases or decreases in any of those inputs in isolation could result in a significantly lower or higher fair value measurement. Adjustments to the fair value of contingent consideration are reflected within our condensed consolidated statements of income.

Technicolor Acquisition long-term debt

We also recognized long-term debt in conjunction with the Technicolor Acquisition as more fully disclosed in Note 9. This long-term debt is measured at fair value on a recurring basis based on the discounted expected future cash flows over the life of the arrangement. Estimating the future cash flows under this arrangement requires several Level 3 significant unobservable inputs, including the following:

Significant Unobservable Input	Ranges
Discount rate for revenue	14.5%
Projected term of arrangement	2018 - 2030

Significant increases or decreases in any of those inputs in isolation could result in a significantly lower or higher fair value measurement, and estimates may change which would result in future adjustments to the accretion of the interest expense and the principal amortization of the debt. Adjustments to the fair value of the long-term debt are reflected as interest expense within "Other Expense (Net)" in the condensed consolidated statements of income.

The following table provides a reconciliation of the beginning and ending balances of our two Level 3 fair value measurements from December 31, 2017 to September 30, 2018, both of which relate to the Technicolor Acquisition and are discussed further above and within Note 9. As of September 30, 2018, the Level 3 contingent consideration liability is included within "Other long-term liabilities" and the Level 3 long-term debt is included within "Long-term debt" in the condensed consolidated balance sheet.

Level 3 Fair Value Measurements

	Contingent Consideration Liability	Technicolor Acquisition Long-term Debt
Balance as of December 31, 2017	$ —	$ —
Technicolor Acquisition - July 30, 2018	18,616	17,717
Reduction for payments	—	—
Interest expense accretion	—	390
Changes in fair value recognized in the condensed consolidated statements of income	—	—
Balance as of September 30, 2018	$ 18,616	$ 18,107

Non-Recurring Fair Value Measurements

As discussed in Note 1, in conjunction with the adoption of ASU 2016-01 in the first quarter of 2018, we made an accounting policy election to utilize a measurement alternative for equity investments that do not have readily determinable fair values, which applies to our strategic investments in other entities. Under the alternative, our strategic investments in other entities that do not have readily determinable fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Any adjustments to the carrying value of those investments are considered non-recurring fair value measurements.

During third quarter 2018, we recognized an aggregate $8.4 million loss resulting from the sale of our entire ownership interest in one of our strategic investments and the impairment of a separate strategic investment.

Fair Value of Senior Convertible Long-Term Debt

The principal amount, carrying value and related estimated fair value of the Company's senior convertible debt reported in the condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017 are as follows (in thousands). The table below does not include the Technicolor Acquisition long-term debt that is classified as a Level 3 fair value measurement and is discussed above.

	September 30, 2018			December 31, 2017		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Total Senior Convertible Long-Term Debt	$ 316,000	$ 295,420	$ 371,300	$ 316,000	$ 285,126	$ 377,029

The aggregate fair value of the principal amount of the senior convertible long-term debt (Level 2 Notes as defined in Note 7 "*Long-Term Debt*") was calculated using inputs such as actual trade data, benchmark yields, broker/dealer quotes and other similar data, which were obtained from independent pricing vendors, quoted market prices or other sources.

7. LONG-TERM DEBT

Technicolor Acquisition Long-Term Debt

Refer to Note 9 for information regarding the long-term debt recognized during third quarter 2018 resulting from the Technicolor Acquisition.

2020 Senior Convertible Notes, and related Note Hedge and Warrant Transactions

On March 11, 2015, we issued $316.0 million in aggregate principal amount of 1.50% Senior Convertible Notes due 2020 (the "2020 Notes"). The 2020 Notes bear interest at a rate of 1.50% per year, payable in cash on March 1 and September 1 of each year, commencing September 1, 2015, and mature on March 1, 2020, unless earlier converted or repurchased.

The 2020 Notes will be convertible into cash, shares of our common stock or a combination thereof, at our election, at a current conversion rate of 13.9392 shares of common stock per $1,000 principal amount of 2020 Notes (which is equivalent to a conversion price of approximately $71.74 per share), as adjusted pursuant to the terms of the indenture for the 2020 Notes (the "Indenture"). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances, including in connection with conversions made following certain fundamental changes and under other circumstances set forth in the Indenture. It is our current intent and policy to settle all conversions through combination settlement of cash and shares of common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of the 2020 Notes and any remaining amounts in shares.

Prior to 5:00 p.m., New York City time, on the business day immediately preceding December 1, 2019, the 2020 Notes will be convertible only under certain circumstances as set forth in the Indenture , including on any date during any calendar quarter (and only during such calendar quarter) if the closing sale price of our common stock was more than 130% of the applicable conversion price (approximately $93.26 based on the current conversion price) on each applicable trading day for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter.

Commencing on December 1, 2019, the 2020 Notes will be convertible in multiples of $1,000 principal amount, at any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date of the 2020 Notes.

The Company may not redeem the 2020 Notes prior to their maturity date.

On March 5 and March 9, 2015, in connection with the offering of the 2020 Notes, we entered into convertible note hedge transactions that cover approximately 3.8 million and approximately 0.6 million shares of our common stock, respectively, at a strike price that corresponds initially to the initial conversion price of the 2020 Notes and are exercisable upon conversion of the 2020 Notes.

The cost of the March 5 and March 9, 2015 convertible note hedge transactions was approximately $51.7 million and approximately $7.7 million, respectively.

On March 5 and March 9, 2015, we sold warrants to acquire approximately 3.8 million and approximately 0.6 million, respectively, of common stock, subject to customary anti-dilution adjustments. As of September 30, 2018, the warrants had a strike price of approximately $87.68 per share, as adjusted. The warrants become exercisable and expire in daily tranches over a three and a half month period starting in June 2020. As consideration for the warrants issued on March 5 and March 9, 2015, we received approximately $37.3 million and approximately $5.6 million, respectively.

On April 3, 2018, in connection with the reorganization of the Company’s holding company structure, the predecessor company (now known as InterDigital Wireless, Inc., the "Predecessor Company") and the successor company (now known as InterDigital, Inc., the "Successor Company") entered into a First Supplemental Indenture (the “Supplemental Indenture”) to the Indenture with the trustee. The Supplemental Indenture effected certain amendments to the Indenture in connection with the Reorganization, which, among other things, amended the conversion right of the 2020 Notes so that at the effective time of the Reorganization, the holder of each Note outstanding as of the effective time of the Reorganization will have the right to convert, subject to the terms of the Indenture, each $1,000 principal amount of such 2020 Note into the number of shares of the Successor Company’s common stock that a holder of a number of shares of the Predecessor Company’s common stock equal to the conversion rate immediately prior to the effective time of the Reorganization would have been entitled to receive upon the Reorganization. In addition, pursuant to the Supplemental Indenture, the Successor Company guaranteed the Predecessor Company’s obligations under the 2020 Notes and the Indenture.

Accounting Treatment of the 2020 Notes and related Convertible Note Hedge and Warrant Transactions

The offering of the 2020 Notes on March 5, 2015 was for $275.0 million and included an overallotment option that allowed the initial purchasers to purchase up to an additional $41.0 million aggregate principal amount of 2020 Notes. The initial purchasers exercised their overallotment option on March 9, 2015, bringing the total amount of 2020 Notes issued on March 11, 2015 to $316.0 million.

In connection with the offering of the 2020 Notes, as discussed above, InterDigital entered into convertible note hedge transactions with respect to its common stock. The $59.4 million cost of the convertible note hedge transactions was partially offset by the proceeds from the sale of the warrants described above, resulting in a net cost of $16.5 million. Both the convertible note hedge and warrants were classified as equity.

The Company bifurcated the proceeds from the offering of the 2020 Notes between liability and equity components. On the date of issuance, the liability and equity components were calculated to be approximately $256.7 million and $59.3 million, respectively. The initial $256.7 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature. The initial $59.3 million ($38.6 million net of tax) equity component represents the difference between the fair value of the initial $256.7 million in debt and the $316.0 million of gross proceeds. The related initial debt discount of $59.3 million is being amortized using the effective interest method over the life of the 2020 Notes. An effective interest rate of 5.89% was used to calculate the debt discount on the 2020 Notes.

In connection with the above-noted transactions, the Company incurred $9.3 million of directly related costs. The initial purchasers' transaction fees and related offering expenses were allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt and equity issuance costs, respectively. We allocated $7.0 million of debt issuance costs to the liability component, which were capitalized as deferred financing costs. These costs are being amortized to interest expense over the term of the debt using the effective interest method. The remaining $2.4 million of costs allocated to the equity component were recorded as a reduction of the equity component.

The following table reflects the carrying value of the 2020 Notes as of September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018	December 31, 2017
Principal	$ 316,000	$ 316,000
Less:		
Unamortized interest discount	(18,611)	(27,863)
Deferred financing costs	(1,969)	(3,011)
Net carrying amount of 2020 Notes	$ 295,420	$ 285,126

The following table presents the amount of interest cost recognized, which is included within "*Other Expense"* in our condensed consolidated statements of income, for the three and nine months ended September 30, 2018 and September 30, 2017 relating to the contractual interest coupon, accretion of the debt discount, and the amortization of financing costs (in thousands):

	For the Three Months Ended September 30,	
	2018	2017
Contractual coupon interest	$ 1,185	$ 1,185
Accretion of debt discount	3,124	2,947
Amortization of deferred financing costs	347	348
Total	$ 4,656	$ 4,480

	For the Nine Months Ended September 30,	
	2018	2017
Contractual coupon interest	$ 3,555	$ 3,555
Accretion of debt discount	9,252	8,710
Amortization of deferred financing costs	1,042	1,043
Total	$ 13,849	$ 13,308

8. VARIABLE INTEREST ENTITIES

As further discussed below, we are the primary beneficiary of two variable interest entities. As of September 30, 2018, the combined book values of the assets and liabilities associated with these variable interest entities included in our condensed consolidated balance sheet were $29.4 million and $3.0 million, respectively. Assets included $12.1 million of cash and cash equivalents, $1.3 million of accounts receivable, $13.4 million of patents, net, and $2.5 million of other non-current assets. As of December 31, 2017, the combined book values of the assets and liabilities associated with these variable interest entities included in our condensed consolidated balance sheet were $34.4 million and $0.2 million, respectively. Assets included $23.3 million of cash and cash equivalents and $11.1 million of patents, net. We recognized $10.0 million of non-current patent royalties during the nine months ended September 30, 2018 related to a patent license agreement signed by the Signal Trust for Wireless Innovation (the “Signal Trust”).

Convida Wireless

In September 2015, we renewed and expanded our joint venture with Sony, Convida Wireless, to include 5G technologies. Convida Wireless was launched in 2013 to combine Sony's consumer electronics expertise with our pioneering Internet of Things (“IoT”) expertise to drive IoT communications and connectivity. Based on the terms of the agreement, the parties will contribute funding and resources for additional research and platform development, which we will perform. SCP IP Investment LLC, an affiliate of Stephens Inc., is a minority investor in Convida Wireless.

Convida Wireless is a variable interest entity. Based on our provision of research and platform development services to Convida Wireless, we have determined that we remain the primary beneficiary for accounting purposes and will continue to consolidate Convida Wireless. For the three months ended September 30, 2018 and 2017, we have allocated approximately $1.3 million and $0.8 million, respectively, of Convida Wireless's net loss to noncontrolling interests held by other parties. For the nine months ended September 30, 2018 and 2017, we have allocated approximately $3.4 million and $2.7 million, respectively, of Convida Wireless's net loss to noncontrolling interests held by other parties.

Signal Trust for Wireless Innovation

During 2013, we announced the establishment of the Signal Trust, the goal of which is to monetize a large InterDigital patent portfolio related to cellular infrastructure.

The more than 500 patents and patent applications transferred from InterDigital to the Signal Trust focus primarily on 3G and LTE technologies, and were developed by InterDigital's engineers and researchers over more than a decade, with a number of the innovations contributing to the worldwide standards process.

InterDigital is the primary beneficiary of the Signal Trust. The distributions from the Signal Trust will support continued research related to cellular wireless technologies. A small portion of the proceeds from the Signal Trust will be used to fund, through the Signal Foundation for Wireless Innovation, scholarly analysis of intellectual property rights and the technological, commercial and creative innovations they facilitate.

The Signal Trust is a variable interest entity. Based on the terms of the trust agreement, we have determined that we are the primary beneficiary for accounting purposes and must consolidate the Signal Trust.

9. BUSINESS COMBINATIONS

Technicolor Acquisition

On July 30, 2018, we completed our acquisition of the patent licensing business of Technicolor, a worldwide technology leader in the media and entertainment sector, which we refer to as the Technicolor Acquisition. The final transaction includes the acquisition by InterDigital of approximately 18,000 patents and applications, across a broad range of technologies, including approximately 3,000 worldwide video coding patents and applications. The acquisition of Technicolor’s portfolio greatly expands InterDigital’s technology footprint in the mobile industry, and opens new markets in consumer home electronics, display technology and video. The portfolio will also be supplemented by jointly funded R&D collaboration, which will bring together the efforts of hundreds of engineers in InterDigital Labs and Technicolor Research and Innovation (“R&I”). Members of Technicolor’s licensing, legal and other support teams in offices in Rennes and Issy-les-Moulineaux, France; Princeton, New Jersey, and other locations joined InterDigital’s team of more than 300 R&D and other staff in locations around the world. In addition, we have assumed Technicolor’s rights and obligations under a joint licensing program with Sony Corporation (“Sony”) relating to digital televisions and standalone computer display monitors (the “Madison Arrangement”), including Technicolor's role as sole licensing agent for the Madison Arrangement. As part of this transaction, we also granted back to Technicolor a perpetual license for patents acquired in the transaction. With respect to patents generated through the jointly funded R&D efforts, we will own the patents, and Technicolor will receive a license back to the patents resulting from the targeted research conducted by its R&I team.

The Technicolor Acquisition meets the definition of a business combination, and as such was accounted for using the acquisition method of accounting. Under the terms of the agreement, in third quarter 2018, we paid Technicolor $158.9 million in cash, inclusive of $15.9 million of cash acquired, yielding net cash consideration of $143.0 million. We funded this payment with cash on hand. Technicolor will receive 42.5% of all of InterDigital's future cash receipts (net of estimated operating expenses) from InterDigital’s new licensing efforts in the consumer electronics field; there will be no revenue sharing associated with InterDigital’s mobile industry licensing efforts. We account for the portion of the future cash receipts owed to Technicolor relating to patents existing as of the date of the acquisition as a contingent consideration liability, which was valued at $18.6 million as of the acquisition date. See below for further discussion of the contingent consideration liability. Additionally, we estimate we will receive payments totaling $20.2 million relating to the transaction from Technicolor, of which $8.5 million is included within "Prepaid and other current assets" and the remaining balance is included within "Other non-current assets" in the condensed consolidated balance sheet. We account for our assumption of Technicolor’s rights and obligations under the Madison Arrangement as a collaborative arrangement.

We allocated the fair value of consideration transferred to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. We recorded the excess of the fair value of consideration transferred over the net values of these assets and liabilities as goodwill. We estimated the fair value of the intangible assets in this transaction through a combination of a discounted cash flow analysis (the income approach) and an analysis of comparable market transactions (the market approach). For the income approach, we based the inputs and assumptions used to develop these estimates on a market participant perspective and included estimates of projected revenues, discount rates, economic lives and income tax rates, among others, and all of these estimates require significant management judgment. For the market approach, we applied judgment to identify the most comparable market transactions to this transaction. Refer to Note 6 for discussion regarding the valuation methodologies used for the contingent consideration liability.

The following table summarizes the fair value of consideration transferred and our preliminary allocation of that consideration based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition:

		As of July 30, 2018
Cash	$	158,898
Contingent consideration liability		18,616
	$	177,514
Less: Transaction-related receivable		(20,200)
Net fair value of consideration transferred	**$**	**157,314**

Allocation:			**Estimated useful life (Years)**
Net tangible assets and liabilities:			
Restricted cash	$	15,913	
Other current assets		5,600	
Other non-current assets		3,116	
Current liabilities		(6,219)	
Long-term debt		(17,717)	
Other long-term liabilities		(3,767)	
Total net tangible assets and liabilities	$	(3,074)	
Identified intangible assets:			
Patents(1)	$	154,000	9 - 10
Goodwill(2)		6,388	
Total identified intangible assets	$	160,388	
Total fair value of consideration transferred	**$**	**157,314**	

(1) We expect $16.4 million of additional annualized amortization expense from patents acquired in the Technicolor Acquisition.

(2) Goodwill consists of expected synergies resulting from the combination of our and Technicolor’s patent licensing businesses in the increasingly complementary areas of mobile and video technology. We expect that the majority of the goodwill resulting from the Technicolor Acquisition will be deductible for income tax purposes.

The following table shows the change in the carrying amount of our goodwill balance from December 31, 2017 to September 30, 2018, all of which is allocated to our one reportable segment:

Goodwill balance as of December 31, 2017	$	16,033
Technicolor Acquisition		6,388
Goodwill balance as of September 30, 2018	**$**	**22,421**

Since the date of closing, the Technicolor Acquisition resulted in $1.9 million of revenue and $4.6 million of pre-tax losses that were included in our condensed consolidated statements of income for the three and nine months ended September 30, 2018. Transaction-related one-time costs for the three and nine months ended September 30, 2018 were $5.4 million and $9.2 million, respectively, the majority of which were recorded within “Selling, general and administrative” expenses in the condensed consolidated statements of income.

The amount of revenue and earnings that would have been included in the Company’s condensed consolidated statement of income for the three and nine months ended September 30, 2018 and 2017 had the acquisition date been January 1, 2017 are reflected in the table below. These amounts have been calculated after applying the Company's accounting policies and adjusting the results to reflect additional interest expense as well as amortization that would have been charged assuming the fair value adjustments to amortizable intangible assets had been recorded as of January 1, 2017. In addition, pro forma adjustments have been made to reflect the impact of the transaction-related costs discussed above. These unaudited pro forma combined results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated, or that may result in the future. The amounts in the table are unaudited (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Actual revenue	$ 75,079	$ 97,325	$ 232,078	$ 327,634
Supplemental pro forma revenue	$ 76,034	$ 100,391	$ 238,761	$ 335,229
Actual earnings	$ 21,407	$ 35,536	$ 62,038	$ 121,791
Supplemental pro forma earnings	$ 22,539	$ 29,621	$ 54,404	$ 97,303
Actual diluted earnings per share	$ 0.60	$ 1.00	$ 1.74	$ 3.40
Supplemental pro forma diluted earnings per share	$ 0.63	$ 0.84	$ 1.53	$ 2.71

Contingent Consideration

As discussed above, in conjunction with the Technicolor Acquisition, Technicolor will receive 42.5% of all of InterDigital's future cash receipts (net of estimated operating expenses) from InterDigital's new licensing efforts in the consumer electronics field; there will be no revenue sharing associated with InterDigital’s mobile industry licensing efforts. The portion of the future cash receipts relating to patents existing as of the date of the acquisition will be accounted for as a contingent consideration liability in accordance with ASC 805-30-25, *Business Combinations - Contingent Consideration.* The revenue sharing arrangement continues through December 31, 2038, and there are no minimum or maximum payments under the arrangement.

The estimated acquisition date fair value of the contingent consideration liability of $18.6 million was determined utilizing a Monte Carlo simulation model. This initial fair value measurement is based on the perspective of a market participant and includes significant unobservable inputs that are classified as Level 3 inputs within the fair value hierarchy and are discussed further within Note 6. The contingent consideration is subject to re-measurement each reporting period until it has been fully paid, and any adjustments to the fair value of the contingent consideration are reflected within the condensed consolidated statements of income.

Madison Arrangement

As discussed above, in conjunction with the Technicolor Acquisition, effective July 30, 2018, we have assumed Technicolor’s rights and obligations under the Madison Arrangement, which commenced in 2015. The Madison Arrangement falls under the scope of ASC 808, *Collaborative Arrangements* (“ASC 808”).

Significant Accounting Policy - Collaborative Arrangements

We record the elements of our collaboration agreements that represent joint operating activities in accordance with ASC 808. Accordingly, the elements of our collaboration agreements that represent activities in which both parties are active participants, and to which both parties are exposed to the significant risks and rewards that are dependent on the commercial success of the activities, are recorded as collaborative arrangements. Generally, the classification of a transaction under a collaborative arrangement is determined based on the nature and contractual terms of the arrangement along with the nature of the operations of the participants. For transactions that are deemed to be a collaborative arrangement under ASC 808, costs incurred and revenues generated on sales to third parties will be reported in our condensed consolidated statement of operations on a gross basis if the Company is deemed to be the principal in the transaction, or on a net basis if the Company is instead deemed to be the agent in the transaction, consistent with the guidance in ASC 606-10-55-36, *Revenue From Contracts with Customers - Principal Agent Considerations*.

Under the Madison Arrangement, Technicolor and Sony combined portions of their respective digital TV (“DTV”) and computer display monitor (“CDM”) patent portfolios and created a combined licensing opportunity to DTV and CDM manufacturers. Per an Agency and Management Services Agreement (“AMSA”) entered into upon the creation of the Madison Arrangement, Technicolor was initially appointed as sole licensing agent of the arrangement, and InterDigital has now assumed that role. As licensing agent, we are responsible for making decisions regarding the prosecution and maintenance of the combined patent portfolio and the licensing and enforcement of the combined patent portfolio in the field of use of DTVs and CDMs on an exclusive basis during the term of the AMSA in exchange for an agent fee.

We were deemed to be the principal in this collaborative arrangement under ASC 808, and, as such, in accordance with ASC 606-10-55-36 *Revenue From Contracts with Customers - Principal Agent Considerations*, we record revenues generated on sales to third parties and costs incurred on a gross basis in the condensed consolidated statements of income. Therefore, we recognize all royalties from customers as revenue and payments to Sony for its royalty share as operating expenses within the condensed consolidated statements of income. Cost reimbursements for expenses incurred resulting from fulfilling the duties of the licensing agent are recorded as contra expenses. Amounts attributable to transactions arising from the Madison Arrangement between participants were not material during the three and nine months ended September 30, 2018.

Long-term debt

An affiliate of CPPIB Credit Investments Inc. ("CPPIB Credit"), a wholly owned subsidiary of Canada Pension Plan Investment Board, is a third-party investor in the Madison Arrangement. CPPIB Credit has made certain payments to Technicolor and Sony and has agreed to contribute cash to fund certain capital reserve obligations under the arrangement in exchange for a percentage of future revenues, specifically through September 11, 2030 in regard to the Technicolor patents.

Upon our assumption of Technicolor's rights and obligations under the Madison Arrangement, our relationship with CPPIB Credit meets the criteria in ASC 470-10-25 - *Sales of Future Revenues or Various Other Measures of Income* ("ASC 470"), which relates to cash received from an investor in exchange for a specified percentage or amount of revenue or other measure of income of a particular product line, business segment, trademark, patent, or contractual right for a defined period. Under this guidance, we recognized the fair value of our contingent obligation to CPPIB Credit, as of the acquisition date, as long-term debt in our condensed consolidated balance sheet. This initial fair value measurement is based on the perspective of a market participant and includes significant unobservable inputs which are classified as Level 3 inputs within the fair value hierarchy and are discussed further within Note 6. At each subsequent reporting period, we will measure the long-term debt at fair value based on the discounted expected future cash flows over the life of the obligation. Our repayment obligations are contingent upon future royalty revenues generated from the Madison Arrangement.

Under ASC 470, amounts recorded as debt shall be amortized under the interest method. The Company made an accounting policy election to utilize the catch-up method when there is a change in the estimated future cash flows, whereby we will adjust the carrying amount of the debt to the present value of the revised estimated future cash flows, discounted at the original effective interest rate, with a corresponding adjustment recognized as interest expense within "Other Expense (Net)" in the condensed consolidated statements of income. As of September 30, 2018, the effective interest rate was approximately 12%. This rate represents the discount rate that equates the estimated future cash flows with the fair value of the debt, and is used to compute the amount of interest to be recognized each period. Any future payments made to CPPIB Credit, or additional proceeds received from CPPIB Credit, will decrease or increase the long-term debt balance accordingly.

Restricted cash

Under the Madison Arrangement, the parties reserve cash in bank accounts to fund our activities to manage the portfolios. These accounts are custodial accounts for which the funds are restricted for this purpose. As of September 30, 2018, the Company had $15.9 million of restricted cash included within the condensed consolidated balance sheet attributable to the Madison Arrangement.

The following table provides a reconciliation of cash, cash equivalents and restricted cash as of September 30, 2018 and 2017 and December 31, 2017 and 2016:

	September 30,		**December 31,**	
	2018	**2017**	**2017**	**2016**
Cash and cash equivalents	$ 508,829	$ 283,557	$ 433,014	$ 404,074
Restricted cash included within prepaid and other current assets	15,942	—	—	—
Total cash, cash equivalents and restricted cash	$ 524,771	$ 283,557	$ 433,014	$ 404,074

Commitments

To receive consent from both Sony and CPPIB Credit to assume the rights and responsibilities of Technicolor under the Madison Arrangement, we committed to contributing cash to fund shortfalls in the Madison Arrangement, up to a maximum of $25.0 million, through 2020. A shortfall funding is only required in the scenario in which the restricted cash is not sufficient to fund current obligations. In the event that we fund a shortfall, any surplus cash resulting from subsequent royalty receipts would be used to repay our shortfall funding plus 25% interest in advance of distributions of royalties to either Sony or CPPIB

Credit, assuming they have not participated in the funding of the shortfall. As of September 30, 2018, we have not contributed any shortfall funding.

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 in Part I, Item 1 of this Quarterly Report on Form 10-Q, in addition to our 2017 Form 10-K, other reports filed with the SEC and the *Statement Pursuant to the Private Securities Litigation Reform Act of 1995 — Forward-Looking Statements* below.

Throughout the following discussion and elsewhere in this Form 10-Q, we refer to "recurring revenues" and "non-current patent royalties." Recurring revenues are comprised of "current patent royalties" and "current technology solutions revenue." Non-current patent royalties are comprised of "past patent royalties" and "static fixed-fee revenue."

New Accounting Guidance

In first quarter 2018, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606"). We adopted the requirements of the new standard as of January 1, 2018 using the modified retrospective method. This resulted in a cumulative adjustment of $161.3 million to retained earnings.

The adoption of the new guidance affected our recognition of revenue from both our fixed-fee and per-unit license agreements. For accounting purposes under this new guidance, we separate our fixed-fee license agreements into two categories: (i) those agreements that provide rights, over the term of the license, to future technologies that are highly interdependent or highly interrelated to the technologies provided at the inception of the agreement ("Dynamic Fixed-Fee Agreements") and (ii) those agreements that do not provide for rights to such future technologies ("Static Fixed-Fee Agreements"). As a result of our adoption of the new guidance, we will continue to recognize revenue from Dynamic Fixed-Fee Agreements on a straight-line basis over the term of the related license agreement, while we expect to recognize most or all of the revenue from Static Fixed-Fee Agreements in the quarter the license agreement is signed. We will not recognize any ongoing revenue from Static Fixed-Fee Agreements already in existence at the time the guidance was adopted. Additionally, in the event a significant financing component is determined to exist in any of our agreements, we will recognize more or less revenue and corresponding interest expense or income, as appropriate.

Absent the adoption of ASC 606, we would have recognized $16.3 million of additional revenue and $4.0 million less interest expense in third quarter 2018, which after taxes would have resulted in $13.6 million of additional net income for the three months ended September 30, 2018. Similarly, had we remained under ASC 605, for the nine months ended September 30, 2018, we would have recognized $54.8 million of additional revenue and $13.0 million less interest expense, which after taxes would have resulted in $52.2 million of additional net income for the period. See Note 1, "*Basis of Presentation*," in the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion on the adoption of ASC 606.

Recurring Revenue

Third quarter 2018 recurring revenue was $75.0 million. Under ASC 605, recurring revenue for third quarter 2018 would have been $91.2 million, compared to $88.5 million in third quarter 2017, with the increase primarily driven by an increase in fixed-fee royalty revenues as a result of new license agreements signed in 2017 and 2018, partially offset by a decrease in variable patent royalty revenue primarily related to expired contracts and decreased shipments. Refer to "Results of Operations -- Third Quarter 2018 Compared to Third Quarter 2017" and "Results of Operations -- First Nine Months 2018 Compared to First Nine Months 2017" for further discussion of our 2018 revenue.

Technicolor Acquisition

On July 30, 2018, we completed the acquisition of the patent licensing business of Technicolor, a worldwide technology leader in the media and entertainment sector (the "Technicolor Acquisition"). The final transaction includes the acquisition by InterDigital of approximately 18,000 patents and applications, across a broad range of technologies, including approximately 3,000 worldwide video coding patents and applications. Refer to Note 9, "*Business Combinations*," in the *Notes to Condensed Consolidated Financial Statements* included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on this transaction.

Share Repurchase Program

During the nine months ended September 30, 2018, we repurchased 0.5 million shares for $43.5 million under the 2014 Repurchase Program. As of September 30, 2018, there was approximately $135.1 million remaining under the stock repurchase authorization.

Comparability of Financial Results

When comparing third quarter 2018 financial results against other periods, the following items should be taken into consideration:

- discrete net benefits of $14.7 million primarily related to an anticipated refund that the Company expects to receive from amending tax returns for tax years covered by the Competent Authority Proceeding discussed in Note 2, "*Income Taxes,*" in the *Notes to Condensed Consolidated Financial Statements* included in Part I, Item 1 of this Quarterly Report on Form 10-Q;
- an aggregate $8.4 million loss recognized during third quarter 2018 related to the sale of our entire ownership interest in one of our strategic investments and the impairment of a separate strategic investment;
- $5.4 million of transaction and integration costs related to the Technicolor Acquisition; and
- as discussed above, assuming we had not adopted ASC 606, we would have recognized $16.3 million of additional revenue and $4.0 million less interest expense in third quarter 2018, which after taxes would have resulted in $13.6 million of additional net income for the three months ended September 30, 2018. For the nine months ended September 30, 2018, we would have recognized $54.8 million of additional revenue and $13.0 million less interest expense, which after taxes would have resulted in $52.2 million of additional net income.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 1 of the *Notes to Consolidated Financial Statements* included in our 2017 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 2017 Form 10-K. With the exception of our adoption of ASC 606 as discussed below, there have been no material changes to our existing critical accounting policies from the disclosures included in our 2017 Form 10-K. Refer to Note 1, "*Basis of Presentation*," in the *Notes to Condensed Consolidated Financial Statements* included in Part I, Item 1 of this Quarterly Report on Form 10-Q for updates related to new accounting pronouncements and changes in accounting policies. See below for critical accounting estimates from the current year period.

Revenue Recognition

Beginning January, 1, 2018, we adopted ASC 606. See Note 1, "*Basis of Presentation*," to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for discussion regarding this new accounting policy.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash, cash equivalents and short-term investments, as well as cash generated from operations. We believe we have the ability to obtain additional liquidity through debt and equity financings. Based on our past performance and current expectations, we believe our available sources of funds, including cash, cash equivalents and short-term investments and cash generated from our operations, will be sufficient to finance our operations, capital requirements, debt obligations, existing stock repurchase program and dividend program for the next twelve months.

Cash, cash equivalents, restricted cash and short-term investments

As of September 30, 2018, and December 31, 2017, we had the following amounts of cash, cash equivalents, restricted cash and short-term investments (in thousands):

	September 30, 2018	December 31, 2017	Increase / (Decrease)
Cash and cash equivalents	$ 508,829	$ 433,014	$ 75,815
Restricted cash included within prepaid and other current assets	15,942	—	15,942
Short-term investments	549,521	724,981	(175,460)
Total cash, cash equivalents, restricted cash and short-term investments	$ 1,074,292	$ 1,157,995	$ (83,703)

The net decrease in cash, cash equivalents, restricted cash and short-term investments was primarily attributable to cash used in investing activities of $177.6 million, primarily related to the Technicolor Acquisition, as well as capital investments for patents and fixed assets and additional long-term strategic investments. Cash used in financing activities of $82.1 million for dividend payments, share repurchases and cash payments for payroll taxes upon vesting of restricted stock units, slightly offset by proceeds received from the exercise of stock options, further contributed to the decrease. These decreases were partially offset by $176.6 million of cash provided by operating activities. Please see below for further discussion of these items.

Cash flows from operations

We generated the following cash flows from our operating activities in first nine months 2018 and 2017 (in thousands):

	For the Nine Months Ended September 30,		
	2018	2017	Increase / (Decrease)
Net cash provided by operating activities	$ 176,617	$ 98,341	$ 78,276

Our cash flows provided by operating activities are principally derived from cash receipts from patent license and technology solutions agreements offset by cash operating expenses and income tax payments. The increase in cash flows provided by operating activities of $78.3 million was primarily attributable to a timing difference within our working capital accounts related to the Competent Authority Proceeding discussed in Note 2, "*Income Taxes.*" Additionally, an increase in cash receipts of $18.0 million driven by new license agreements in 2018 contributed to the increase in cash provided by operating activities. The table below sets forth the significant items comprising our cash flows provided by (used in) operating activities during the nine months ended September 30, 2018 and 2017 (in thousands).

	For the Nine Months Ended September 30,		
	2018	2017	Increase / (Decrease)
Cash Receipts:			
Patent royalties	$ 252,783	$ 229,785	$ 22,998
Technology solutions	9,306	14,325	(5,019)
Total cash receipts	$ 262,089	$ 244,110	$ 17,979
Cash Outflows:			
Cash operating expenses [a]	121,429	115,133	6,296
Income taxes paid [b]	24,459	29,173	(4,714)
Total cash outflows	145,888	144,306	1,582
Other working capital adjustments	60,416	(1,463)	61,879
Cash flows provided by (used in) operating activities	$ 176,617	$ 98,341	$ 78,276

(a) Cash operating expenses include operating expenses less depreciation of fixed assets, amortization of patents and non-cash compensation.
(b) Income taxes paid include foreign withholding taxes.

Working capital

We believe that working capital adjusted to exclude cash, cash equivalents and short-term investments and to include current deferred revenue provides additional information about non-cash assets and liabilities that might affect our near-term liquidity. While we believe cash and short-term investments are important measures of our liquidity, the remaining components of our current assets and current liabilities, with the exception of deferred revenue, could affect our near-term liquidity and/or cash flow. We have no material obligations associated with our deferred revenue, and the amortization of deferred revenue has no impact on our future liquidity and/or cash flow. Our adjusted working capital, a non-GAAP financial measure, reconciles to working capital, the most directly comparable GAAP financial measure, as of September 30, 2018, and December 31, 2017 (in thousands), as follows:

	September 30, 2018	December 31, 2017	Increase / (Decrease)
Current assets	$ 1,190,912	$ 1,395,794	$ (204,882)
Less: current liabilities	293,552	376,441	(82,889)
Working capital	897,360	1,019,353	(121,993)
Subtract:			
Cash and cash equivalents	508,829	433,014	75,815
Short-term investments	549,521	724,981	(175,460)
Add:			
Current deferred revenue	134,197	307,142	(172,945)
Adjusted working capital	$ (26,793)	$ 168,500	$ (195,293)

The $195.3 million net decrease in adjusted working capital is primarily attributable to a decrease in accounts receivable with an offset to deferred revenue as a result of our adoption of ASC 606. Refer to Note 1, "*Basis of Presentation*," for more information on this adoption. Additionally, an increase in taxes payable, partially offset by an increase in other assets, is related to the Competent Authority Proceeding discussed in Note 2, "*Income Taxes.*"

Cash flows from investing and financing activities

Net cash used in investing activities for first nine months 2018 was $2.8 million, a $162.8 million decrease from $165.6 million net cash used in first nine months 2017. We sold $174.9 million, net of purchases, of short-term marketable securities in first nine months 2018, as compared to purchases of $135.1 million, net of sales, in first nine months 2017. We applied a substantial portion of the proceeds from our sale of short-term marketable securities toward the $143.0 million, net of cash acquired, paid for the Technicolor Acquisition in first nine months 2018. Long-term investments increased by $3.5 million due to an increase in strategic investment activity.

Net cash used in financing activities for first nine months 2018 was $82.1 million, a $28.8 million increase from $53.3 million in first nine months 2017. This change was primarily attributable to a $43.5 million increase in repurchases of common stock and a $5.4 million increase in dividends paid. These increases in cash used in financing activities were partially offset by a $13.8 million decrease in payroll taxes upon the vesting of restricted stock units and a $6.3 million increase in net proceeds from the exercise of stock options. The decrease in payroll taxes was driven by both a greater number of restricted stock units vested and a higher share price on their vesting date in first nine months 2017 as compared to restricted stock unit vestings in first nine months 2018. The increase in dividend payments was attributable to the September 2017 increase in the Company’s regular quarterly cash dividend, from $0.30 per share to $0.35 per share.

Other

Our combined short-term and long-term deferred revenue balance as of September 30, 2018 was approximately $269.7 million, a decrease of $347.2 million from December 31, 2017. The decrease was primarily due to our adoption of ASC 606. Refer to Note 1, "*Basis of Presentation*," for more information.

Based on current license agreements, we expect the amortization of dynamic fixed-fee royalty payments to reduce the September 30, 2018 deferred revenue balance of $269.7 million by $134.2 million over the next twelve months.

Convertible Notes

Our 1.50% Senior Convertible Notes due 2020 (for purposes of this discussion, the "Convertible Notes") are included in the dilutive earnings per share calculation using the treasury stock method. Under the treasury stock method, we must calculate the number of shares of common stock issuable under the terms of the Convertible Notes based on the average market price of our common stock during the applicable reporting period, and include that number in the total diluted shares figure for the period. At the time we issued the Convertible Notes, we entered into convertible note hedge and warrant agreements that together were designed to have the economic effect of reducing the net number of shares that will be issued in the event of conversion of the Convertible Notes by, in effect, increasing the conversion price of the Convertible Notes from our economic standpoint. However, under GAAP, since the impact of the convertible note hedge agreements is anti-dilutive, we exclude from the calculation of fully diluted shares the number of shares of our common stock that we would receive from the counterparties to these agreements upon settlement.

During periods in which the average market price of the Company's common stock is above the applicable conversion price of the Convertible Notes ($71.74 per share as of September 30, 2018) or above the strike price of the warrants ($87.68 per share as of September 30, 2018), the impact of conversion or exercise, as applicable, would be dilutive and such dilutive effect is reflected in diluted earnings per share. As a result, in periods where the average market price of the Company's common stock is above the conversion price or strike price, as applicable, under the treasury stock method, the Company calculates the number of shares issuable under the terms of the Convertible Notes and the warrants based on the average market price of the stock during the period, and includes that number in the total diluted shares outstanding for the period.

Under the treasury stock method, changes in the price per share of our common stock can have a significant impact on the number of shares that we must include in the fully diluted earnings per share calculation. As described in Note 7, "*Long-Term Debt,*" it is our current intent and policy to settle all conversions of the Convertible Notes through a combination settlement of cash and shares of common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of the Convertible Notes and any remaining amounts in shares ("net share settlement"). Assuming net share settlement upon conversion, the following table illustrates how, based on the $316.0 million aggregate principal amount of Convertible Notes outstanding as of September 30, 2018 and the approximately 4.4 million warrants outstanding as of the same date, changes in our stock price would affect (i) the number of shares issuable upon conversion of the Convertible Notes, (ii) the number of shares issuable upon exercise of the warrants subject to the warrant agreements, (iii) the number of additional shares deemed outstanding with respect to the Convertible Notes, after applying the treasury stock method, for purposes of calculating diluted earnings per share ("Total Treasury Stock Method Incremental Shares"), (iv) the number of shares of common stock deliverable to us upon settlement of the hedge agreements and (v) the number of shares issuable upon concurrent conversion of the Convertible Notes, exercise of the warrants and settlement of the convertible note hedge agreements:

Market Price Per Share	Shares Issuable Upon Conversion of Convertible Notes	Shares Issuable Upon Exercise of Warrants	Total Treasury Stock Method Incremental Shares	Shares Deliverable to InterDigital upon Settlement of the Hedge Agreements	Incremental Shares Issuable (a)
			(Shares in thousands)		
$75	191	—	191	(191)	—
$80	455	—	455	(455)	—
$85	687	—	687	(687)	—
$90	894	114	1,008	(894)	114
$95	1,078	339	1,417	(1,078)	339
$100	1,245	543	1,788	(1,245)	543
$105	1,395	727	2,122	(1,395)	727
$110	1,532	894	2,426	(1,532)	894
$115	1,657	1,046	2,703	(1,657)	1,046
$120	1,771	1,186	2,957	(1,771)	1,186

(a) Represents incremental shares issuable upon concurrent conversion of convertible notes, exercise of warrants and settlement of the hedge agreements.

RESULTS OF OPERATIONS

Third Quarter 2018 Compared to Third Quarter 2017

Revenues

The following table compares third quarter 2018 revenues to third quarter 2017 revenues (in thousands):

	For the Three Months Ended September 30,		Total Increase/ (Decrease)		Components of Increase/(Decrease)		
	2018	2017			Due to ASC 606	Operational	Total
Variable patent royalty revenue	$ 13,645	$ 10,081	$ 3,564	35 %	$ 5,242	$ (1,678)	$ 3,564
Fixed-fee royalty revenue	60,272	73,653	(13,381)	(18)%	(20,309)	6,928	(13,381)
Current patent royalties (a)	73,917	83,734	(9,817)	(12)%	(15,067)	5,250	(9,817)
Non-current patent royalties (b)	128	8,832	(8,704)	(99)%	—	(8,704)	(8,704)
Total patent royalties	74,045	92,566	(18,521)	(20)%	(15,067)	(3,454)	(18,521)
Current technology solutions revenue (a)	1,034	4,759	(3,725)	(78)%	(1,197)	(2,528)	(3,725)
Total revenue	$ 75,079	$ 97,325	$ (22,246)	(23)%	$ (16,264)	$ (5,982)	$ (22,246)

(a) Recurring revenues consist of current patent royalties, inclusive of Dynamic Fixed-Fee Agreement royalties, and current technology solutions revenue.
(b) Non-current patent royalties for the three months ended September 30, 2018 consist of past patent royalties and royalties from static agreements. For the three months ended September 30, 2017, non-current patent royalties consist of past patent royalties.

As discussed above, we adopted new revenue guidance, ASC 606, effective January 1, 2018. Consistent with the modified retrospective adoption method, our results of operations for periods prior to our adoption of ASC 606 remain unchanged. As a result, the difference in accounting principles resulting from the adoption of ASC 606 accounted for $16.3 million of the decrease in net revenue. This decrease was primarily related to pre-existing static fixed-fee license agreements.

The $6.0 million "Operational" decrease in total revenue was primarily driven by a decrease in non-current patent royalties, as in third quarter 2017 we recognized $8.8 million in such royalties primarily related to the transfer of the remaining patents pursuant to our patent license agreement with Huawei. The decreases in current technology solutions revenue and variable patent royalties primarily related to the expiration of certain fixed-fee and technology solutions agreements at the end of 2017 and decreased shipments by certain of our variable licensees, respectively. These decreases were partially offset by the LG Electronics ("LG") dynamic fixed-fee agreement signed in fourth quarter 2017 and new dynamic fixed-fee agreements signed during 2018.

In third quarter 2018 and third quarter 2017, 84% and 73% of our total revenue, respectively, was attributable to companies that individually accounted for 10% or more of our total revenue. In third quarter 2018 and third quarter 2017, the following companies accounted for 10% or more of our total revenue:

	For the Three Months Ended September 30,	
	2018	2017
Apple	37%	29%
Samsung	26%	18%
LG	11%	—%
Asustek	10%	<10%
Huawei	—%	26%

Operating Expenses

The following table summarizes the changes in operating expenses between third quarter 2018 and third quarter 2017 by category (in thousands):

	For the Three Months Ended September 30,			
	2018	2017	Increase/(Decrease)	
Patent administration and licensing	$ 32,077	$ 26,517	$ 5,560	21%
Development	17,276	17,293	(17)	—%
Selling, general and administrative	12,806	12,640	166	1%
Total operating expenses	$ 62,159	$ 56,450	$ 5,709	10%

Operating expenses increased to $62.2 million in third quarter 2018 from $56.5 million in third quarter 2017. The $5.7 million increase in total operating expenses was primarily due to changes in the following items (in thousands):

	Increase/ (Decrease)
Technicolor Acquisition-related costs	$ 11,540
Other	(1,204)
Consulting services	(1,852)
Performance-based incentive compensation	(1,484)
Personnel-related costs	(1,291)
Total increase in operating expenses	$ 5,709

The $5.7 million increase in operating expenses was primarily driven by the Technicolor Acquisition, which contributed $11.5 million to our third quarter 2018 operating expenses. The $11.5 million of costs is comprised of $5.4 million of one-time transaction-related costs incurred during the quarter, as well as $6.1 million for two months of operating expenses for the acquired Technicolor business, of which $2.7 million relates to patent amortization. The $1.9 million decrease in consulting services was primarily related to spending on corporate initiatives, including the implementation of a new enterprise resource planning system in third quarter 2017. The decrease in performance-based incentive compensation was primarily related to higher accrual rates in third quarter 2017 as compared to third quarter 2018. The $1.3 million decrease in personnel-related costs was primarily due to a reduction in headcount in an ongoing effort to optimize our cost structure.

Patent Administration and Licensing Expense: The increase in patent administration and licensing expense primarily resulted from the above-noted increases related to the Technicolor Acquisition. These increases were partially offset by the above-noted decrease in performance-based compensation.

Development Expense: The decrease in development expense primarily related to the above-noted decrease in personnel-related costs, as well as reduced spending on the development of commercial solutions in an ongoing effort to optimize our cost structure. These decreases were partially offset by costs associated with the jointly funded R&D collaboration with Technicolor R&I.

Selling, General and Administrative Expense: The increase in selling, general and administrative expense primarily resulted from the above-noted increases related to the Technicolor Acquisition. These increases were partially offset by the above-noted decreases in performance-based compensation and consulting services.

Other (Expense) Income

The following table compares third quarter 2018 other (expense) income to third quarter 2017 other (expense) income (in thousands):

	For the Three Months Ended September 30,		Change	
	2018	2017		
Interest expense	$ (9,039)	$ (4,480)	$ (4,559)	(102)%
Other	(8,654)	130	(8,784)	6,757 %
Interest and investment income	3,740	2,163	1,577	73 %
	$ (13,953)	$ (2,187)	$ (11,766)	(538)%

Third quarter 2018 other expense includes an aggregate $8.4 million loss related to the sale of one of our strategic long-term investments and the impairment of a separate strategic long-term investment during the period. Related to the adoption of ASC 606, as discussed above, third quarter 2018 includes $4.0 million of interest expense related to significant financing components of patent license agreements. Interest expense also increased by $0.4 million due to interest incurred on long-term debt resulting from the Technicolor Acquisition. The remaining change between periods was primarily due to the increase in interest and investment income of $1.6 million primarily due to higher average investment balances and higher returns during third quarter 2018 as compared to third quarter 2017.

Income tax provision

Third quarter 2018 includes a tax benefit of $21.1 million, including discrete net benefits of $14.7 million. The effective rate would have been a benefit of 620.0% not including these discrete net benefits. The effective tax rate for third quarter 2018 was favorably impacted by provisions contained within the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act"), discussed below. Additionally, our third quarter 2018 effective tax rate includes discrete net benefits of $15.7 million primarily related to an anticipated refund that the Company expects to receive from amending tax returns for tax years covered by the Competent Authority Proceeding discussed in Note 2, "*Income Taxes.*". This is compared to an effective tax rate of 10.2% based on the statutory federal tax rate net of discrete federal and state taxes during third quarter 2017. The third quarter 2017 effective tax rate included a $9.1 million discrete net benefit primarily related to the reversal of uncertain tax positions associated with domestic production activities refund claims.

On December 22, 2017, the Tax Reform Act was signed into law. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things: lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018; imposing a 13.125% tax rate on income that qualifies as FDII; repealing the deduction for domestic production activities; implementing a territorial tax system; and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The third quarter 2018 effective tax rate includes a forecasted $16.8 million net benefit related to our income qualifying as FDII.

First Nine Months 2018 Compared to First Nine Months 2017

Revenues

The following table compares first nine months 2018 revenues to first nine months 2017 revenues (in thousands):

	For the Nine Months Ended September 30,				Components of Increase/(Decrease)		
	2018	2017	Total Increase/ (Decrease)		Due to ASC 606	Operational	Total
Variable patent royalty revenue	$ 26,322	$ 37,338	$ (11,016)	(30)%	$ 466	$ (11,482)	$ (11,016)
Fixed-fee royalty revenue	178,207	220,083	(41,876)	(19)%	(60,081)	18,205	(41,876)
Current patent royalties (a)	204,529	257,421	(52,892)	(21)%	(59,615)	6,723	(52,892)
Non-current patent royalties (b)	25,489	56,692	(31,203)	(55)%	10,000	(41,203)	(31,203)
Total patent royalties	230,018	314,113	(84,095)	(27)%	(49,615)	(34,480)	(84,095)
Current technology solutions revenue (a)	2,060	13,521	(11,461)	(85)%	(5,232)	(6,229)	(11,461)
Total revenue	$ 232,078	$ 327,634	$ (95,556)	(29)%	$ (54,847)	$ (40,709)	$ (95,556)

(a) Recurring revenues consist of current patent royalties, inclusive of Dynamic Fixed-Fee Agreement royalties, and current technology solutions revenue.
(b) Non-current patent royalties for the nine months ended September 30, 2018 consist of past patent royalties and royalties from static agreements. For the nine months ended September 30, 2017, non-current patent royalties consist of past patent royalties.

As discussed above, we adopted new revenue guidance, ASC 606, effective January 1, 2018. Consistent with the modified retrospective adoption method, our results of operations for periods prior to our adoption of ASC 606 remain unchanged. As a result, the difference in accounting principles resulting from the adoption of ASC 606 accounted for $54.8 million of the decrease in net revenue. This decrease was primarily related to pre-existing static fixed-fee license agreements and prepayment agreements, as well as the elimination of quarter-lag reporting for our per-unit license agreements.

Total "Operational" revenues decreased by $40.7 million compared to first nine months 2017, primarily driven by non-current patent royalties related to the Microsoft settlement agreement signed in second quarter 2017 and the transfer of the remaining patents pursuant to our Huawei patent license agreement in third quarter 2017. The decreases in variable patent royalties and current technology solutions revenue primarily related to decreased licensee shipments and the expiration of agreements with certain of our variable licensees, and the expiration of certain fixed-fee and technology solutions agreements at the end of 2017, respectively. These decreases were partially offset by the LG dynamic fixed-fee agreement signed in fourth quarter 2017 and new dynamic fixed-fee agreements signed during 2018.

In first nine months 2018 and first nine months 2017, 71% and 74% of our total revenue, respectively, was attributable to companies that individually accounted for 10% or more of our total revenue. In first nine months 2018 and first nine months 2017, the following companies accounted for 10% or more of our total revenue:

	For the Nine Months Ended September 30,	
	2018	**2017**
Apple	36%	26%
Samsung	25%	16%
LG	10%	—%
Microsoft	—%	14%
Huawei	—%	18%

Operating Expenses

The following table summarizes the changes in operating expenses between first nine months 2018 and first nine months 2017 by category (in thousands):

	For the Nine Months Ended September 30,			
	2018	**2017**	**Increase/(Decrease)**	
Patent administration and licensing	$ 85,480	$ 76,629	$ 8,851	12 %
Development	49,279	56,172	(6,893)	(12)%
Selling, general and administrative	38,569	39,042	(473)	(1)%
Total operating expenses	$ 173,328	$ 171,843	$ 1,485	1 %

Operating expenses increased 1% to $173.3 million in first nine months 2018 from $171.8 million in first nine months 2017. The $1.5 million increase in total operating expenses was primarily due to changes in the following items (in thousands):

	Increase/ (Decrease)
Technicolor Acquisition-related costs	$ 15,261
Intellectual property enforcement and non-patent litigation	4,227
Depreciation and amortization	1,598
Performance-based incentive compensation	(6,781)
Consulting services	(4,789)
Personnel-related costs	(3,817)
Commercial initiatives	(1,701)
Patent maintenance	(1,438)
Other	(1,075)
Total increase in operating expenses	$ 1,485

The $1.5 million increase in operating expenses was primarily driven by the Technicolor Acquisition, which contributed $15.3 million to our first nine months 2018 operating expenses. The $15.3 million of costs is comprised of $9.2 million of one-time transaction-related costs incurred during first nine months 2018, as well as $6.1 million for two months of operating expenses for the acquired Technicolor business, of which $2.7 million relates to patent amortization. The $4.2 million increase in intellectual property enforcement was primarily due to increased activity related to existing licensee disputes. The $1.6 million increase in depreciation and amortization, which does not include the previously mentioned amortization from the Technicolor Acquisition, was primarily related to the growth in our patent portfolio driven by both internal patent generation and patent acquisition. The $6.8 million decrease in performance-based incentive compensation was primarily related to higher accrual rates in first nine months 2017, as well as a greater number of active long-term compensation cycles in first nine months of 2017. The $4.8 million decrease in consulting services was primarily related to spending on corporate initiatives, including the implementation of a new enterprise resource planning system in first nine months 2017. The $3.8 million decrease in personnel-related costs was due to a reduction in headcount in an ongoing effort to optimize our cost structure. The $1.7 million decrease in commercial initiatives was primarily attributable to reduced spending on the development of commercial solutions and on-going efforts to optimize our cost structure. The $1.4 million decrease in patent maintenance costs was a result of our initiatives to more efficiently prosecute and maintain our patent portfolio.

Patent Administration and Licensing Expense: The increase in patent administration and licensing expense primarily resulted from the above-noted increases related to the Technicolor acquisition, intellectual property enforcement costs and patent amortization expense. These increases were partially offset by decreased performance-based incentive compensation and patent maintenance costs as discussed above.

Development Expense: The decrease in development expense primarily resulted from the above-noted decreases in performance-based incentive compensation, commercial initiatives and personnel-related costs. Additionally, lower consulting services related to development projects contributed to this decrease.

Selling, General and Administrative Expense: The slight decrease in selling, general and administrative expense primarily resulted from the above-noted decreases in performance-based incentive compensation, personnel-related costs and consulting services expense. These decreases were partially offset by the above-noted increases related to the Technicolor Acquisition.

Other (Expense) Income

The following table compares first nine months 2018 other (expense) income to first nine months 2017 other (expense) income (in thousands):

	For the Nine Months Ended September 30,			
	2018	2017	Change	
Interest expense	$ (27,242)	$ (13,308)	$ (13,934)	(105)%
Other	(8,907)	26	(8,933)	(34,358)%
Interest and investment income	11,013	5,951	5,062	85 %
	$ (25,136)	$ (7,331)	$ (17,805)	(243)%

First nine months 2018 other expense includes an aggregate $8.4 million loss related to the sale of one of our strategic long-term investments and the impairment of a separate strategic long-term investment during the period. Related to the adoption of ASC 606, as discussed above, first nine months 2018 includes $13.0 million of interest expense related to significant financing components of patent license agreements. Interest expense also increased by $0.4 million due to interest incurred on long-term debt resulting from the Technicolor Acquisition. The remaining change between periods was primarily due to the increase in interest and investment income of $5.1 million primarily due to higher average investment balances and higher returns during first nine months 2018 as compared to first nine months 2017.

Income tax provision

In first nine months 2018, based on the statutory federal tax rate net of discrete federal and state taxes, our effective tax rate was a benefit of 74.4%. The effective tax rate for first nine months 2018 was favorably impacted by provisions contained within the Tax Reform Act. Additionally, we recorded discrete net benefits of $18.4 million from excess tax benefits related to share-based compensation, our sale of a commercial initiative and a net benefit from anticipated amended tax returns that the Company will file in connection with the Competent Authority Proceeding discussed further in Note 2, "*Income Taxes."* The effective rate would have been a benefit of 19.7% not including these discrete benefits. This is compared to an effective tax rate provision of 19.8% based on the statutory federal tax rate net of discrete federal and state taxes during first nine months 2017. The effective tax rate for first nine months 2017 included a $12.1 million discrete benefit, primarily related to excess tax benefits from share-based compensation, and a $9.1 million discrete benefit, primarily related to the reversal of uncertain tax positions associated with domestic production activities refund claims. The effective tax rate would have been a provision of 34.2% not including these discrete benefits for first nine months 2017.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 — FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include certain information under the heading “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other information regarding our current beliefs, plans and expectations, including without limitation the matters set forth below. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “goal,” variations of any such words or similar expressions are intended to identify such forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, without limitation, statements regarding:

- Our expectations regarding the potential effects of new accounting standards, including the new revenue recognition guidance, on our financial position, results of operations or cash flows;
- Our expectation that the amortization of dynamic fixed-fee royalty payments will reduce our September 30, 2018 deferred revenue balance over the next twelve months;
- Our expectations with respect to revenue to be recognized based on contracts signed and committed Dynamic Fixed-Fee Agreement payments as of September 30, 2018;
- Our expectations and estimations regarding the income tax effects, and the impact on the Company, of the Tax Reform Act, including our forecasted net benefit related to our income qualifying as FDII;
- Our expectations with respect to anticipated tax refunds to be received from amending certain tax returns;
- The timing, outcome and impact of, and plans, expectations and beliefs with respect to, our various litigation, arbitration, regulatory and administrative matters;
- Our belief that we have the ability to obtain additional liquidity through debt and equity financings;
- Our expectations with respect to the impact of the Technicolor Acquisition on our financial statements and our business;
- Our belief that our available sources of funds will be sufficient to finance our operations, capital requirements, debt obligations, existing stock repurchase program and dividend program for the next twelve months; and
- Our expectation that we will continue to pay dividends comparable to our quarterly $0.35 per share cash dividend in the future.

Forward-looking statements concerning our business, results of operations and financial condition are inherently subject to risks and uncertainties that could cause actual results, and actual events that occur, to differ materially from results contemplated by the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks and uncertainties outlined in greater detail in Part I, Item 1A of our 2017 Form 10-K, Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, and Part II, Item 1A Risk Factors in this Quarterly Report on Form 10-Q. We undertake no obligation to revise or update publicly 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 2017 Form 10-K.

Item 4. CONTROLS AND PROCEDURES.

The Company’s principal executive officer and principal 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 amended) 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 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, 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 or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. As permitted pursuant to guidance from the staff of the SEC with respect to newly acquired businesses, this evaluation did not include an assessment of those disclosure controls and procedures that are subsumed by internal control over financial reporting as it relates to the Technicolor Acquisition, which closed on July 30, 2018.

Aside from the Technicolor Acquisition discussed above, there were no additional changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2018, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

ZTE China Proceedings

Reference is made to the ZTE China proceedings previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K"). On September 18, 2018, ZTE independently filed a petition with the Shenzhen Court to withdraw the complaint in its FRAND case against InterDigital, and on September 28, 2018, the Shenzhen Court granted ZTE's petition and dismissed the FRAND case without prejudice. On October 25, 2018, ZTE independently filed a petition with the Shenzhen Court to withdraw the complaint in its anti-monopoly law case against InterDigital, and on October 26, 2018, the Shenzhen Court granted ZTE's petition and dismissed the anti-monopoly law case without prejudice.

Asustek Actions

Reference is made to the Asustek actions previously disclosed in the 2017 Form 10-K, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (the "First Quarter 2018 Form 10-Q") and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (the "Second Quarter 2018 Form 10-Q"). On August 16, 2018, the parties filed motions for summary judgment in the CA Northern District Court proceeding. InterDigital contends that (1) Asus is judicially estopped from arguing that the parties' April 2008 patent license agreement (the "2008 Asus PLA") is "non-FRAND" due to Asus's prior inconsistent positions; (2) issue preclusion prevents Asus from re-litigating issues decided in the parties' 2017 arbitration; (3) as a matter of law, Asus cannot void the binding and enforceable 2008 Asus PLA; and (4) Asus's Sherman Act, promissory estoppel, and California UCL claims fail as a matter of law. For its part, Asus contends that, as a matter of law, InterDigital breached its contractual obligation to license its essential patents on FRAND terms and conditions by engaging in discriminatory licensing practices. The parties filed oppositions on September 13, 2018 and replies on September 27, 2018, and the court held an oral argument on October 11, 2018. These motions remain pending.

2013 USITC Proceeding (337-TA-868) and Related ZTE Delaware District Court Proceeding

Reference is made to the USITC proceeding and related Delaware District Court proceeding initiated in January 2013 involving InterDigital and ZTE previously disclosed in the 2017 Form 10-K, the First Quarter 2018 Form 10-Q and the Second Quarter 2018 Form 10-Q. The Delaware District Court proceeding remains stayed through at least January 23, 2019.

2011 USITC Proceeding (337-TA-800) and Related ZTE Delaware District Court Proceeding

Reference is made to the USITC proceeding and related Delaware District Court proceeding initiated in July 2011 involving InterDigital and ZTE previously disclosed in the 2017 Form 10-K, the First Quarter 2018 Form 10-Q and the Second Quarter 2018 Form 10-Q. The Delaware District Court proceeding is now stayed through December 10, 2018.

See Note 4, "*Litigation and Legal Proceedings*," to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion regarding these and other proceedings.

Item 1A. RISK FACTORS.

Reference is made to Part I, Item 1A, "Risk Factors" included in the 2017 Form 10-K for information concerning risk factors. We are updating the risk factors contained in the 2017 Form 10-K and the First Quarter 2018 Form 10-Q to include the risk factor set forth below.

The following risk factor should be read in conjunction with the risk factors discussed in Part I, Item 1A of the Form 10-K and in Part II, Item 1A of the First Quarter 2018 Form 10-Q, in addition to the factors set forth in the Statement Pursuant to the Private Securities Litigation Reform Act of 1995 -- Forward-Looking Statements in Part I, Item 2 of this Quarterly Report on Form 10-Q. You should carefully consider such factors, which could materially affect our business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and in the 2017 Form 10-K and the First Quarter 2018 Form 10-Q are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

We may experience difficulties or delays integrating, and may not be able to realize all of the anticipated benefits from the integration of, the Technicolor patent licensing business (the "Technicolor business").

We may experience difficulties integrating the Technicolor business, or may fail to realize the anticipated benefits from our integration of the Technicolor business on a timely basis, or at all, for a variety of reasons, including the following:

- failure of the acquisition to materially increase the value of our core handset licensing business by not increasing the royalty amount we would otherwise derive on each handset, not accelerating the pace of licensing, or not allowing us to avoid litigation to protect our intellectual property;
- unexpected costs and strain on our resources and potential distraction of management arising from our attempts at integrating the businesses;
- difficulties integrating the patent portfolios and related portfolio management systems of the businesses, or migrating the portfolios to a new patent management system, and the risk that the patent assets could be negatively impacted;
- failure to continue to develop and expand our portfolio of video technology patent assets;
- failure to develop a successful business plan and licensing program related to consumer electronics;
- difficulties integrating the personnel of the Technicolor business into our operations, organization, and human resources programs, and the risk that we could lose key employees;
- challenges associated with managing a geographically remote business;
- failure to accurately forecast the long-term value and costs of the Technicolor business or of certain assets acquired in the transaction;
- liabilities that are not covered by, or exceed the coverage under, the indemnification or other provisions of the acquisition-related agreements; and
- patent validity, infringement or enforcement issues not uncovered during our diligence process.

In the event that we experience significant integration difficulties or delays, or fail to realize the anticipated benefits from the integration, our business and results of operations, and our stock price, may be adversely affected.

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

Issuer Purchases of Equity Securities

The following table provides information regarding Company purchases of its common stock during third quarter 2018.

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchases as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (3)
July 1, 2018 - July 31, 2018	83,900	$ 81.54	83,900	$ 162,562,816
August 1, 2018 - August 31, 2018	153,799	$ 81.37	153,799	$ 150,044,482
September 1, 2018 - September 30, 2018	186,517	$ 80.26	186,517	$ 135,070,343
Total	424,216	$ 80.92	424,216	$ 135,070,343

(1) Total number of shares purchased during each period reflects share purchase transactions that were completed (i.e. settled) during the period indicated.

(2) Shares were purchased pursuant to the Company’s $500 million share repurchase program (the “2014 Repurchase Program”), $300 million of which was authorized by the Company’s Board of Directors on June 11, 2014 and announced on June 12, 2014, $100 million of which was authorized by the Company’s Board of Directors and announced on June 11, 2015, and $100 million of which was authorized by the Company's Board of Directors and announced on September 14, 2017. The 2014 Repurchase Program has no expiration date. The Company may repurchase shares under the 2014 Repurchase Program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

(3) Amounts shown in this column reflect the amounts remaining under the 2014 Repurchase Program.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 6. EXHIBITS.

The following is a list of exhibits filed with this Quarterly Report on Form 10-Q:

Exhibit Number	Exhibit Description
10.1*	2017 Equity Incentive Plan, Form of Term Sheet for 2018 Performance-Based Restricted Stock Unit Awards (Exhibit 10.1 to InterDigital, Inc.'s Current Report on Form 8-K dated July 9, 2018).†
10.2*	2017 Equity Incentive Plan, Form of Term Sheet for 2018 Performance-Based Stock Option Awards (Exhibit 10.2 to InterDigital, Inc.'s Current Report on Form 8-K dated July 9, 2018).†
10.3	2017 Equity Incentive Plan, Form of Agreement for Time-Based Restricted Stock Unit Awards (revised October 2018).†
10.4	2017 Equity Incentive Plan, Form of Agreement for Performance-Based Restricted Stock Unit Awards (revised October 2018).†
10.5	2017 Equity Incentive Plan, Form of Agreement for Stock Option Awards (revised October 2018).†
10.6	InterDigital, Inc. Executive Severance and Change in Control Policy.†
10.7	Offer letter, dated October 10, 2018, between InterDigital, Inc. and Kai O. Oistamo.†
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.**
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.**
101	The following financial information from InterDigital, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed with the Securities and Exchange Commission on November 1, 2018, formatted in eXtensible Business Reporting Language:
	(i) Condensed Consolidated Balance Sheets at September 30, 2018 and December 31, 2017, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 and (v) Notes to Condensed Consolidated Financial Statements.

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*	Incorporated by reference to the filing indicated.
†	Management contract or compensatory plan or arrangement.
**	This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that InterDigital, Inc. specifically incorporates it by reference.

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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, INC.

Date: November 1, 2018	/s/ WILLIAM J. MERRITT **William J. Merritt** **President and Chief Executive Officer**
Date: November 1, 2018	/s/ RICHARD J. BREZSKI **Richard J. Brezski** **Chief Financial Officer**

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Section 2: EX-10.3 (EXHIBIT 10.3 - 2017 EQUITY INCENTIVE PLAN - TIME BASED RSU)

Exhibit 10.3

INTERDIGITAL, INC.

TERM SHEET FOR RESTRICTED STOCK UNITS

(Time-Based)

InterDigital, Inc. (the “Company”), hereby grants to the Participant named below the number of Restricted Stock Units specified below (the “Award”), upon the terms and subject to the conditions set forth in this Term Sheet for Restricted Stock Units (the “Term Sheet”), the Standard Terms and Conditions of Restricted Stock Units (the “Standard Terms and Conditions”) and the equity plan specified below (the “Plan”). Capitalized terms not defined herein have the meanings set forth in the Plan or the Standard Terms and Conditions.

Plan: The Company’s 2017 Equity Incentive Plan

Name of Participant: ____

Grant Number: ____

Grant Date: ____

Number of Restricted Stock Units: ____

Vesting Schedule: The Award vests on ________________________________, if at all, subject to Participant continuing to be a Service Provider through such date, provided that the Award may vest earlier pursuant to the Standard Terms and Conditions (the date on which all or a portion of the Award vests, the “Vesting Date”).

Pro-rated Vesting:	If Participant's employment is terminated by the Company or any Parent, Subsidiary, or Affiliate of the Company (as applicable, the "Employer") without Cause or by reason of Participant's death or Disability, the Award will become cumulatively vested as to a prorated portion, subject to Participant's execution of a release of claims in favor of the Company within 60 days following termination of employment, except that no release is required for a termination of Participant's employment due to death or Disability. Such pro-rata portion will be determined by multiplying the total number of Restricted Stock Units by the fraction equal to the number of days during the period beginning on the Grant Date and ending on the original Vesting Date (the "Restricted Period") for which Participant was employed by the Employer divided by the total number of days during the Restricted Period.
Accelerated Vesting:	If Participant's employment is terminated within 1 year following a Change in Control, either by the Employer other than for Cause, death, or Disability or by Participant for Good Reason, 100% of the then-unvested portion of the Award will vest upon termination, subject to

Participant's execution of a release of claims in favor of the Company within 60 days following termination of employment.

By accepting this Term Sheet, Participant acknowledges that he or she has received and read, and agrees that this Award will be subject to, the terms of this Term Sheet, the Plan, and the Standard Terms and Conditions.

STANDARD TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

These Standard Terms and Conditions apply to a Restricted Stock Unit Award granted under the InterDigital, Inc. 2017 Equity Incentive Plan (the "Plan"), which is evidenced by the Term Sheet for Restricted Stock Units (the "Term Sheet").

1. Grant of Restricted Stock Units. The Company has granted to the individual (the "Participant") named in the Term Sheet an Award of Restricted Stock Units, subject to all of the terms and conditions herein and in the Term Sheet and the Plan, which are incorporated herein by reference. Subject to Section 22(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of the Term Sheet and this Standard Terms and Conditions of Restricted Stock Units (together, the "Award Agreement"), the terms and conditions of the Plan will prevail. Capitalized terms not defined herein have the meanings set forth in the Plan or the Term Sheet.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in the Term Sheet or Section 3, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Payment after Vesting.

(a) General Rule. Subject to Section 7, any Restricted Stock Units that vest will be paid to Participant (or in the event of Participant's death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 3(b), such vested Restricted Stock Units will be paid in whole Shares as soon as practicable after vesting, but in each such case no later than March 15 of the year following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Restricted Stock Units payable under this Award Agreement.

(b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 3(b) will in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.

(ii) Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Grant Date), if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to Participant's death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the 6-month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date 6 months and 1 day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

(c) Section 409A. It is the intent of this Award Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Award Agreement, “Section 409A” means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

4. Forfeiture Upon Termination as a Service Provider. Unless otherwise provided in the Term Sheet, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Restricted Stock Units awarded by this Award Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

5. Tax Consequences. Participant has reviewed with his or her own tax advisors the federal, state, local, and foreign tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) will be responsible for Participant’s own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant’s designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant’s estate. Any such transferee must furnish the Company with (i) written notice of his or her status as transferee, and (ii) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment, social insurance, payroll and other taxes which the Company determines must be withheld with respect to such Shares. Prior to vesting and/or settlement of the Restricted Stock Units, Participant will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment obligations of the Company and/or the Employer. In this regard, Participant authorizes the Company and/or the Employer to withhold all applicable tax withholding obligations legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Employer or from proceeds of the sale of Shares. Alternatively, or in addition, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such tax withholding obligation, in whole or in part (without limitation) by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount required to be withheld, (iii) delivering to the Company already vested and owned Shares having a Fair Market Value equal to the amount required to be withheld, or (iv) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any tax withholding obligations by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such tax withholding obligations are satisfied. If Participant fails to make satisfactory arrangements for the payment of any required tax withholding obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled

to vest pursuant to Section 3 or tax withholding obligations related to Restricted Stock Units otherwise are due, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

8. Dividend Equivalents. During the period beginning on the Grant Date as indicated above and ending on the date that the Restricted Stock Units are settled or terminate, whichever occurs first, Participant will accrue Dividend Equivalents based on any dividend that would have been paid on the Restricted Stock Units had the Restricted Stock Units been issued and outstanding Shares on the record date for the dividend. The number of Restricted Stock Units credited to Participant's account will include fractional Restricted Stock Units calculated to at least three decimal places, unless otherwise determined by the Administrator. Such accrued Dividend Equivalents will vest and become payable upon the same terms and at the same time as the Restricted Stock Units to which they relate, including any delay in payment to which the related Restricted Stock Units may be subject pursuant to Section 3. Payments of Dividend Equivalents will be net of federal, state, and local withholding taxes.

9. Rights as Shareholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation, and delivery, Participant will have all the rights of a shareholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK UNIT AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

11. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Address for Notices. Any notice to be given to the Office of the General Counsel at the Company at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809, or at such other address as the Company may hereafter designate in writing.

13. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to this Award of Restricted Stock Units by electronic means, and Participant hereby consents to receive such documents by electronic delivery.

14. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

15. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement will be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may only be assigned with the prior written consent of the Company.

16. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company will not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

17. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Award Agreement.

18. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

19. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

20. Modifications to the Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.

21. Governing Law; Venue; Severability. This Award Agreement and the Restricted Stock Units are governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Pennsylvania. For purposes of litigating any dispute that arises under these Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the Commonwealth of Pennsylvania, and agree that such litigation will be conducted in the courts of Montgomery County, Pennsylvania, or the federal courts for the United States for the Eastern District of Pennsylvania, and no other courts. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement will continue in full force and effect.

22. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to Participant's interest except by means of a writing signed by the Company and Participant.

23. Definitions.

(a) "Cause" has the meaning set forth in Participant's employment agreement, other service agreement, or the Company's Executive Severance and Change in Control Policy, if such policy is applicable to Participant, (in each case, in existence on the Grant Date), or, if no such agreement or definition exists, means (i) willful and repeated failure of Participant to perform substantially his or her duties (other than any such failure resulting from incapacity due to physical or mental illness); (ii) Participant's conviction of, or plea of guilty or *nolo contendere* to, a felony which is materially and demonstrably injurious to the Company or any Parent, Subsidiary, or Affiliate of the Company; (iii) willful misconduct or gross negligence by Participant in connection with his or her service; (iv) unsatisfactory job performance; or (v) Participant's breach of any material obligation or duty owed to the Company or any Parent, Subsidiary, or Affiliate of the Company.

(b) "Good Reason" has the meaning set forth in Participant's employment agreement, other service agreement, or the Company's Executive Severance and Change in Control Policy, if such policy is applicable to Participant (in each case, in existence on the Grant Date), or, if no such agreement or definition exists, means any of the following events, occurring without Participant's prior written consent: (i) any material reduction in Participant's base salary (other than a proportionate reduction in salary which is applied to a majority of the Employer's employees); (ii) a material diminution of Participant's duties or responsibilities within the Employer; and (iii) a relocation of Participant's primary work location (or office) by a distance of more than 50 miles. Notwithstanding the foregoing, Good Reason shall only exist if Participant provides the Employer with written notice within 90 days of the initial occurrence of any of the foregoing events or conditions, and the Employer or any successor or Affiliate of the Employer fails to eliminate the conditions constituting Good Reason within 30 days after receipt of written notice of such event or condition from Participant. Participant's resignation from employment with the Employer for Good Reason must occur within 6 months following the initial occurrence of one of the foregoing events or conditions.

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Section 3: EX-10.4 (EXHIBIT 10.4 - 2017 EQUITY INCENTIVE PLAN - PERFORMANCE BASED RSU)

Exhibit 10.4

INTERDIGITAL, INC.

TERM SHEET FOR RESTRICTED STOCK UNITS

(Performance-Based)

InterDigital, Inc. (the "Company"), hereby grants to the Participant named below the number of Restricted Stock Units specified below (the "Award"), upon the terms and subject to the conditions set forth in this Term Sheet for Restricted Stock Units (the "Term Sheet"), the Standard Terms and Conditions of Restricted Stock Units (the "Standard Terms and Conditions") and the equity plan specified below (the "Plan"). Capitalized terms not defined herein have the meanings set forth in the Plan or the Standard Terms and Conditions.

Plan: The Company's 2017 Equity Incentive Plan

Name of Participant: ___________________________________

Grant Number: ___________________________________

Grant Date: ___________________________________

Number of Restricted Stock Units: ___________________________________

Vesting Schedule: The Award vests ___________________________________, if at all, subject to Participant continuing to be a Service Provider through such date and the achievement, as certified by the Compensation Committee of the Board, of the performance goals and parameters set forth in the Standard Terms and Conditions and Exhibit A attached thereto, provided that the Award may vest earlier pursuant to the Standard Terms and Conditions (the date on which all or a portion of the Award vests, the "Vesting Date").

Pro-rated Vesting: If Participant's employment is terminated by the Company or any Parent, Subsidiary, or Affiliate of the Company (as applicable, the "Employer") without Cause or by reason of Participant's death or Disability, in each case, after the second anniversary of the Grant Date, the Award will be eligible to vest as to a prorated portion, subject to Participant's execution of a release of claims in favor of the Company within 60 days following termination of employment, except that no release is required for a termination of Participant's employment due to death or Disability. Such pro-rata portion will be determined by multiplying the number of Restricted Stock Units that would have otherwise become vested according to the performance goals and parameters set forth in the Standard Terms and Conditions and Exhibit A attached thereto (based on actual performance over the performance period), if any, by the fraction equal to the number of days during the period beginning on the Grant Date and ending on the Vesting Date (the "Restricted Period") for which Participant was employed by the Employer divided by the total number of days during the Restricted Period.

Accelerated Vesting: If Participant's employment is terminated within 1 year following a Change in Control, either by the Employer other than for Cause, death, or Disability or by Participant for Good Reason, 100% of the then-unvested portion of the Award will vest upon termination, subject to Participant's execution of a release of claims in favor of the Company within 60 days following termination of employment.

By accepting this Term Sheet, Participant acknowledges that he or she has received and read, and agrees that this Award will be subject to, the terms of this Term Sheet, the Plan, and the Standard Terms and Conditions.

STANDARD TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

These Standard Terms and Conditions apply to a Restricted Stock Unit Award granted under the InterDigital, Inc. 2017 Equity Incentive Plan (the "Plan"), which is evidenced by the Term Sheet for Restricted Stock Units (the "Term Sheet").

1. Grant of Restricted Stock Units. The Company has granted to the individual (the "Participant") named in the Term Sheet an Award of Restricted Stock Units, subject to all of the terms and conditions herein and in the Term Sheet and the Plan, which are incorporated herein by reference. Subject to Section 22(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of the Term Sheet and this Standard Terms and Conditions of Restricted Stock Units (together, the "Award Agreement"), the terms and conditions of the Plan will prevail. Capitalized terms not defined herein have the meanings set forth in the Plan or the Term Sheet.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests.

Unless and until the Restricted Stock Units will have vested in the manner set forth in the Term Sheet or Section 3, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Payment after Vesting.

(a) General Rule. Subject to Section 7, any Restricted Stock Units that vest will be paid to Participant (or in the event of Participant's death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 3 (b), such vested Restricted Stock Units will be paid in whole Shares as soon as practicable following (i) both scoring by the Administrator of the performance goals and parameters set forth in Exhibit A to the Term Sheet and passage of the Vesting Date or (ii) if applicable, the date of the termination of employment, but in each such case no later than March 15 of the year following the date the Restricted Stock Units vest. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Restricted Stock Units payable under this Award Agreement.

(b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 3(b) will in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.

(ii) Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Grant Date), if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to Participant's death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the 6-month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date 6 months and 1 day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

(c) Section 409A. It is the intent of this Award Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

4. Forfeiture Upon Termination as a Service Provider. Unless otherwise provided in the Term Sheet, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Restricted Stock Units awarded by this Award Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

5. Tax Consequences. Participant has reviewed with his or her own tax advisors the federal, state, local, and foreign tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) will be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (i) written notice of his or her

status as transferee, and (ii) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment, social insurance, payroll and other taxes which the Company determines must be withheld with respect to such Shares. Prior to vesting and/or settlement of the Restricted Stock Units, Participant will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment obligations of the Company and/or the Employer. In this regard, Participant authorizes the Company and/or the Employer to withhold all applicable tax withholding obligations legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Employer or from proceeds of the sale of Shares. Alternatively, or in addition, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such tax withholding obligation, in whole or in part (without limitation) by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount required to be withheld, (iii) delivering to the Company already vested and owned Shares having a Fair Market Value equal to the amount required to be withheld, or (iv) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any tax withholding obligations by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such tax withholding obligations are satisfied. If Participant fails to make satisfactory arrangements for the payment of any required tax withholding obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Section 3 or tax withholding obligations related to Restricted Stock Units otherwise are due, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

8. Dividend Equivalents. During the period beginning on the Grant Date as indicated above and ending on the date that the Restricted Stock Units are settled or terminate, whichever occurs first, Participant will accrue Dividend Equivalents based on any dividend that would have been paid on the Restricted Stock Units had the Restricted Stock Units been issued and outstanding Shares on the record date for the dividend. The number of Restricted Stock Units credited to Participant's account will include fractional Restricted Stock Units calculated to at least three decimal places, unless otherwise determined by the Administrator. Such accrued Dividend Equivalents will vest and become payable upon the same terms and at the same time as the Restricted Stock Units to which they relate, including any delay in payment to which the related Restricted Stock Units may be subject pursuant to Section 3. Payments of Dividend Equivalents will be net of federal, state, and local withholding taxes.

9. Rights as Shareholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation, and delivery, Participant will have all the rights of a shareholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK UNIT AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

11. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or

otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Address for Notices. Any notice to be given to the Office of the General Counsel at the Company at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809, or at such other address as the Company may hereafter designate in writing.

13. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to this Award of Restricted Stock Units by electronic means, and Participant hereby consents to receive such documents by electronic delivery.

14. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

15. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement will be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may only be assigned with the prior written consent of the Company.

16. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company will not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

17. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Award Agreement.

18. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

19. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

20. Modifications to the Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything

to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.

21. Governing Law; Venue; Severability. This Award Agreement and the Restricted Stock Units are governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Pennsylvania. For purposes of litigating any dispute that arises under these Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the Commonwealth of Pennsylvania, and agree that such litigation will be conducted in the courts of Montgomery County, Pennsylvania, or the federal courts for the United States for the Eastern District of Pennsylvania, and no other courts. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement will continue in full force and effect.

22. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to Participant's interest except by means of a writing signed by the Company and Participant.

23. Definitions.

(a) "Cause" has the meaning set forth in Participant's employment agreement, other service agreement, or the Company's Executive Severance and Change in Control Policy, if such policy is applicable to Participant, (in each case, in existence on the Grant Date), or, if no such agreement or definition exists, means (i) willful and repeated failure of Participant to perform substantially his or her duties (other than any such failure resulting from incapacity due to physical or mental illness); (ii) Participant's conviction of, or plea of guilty or *nolo contendere* to, a felony which is materially and demonstrably injurious to the Company or any Parent, Subsidiary, or Affiliate of the Company; (iii) willful misconduct or gross negligence by Participant in connection with his or her service; (iv) unsatisfactory job performance; or (v) Participant's breach of any material obligation or duty owed to the Company or any Parent, Subsidiary, or Affiliate of the Company.

(b) "Good Reason" has the meaning set forth in Participant's employment agreement, other service agreement, or the Company's Executive Severance and Change in Control Policy, if such policy is applicable to Participant, (in each case, in existence on the Grant Date), or, if no such agreement or definition exists, means any of the following events, occurring without Participant's prior written consent: (i) any material reduction in Participant's base salary (other than a proportionate reduction in salary which is applied to a majority of the Employer's employees); (ii) a material diminution of Participant's duties or responsibilities within the Employer; and (iii) a relocation of Participant's primary work location (or office) by a distance of more than 50 miles. Notwithstanding the foregoing, Good Reason shall only exist if Participant provides the Employer with written notice within 90 days of the initial occurrence of any of the foregoing events or conditions, and the Employer or any successor or Affiliate of the Employer fails to eliminate the conditions constituting Good Reason within 30 days after receipt of written notice of such event or condition from Participant. Participant's resignation from employment with the Employer for Good Reason must occur within 6 months following the initial occurrence of one of the foregoing events or conditions.

EXHIBIT A

PERFORMANCE GOALS AND PARAMETERS

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Section 4: EX-10.5 (EXHIBIT 10.5 - 2017 EQUITY INCENTIVE PLAN - STOCK OPTION AWARDS)

Exhibit 10.5

INTERDIGITAL, INC.

TERM SHEET FOR STOCK OPTION AWARD

InterDigital, Inc. (the “Company”), hereby grants to the Participant named below an option (the “Option”) to purchase the number of shares of the Company’s Common Stock specified below at the exercise price per Share (the “Exercise Price”) specified below, upon the terms and subject to the conditions set forth in this Term Sheet for Stock Option Award (the “Term Sheet”), the Standard Terms and Conditions of Stock Option Award (the “Standard Terms and Conditions”) and the equity plan specified below (the “Plan”). Capitalized terms not defined herein have the meanings set forth in the Plan or the Standard Terms and Conditions.

Plan: The Company’s 2017 Equity Incentive Plan

Name of Participant: ________________________________

Grant Number: ________________________________

Grant Date: ________________________________

Expiration Date: The seventh anniversary of the Grant Date

Number of Shares Granted: ________________________________

Type of Option: ________________________________

Exercise Price: ________________________________

Vesting Schedule: The Option vests as follows, subject to Participant continuing to be a Service Provider through each vesting date, provided that the Option may vest earlier pursuant to the Standard Terms and Conditions.

Vest Date	Number of Options Vesting
________________________________	________________________________
________________________________	________________________________
________________________________	________________________________

Pro-rated Vesting: If Participant’s employment is terminated by the Company or any Parent, Subsidiary, or Affiliate of the Company (as applicable, the “Employer”) without Cause or by reason of Participant’s death or Disability, the Option will vest as to a prorated portion, subject to Participant’s execution of a release of claims in favor of the Company within 60 days following termination of employment, except that no release is required for a termination of Participant’s employment due to death or Disability. Such pro-rata portion will be determined by multiplying the total number of shares subject to the then-unvested portion of the Option by the fraction equal to the number of days during the period beginning on the later of the Grant Date or the most recent vesting date and ending on the third anniversary of the Grant Date (the “Restricted Period”) for which Participant was employed by the Employer divided by the total number of days during the Restricted Period.

Accelerated Vesting: If Participant’s employment is terminated within 1 year following a Change in Control, either by

	the Employer other than for Cause, death, or Disability or by Participant for Good Reason, 100% of the then-unvested portion of the Option will vest upon termination, subject to Participant's execution of a release of claims in favor of the Company within 60 days following termination of employment.
Termination Period:	This Option will be exercisable for 6 months after Participant ceases to be a Service Provider for any reason other than termination of Participant's Service Provider status for Cause, unless such termination is due to Participant's death or Disability, in which case this Option will be exercisable for 12 months after Participant ceases to be a Service Provider; provided, however, that if Participant dies during such 6-month post-termination exercise period, the Option may be exercised following Participant's death for 12 months after Participant's death. If Participant's Service Provider status is terminated by the Company for Cause, the entire Option, whether or not then vested and exercisable, will be immediately forfeited and canceled as of the date of such termination. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Expiration Date listed above and may be subject to earlier termination as provided in Section 16(c) of the Plan.

By accepting this Term Sheet, Participant acknowledges that he or she has received and read, and agrees that the Option will be subject to, the terms of this Term Sheet, the Plan, and the Standard Terms and Conditions.

STANDARD TERMS AND CONDITIONS OF STOCK OPTION AWARD

These Standard Terms and Conditions apply to a Stock Option Award granted under the InterDigital, Inc. 2017 Equity Incentive Plan (the "Plan"), which is evidenced by the Term Sheet for Stock Option Award (the "Term Sheet").

1. Grant of Option. The Company has granted to the individual (the "Participant") named in the Term Sheet an option (the "Option") to purchase the number of Shares set forth in the Term Sheet at the exercise price per Share set forth in the Term Sheet (the "Exercise Price"), subject to all of the terms and conditions herein and in the Term Sheet and the Plan, which are incorporated herein by reference. Subject to Section 22(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of the Term Sheet and this Standard Terms and Conditions of Stock Option Award (together, the "Award Agreement"), the terms and conditions of the Plan will prevail. Capitalized terms not defined herein have the meanings set forth in the Plan or the Term Sheet.

If designated in the Term Sheet as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an ISO under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). However, if this Option is intended to be an ISO, to the extent required under the $100,000 rule of Code Section 422(d) it will be treated as a Nonstatutory Stock Option ("NSO"). Further, if for any reason this Option (or portion thereof) will not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) will be regarded as a NSO granted under the Plan. In no event will the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.

3. Termination of Relationship as a Service Provider. Unless otherwise provided by the Administrator, on the date that Participant ceases to be a Service Provider, if Participant is not vested as to the entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. Following termination of Participant's Service Provider status, the Option may be exercised to the extent that the Option is vested on the date of termination within the applicable period of time specified in the Term Sheet, but in no event later than the Expiration Date set forth in the Term Sheet. If the Option is not so exercised within such applicable period of time or by the Expiration Date (as applicable), the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(a) Death of Participant. If Participant dies while a Service Provider, the Option may be exercised by Participant's designated beneficiary in accordance with the provisions of this Section 3, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by Participant, then the

Option may be exercised by the personal representative of Participant's estate or by the person(s) to whom the Option is transferred pursuant to Participant's will or in accordance with the laws of descent and distribution.

(b) Tolling Expiration.

(i) If the exercise of the Option following the termination of Participant's status as a Service Provider (other than upon Participant's death or Disability) would result in liability under Section 16(b), then the Option will terminate on the earlier of (A) the Expiration Date set forth in the Term Sheet, or (B) the 10th day after the last date on which such exercise would result in liability under Section 16(b); or

(ii) if the exercise of the Option following the termination of Participant's status as a Service Provider (other than upon Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the Expiration Date set forth in the Term Sheet or (B) the expiration of a 30-day period after the termination of Participant's status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

4. Exercise of Option.

(a) Right to Exercise. This Option may be exercised only within the term set out in the Term Sheet, and may be exercised during such term only in accordance with the Plan and the terms of this Award Agreement.

(b) Method of Exercise. This Option will be exercisable in a manner and pursuant to such procedures as the Administrator may determine, which procedure will require Participant to state that he/she is electing to exercise the Option (the "Exercise Notice"), the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and will require Participant to make such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together with any applicable tax withholding. This Option will be deemed to be exercised upon receipt by the Company of such Exercise Notice accompanied by the aggregate Exercise Price.

5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under its customary cashless exercise program; or

(d) surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.

6. Tax Obligations.

(a) Withholding Taxes. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment and other taxes which the Company determines must be withheld with respect to such Shares. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any tax withholding obligations by reducing the number of Shares otherwise deliverable to Participant. If Participant fails to make satisfactory arrangements for the payment of any required tax withholding obligations hereunder at the time of the Option exercise, Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date 2 years after the Grant Date, or (ii) the date 1 year after the date of exercise, Participant will immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

(c) Code Section 409A. Under Code Section 409A, an option that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per share exercise price that is determined by the Internal Revenue Service (the "IRS") to be less than the fair market value of a share on the date of grant (a "Discount Option") may be considered "deferred compensation." A Discount Option may result in (i) income recognition by Participant prior to the exercise of the option, (ii) an additional 20% federal income tax, and (iii) potential penalty and interest charges. The Discount Option may also result in additional state income, penalty, and interest charges to Participant. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds the Fair Market Value of a Share on the Grant Date in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share Exercise Price that was less than the Fair Market Value of a Share on the Grant Date, Participant will be solely responsible for Participant's costs related to such a determination.

7. Rights as Shareholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation, and delivery, Participant will have all the rights of a shareholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

8. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Office of the General Counsel at the Company at InterDigital, Inc., 200 Bellevue Parkway, Suite 300, Wilmington, DE 19809, or at such other address as the Company may hereafter designate in writing.

10. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

11. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement will be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may only be assigned with the prior written consent of the Company.

12. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the purchase by, or issuance of Shares, to Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Award Agreement and the Plan, the Company will not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience.

13. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Award Agreement.

14. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Option by electronic means, and Participant hereby consents to receive such documents by electronic delivery.

15. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

16. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

17. Amendment, Suspension or Termination of the Plan. By accepting this Option, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

18. Governing Law and Venue. This Agreement will be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Option or this Agreement, the parties hereby submit to and consent to the jurisdiction of the Commonwealth of Pennsylvania**,** and agree that such litigation will be conducted in the courts of Montgomery County, Pennsylvania, or the federal courts for the United States for the Eastern District of Pennsylvania, and no other courts.

19. Modifications to the Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or Applicable Laws or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with the Option.

20. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

21. Tax Consequences. Participant has reviewed with its own tax advisors the federal, state, local, and foreign tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) will be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

22. Definitions.

(a) "Cause" has the meaning set forth in Participant's employment agreement, other service agreement, or the Company's Executive Severance and Change in Control Policy, if such policy is applicable to Participant, (in each case, in existence on the Grant Date), or, if no such agreement or definition exists, means (i) willful and repeated failure of Participant to perform substantially his or her duties (other than any such failure resulting from incapacity due to physical or mental illness); (ii) Participant's conviction of, or plea of guilty or *nolo contendere* to, a felony which is materially and demonstrably injurious to the Company or any Parent, Subsidiary, or Affiliate of the Company; (iii) willful misconduct or gross negligence by Participant in connection with his or her service; (iv) unsatisfactory job performance; or (v) Participant's breach of any material obligation or duty owed to the Company or any Parent, Subsidiary, or Affiliate of the Company.

(b) “Good Reason” has the meaning set forth in Participant’s employment agreement, other service agreement, or the Company’s Executive Severance and Change in Control Policy, (in each case, in existence on the Grant Date), or, if no such agreement or definition exists, means any of the following events, occurring without Participant’s prior written consent: (i) any material reduction in Participant’s base salary (other than a proportionate reduction in salary which is applied to a majority of the Employer’s employees); (ii) a material diminution of Participant’s duties or responsibilities within the Employer; and (iii) a relocation of Participant’s primary work location (or office) by a distance of more than 50 miles. Notwithstanding the foregoing, Good Reason shall only exist if Participant provides the Employer with written notice within 90 days of the initial occurrence of any of the foregoing events or conditions, and the Employer or any successor or Affiliate of the Employer fails to eliminate the conditions constituting Good Reason within 30 days after receipt of written notice of such event or condition from Participant. Participant’s resignation from employment with the Employer for Good Reason must occur within 6 months following the initial occurrence of one of the foregoing events or conditions.

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Section 5: EX-10.6 (EXHIBIT 10.6 - INTERDIGITAL INC EXECUTIVE SEVERANCE AND CHANGE IN CONTROL POLICY)

Exhibit 10.6

InterDigital, Inc.

Executive Severance and Change in Control Policy

This Executive Severance and Change in Control Policy (the “**Policy**”) is designed to provide certain protections to a select group of key employees of InterDigital, Inc. (“**InterDigital**” or the “**Company**”) or any of its subsidiaries in connection with a change in control of InterDigital or if in connection with the involuntary termination of their employment under the circumstances described in this Policy. The Policy is designed to be an “employee welfare benefit plan” (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)), and this document is both the formal plan document and the required summary plan description for the Policy.

Term: This Policy will have an initial term of three years commencing on the Effective Date (the “**Initial Term**”). On the third anniversary of the Effective Date (as defined below) and each anniversary thereafter, this Policy will renew automatically for additional one year terms (each an “**Additional Term**” and the then-current Initial Term or an Additional Term, as applicable, the “**Term**”), unless the Company provides each Eligible Employee written notice of non-renewal at least 30 days prior to the date of automatic renewal (such period of time, the “**Renewal Deadline**”). Notwithstanding the foregoing provisions, if (a) a Change in Control occurs when there are fewer than 12 months remaining during the Initial Term or an Additional Term, the term of this Policy will extend automatically through the date that is 12 months following the effective date of the Change in Control, or (b) if an initial occurrence of an act or omission by the Company constituting the grounds for Good Reason (as defined below) has occurred (the “**Initial Grounds**”), and the expiration date of the Cure Period (as defined below) with respect to such Initial Grounds could occur following the expiration of the Initial Term or an Additional Term, then the term of this Policy with respect to an Eligible Employee with Initial Grounds will extend automatically through the date that is 30 days following the expiration of such cure period, but such extension of the term shall only apply with respect to the Initial Grounds. If an Eligible Employee becomes entitled to benefits under this Policy during the term of this Policy, the Policy will not terminate until all of the obligations of the parties hereto with respect to this Policy have been satisfied. For clarity, an election by the Company not to renew this Policy for an Additional Term will not be deemed to be a termination of an Eligible Employee’s employment without Cause or grounds for a resignation for Good Reason and, accordingly, Eligible Employee will not be eligible for severance benefits set forth herein.

Eligible Employee: An individual is only eligible for protection under this Policy if he or she is an Eligible Employee and complies with its terms (including any terms in the employee’s Participation Agreement (as defined below)). To be an “**Eligible Employee**,” an employee must (a) have been designated by the Compensation Committee of the Board (the “**Compensation Committee**”) as eligible to participate in the Policy and (b) have executed a participation agreement in the form attached hereto as Exhibit A (a “**Participation Agreement**”).

Policy Benefits: An Eligible Employee will be eligible to receive the payments and benefits set forth in this Policy and his or her Participation Agreement if his or her employment with the Company or any of its subsidiaries terminates as a result of a Qualified Termination. The amount and terms of any Equity Vesting, Salary Severance, Bonus Severance, COBRA Payment, and Outplacement Services that an Eligible Employee may receive on his or her Qualified Termination will depend on whether his or her Qualified Termination is a COC Qualified Termination or a Non-COC Qualified Termination. All benefits under this Policy payable on a Qualified Termination will be subject to the Eligible Employee's compliance with the Release Requirement and any timing modifications required to avoid adverse taxation under Section 409A.

Equity Vesting: An Eligible Employee's acceleration of vesting of Company equity awards upon a Qualified Termination or otherwise will continue to be governed by the Eligible Employee's equity award agreements (each such agreement, an "**Equity Award Agreement**") under the applicable Company equity incentive plan (each, a "**Plan**").

Salary Severance: On a Qualified Termination, an Eligible Employee will be eligible to receive salary severance payment(s) equal to the applicable percentage (set forth in his or her Participation Agreement) of his or her Base Salary ("**Salary Severance**"). The Eligible Employee's salary severance payment(s) will be paid in cash at the time(s) specified in his or her Participation Agreement.

Bonus Severance: On a Qualified Termination, an Eligible Employee will be eligible to receive bonus severance payment(s) with respect to any annual bonus set forth in his or her Participation Agreement in the applicable percentage set forth in his or her Participation Agreement ("**Bonus Severance**"). The Eligible Employee's Bonus Severance payment(s) will be paid in cash at the time(s) specified in his or her Participation Agreement.

COBRA Payment: Upon a Qualified Termination, the Company will pay the Eligible Employee a lump-sum cash payment equal to 1.5 times of the cost of COBRA continuation coverage for the Eligible Employee and any eligible dependents that were covered under the Company's health care plans immediately prior to the date of his or her eligible Qualified Termination through the end of the applicable period set forth in the Eligible Employee's Participation Agreement.

Outplacement Services: On a Qualified Termination, an Eligible Employee will be eligible to receive reasonable outplacement services in accordance with any applicable Company policy in effect as of the Qualified Termination (or if no such policy is in effect, as determined by the Company, in its sole discretion, provided that such outplacement services are provided by qualified consultants selected by the Company, at the Company's expense, in an amount not to exceed $10,000) ("**Outplacement Services**").

Death of Eligible Employee: If the Eligible Employee dies before all payments or benefits he or she is entitled to receive under this Policy have been paid, such unpaid amounts will be paid to his or her designated beneficiary, if living, or otherwise to his or her personal representative in a lump-sum payment as soon as possible following his or her death.

Recoupment: If the Company discovers after the Eligible Employee's receipt of payments or benefits under this Policy that grounds for the termination of the Eligible Employee's employment for Cause existed, then the Eligible Employee will not receive any further payments or benefits under this Policy and, to the extent permitted under applicable laws, will be required to repay to the Company any payments or benefits he or she received under the Policy (or any financial gain derived from such payments or benefits).

Release: The Eligible Employee's receipt of any severance payments or benefits upon his or her Qualified Termination under this Policy is subject to (i) the Eligible Employee's continued compliance with the terms of his or her Nondisclosure and Assignment of Ideas Agreement (the "**Covenants Agreement**"), and (ii) the Eligible Employee signing and not revoking the Company's then-standard separation agreement and release of claims (which may include an agreement not to disparage the Company, non-solicit provisions, and other standard restrictive covenants, terms and conditions) (the "**Release**" and such requirement, the "**Release Requirement**"), which must become effective and irrevocable no later than the 60th day following the Eligible Employee's Qualified Termination (the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, the Eligible Employee will forfeit any right to severance payments or benefits under this Policy. In no event will severance payments or benefits under the Policy be paid or provided until the Release actually becomes effective and irrevocable. Notwithstanding any other payment schedule set forth in this Policy or the Eligible Employee's Participation Agreement, none of the severance payments and benefits payable upon such Eligible Employee's Qualified Termination under this

Policy will be paid or otherwise provided prior to the 60th day following the Eligible Employee's Qualified Termination. Except as otherwise set forth in an Eligible Employee's Participation Agreement or to the extent that payments are delayed under the paragraph below entitled "Section 409A," on the first regular payroll pay day following the 60th day following the Eligible Employee's Qualified Termination, the Company will pay or commence to pay the Eligible Employee the severance payments and benefits that the Eligible Employee would otherwise have received under this Policy on or prior to such date, with the balance of such severance payments and benefits being paid or provided as originally scheduled. Any installment payments that would have been made to an Eligible Employee during the 60 day period immediately following an Eligible Employee's separation from service but for the preceding sentence will be paid to an Eligible Employee on the first Company payroll following the Release Deadline and the remaining payments will be made as provided in this Policy.

Section 409A: The Company intends that all payments and benefits provided under this Policy or otherwise are exempt from, or comply with, the requirements of Section 409A of the Code and any guidance promulgated thereunder (collectively, "**Section 409A**") so that none of the payments or benefits will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted in accordance with this intent. No payment or benefits to be paid to an Eligible Employee, if any, under this Policy or otherwise, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "**Deferred Payments**") will be paid or otherwise provided until such Eligible Employee has a "separation from service" within the meaning of Section 409A. If, at the time of the Eligible Employee's termination of employment, the Eligible Employee is a "specified employee" within the meaning of Section 409A, then the payment of the Deferred Payments will be delayed to the extent necessary to avoid the imposition of the additional tax imposed under Section 409A, which generally means that the Eligible Employee will receive payment on the first payroll date that occurs on or after the date that is 6 months and 1 day following his or her termination of employment. The Company reserves the right to amend the Policy as it deems necessary or advisable, in its sole discretion and without the consent of any Eligible Employee or any other individual, to comply with any provision required to avoid the imposition of the additional tax imposed under Section 409A or to otherwise avoid income recognition under Section 409A prior to the actual payment of any benefits or imposition of any additional tax. Each payment, installment, and benefit payable under this Policy is intended to constitute a separate payment for purposes of U.S. Treasury Regulation Section 1.409A-2(b)(2). In no event will the Company reimburse any Eligible Employee for any taxes that may be imposed on him or her as a result of Section 409A.

Parachute Payments:

Reduction of Severance Benefits. Notwithstanding anything set forth herein to the contrary, if any payment or benefit that an Eligible Employee would receive from the Company or any other party whether in connection with the provisions herein or otherwise (the "**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment will be equal to the Best Results Amount. The "**Best Results Amount**" will be either (x) the full amount of such Payment or (y) such lesser amount as would result in no portion of the Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local employment taxes, income taxes and the Excise Tax, results in the Eligible Employee's receipt, on an after-tax basis, of the greater amount notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting parachute payments is necessary so that the Payment equals the Best Results Amount, reduction will occur in the following order: reduction of cash payments; cancellation of accelerated vesting of stock awards; reduction of employee benefits. In the event that acceleration of vesting of stock award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of the Eligible Employee's equity awards unless the Eligible Employee elects in writing a different order for cancellation. The Eligible Employee will be solely responsible for the payment of all personal tax liability that is incurred as a result of the payments and benefits received under this Policy, and the Eligible Employee will not be reimbursed by the Company for any such payments.

Determination of Excise Tax Liability. The Company will select a professional services firm to make all of the determinations required to be made under these paragraphs relating to parachute payments. The Company will request that firm provide detailed supporting calculations both to the Company and the Eligible Employee prior to the date on which the event that triggers the Payment occurs if administratively feasible, or subsequent to such date if events occur that result in parachute payments to the Eligible Employee at that time. For purposes of making the calculations required under these paragraphs relating to parachute payments, the firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith determinations concerning the application of the Code. The Company and the Eligible Employee will furnish to the firm such information and documents as the firm may reasonably request in order to make a determination under these paragraphs relating to parachute payments. The Company will bear all costs the firm may reasonably incur in connection with any calculations contemplated by these paragraphs relating to parachute payments. Any such determination by the firm will be binding upon the Company and the Eligible Employee, and the Company will have no liability to the Eligible Employee for the determinations of the firm.

Administration: The Policy will be administered by the Compensation Committee or its delegate (in each case, a "**Plan Administrator**"). The Plan Administrator will have full discretion to administer and interpret the Policy. Any decision made or other action taken by the Plan Administrator with respect to the Policy and any interpretation by the Plan Administrator of any term or condition of the Policy, or any related document, will be conclusive and binding on all persons and be given the maximum possible deference allowed by law. The Plan Administrator is the "plan administrator" of the Policy for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity.

Attorneys Fees: The Company and each Eligible Employee will bear their own attorneys' fees incurred in connection with any disputes between them.

Exclusive Benefits: Except as may be set forth in an Eligible Employee's Participation Agreement, this Policy is intended to be the only agreement between the Eligible Employee and the Company regarding any change in control or severance payments or benefits (other than any acceleration of equity which shall continue to be governed by the Equity Award Agreements) to be paid to the Eligible Employee on account of a termination of employment whether unrelated to, concurrent with, or following, a Change in Control. Accordingly, by executing a Participation Agreement, an Eligible Employee hereby forfeits and waives any rights to any severance or change in control benefits set forth in any employment agreement, offer letter, and/or the Company's Severance Pay Plan, except as set forth in this Policy, the Eligible Employee's Participation Agreement and the Equity Award Agreements.

Tax Withholding: All payments and benefits under this Policy will be paid less applicable withholding taxes. The Company or the subsidiary employing the Eligible Employee, as applicable, is authorized to withhold from any payments or benefits all federal, state, local and/or non-U.S. taxes required to be withheld therefrom and any other required payroll deductions. The Company or the subsidiary employing the Eligible Employee, as applicable, will not pay, reimburse Eligible Employee for, or be liable or responsible for any of Eligible Employee's taxes arising from or relating to any payments or benefits under this Policy; instead, any such taxes will be solely the responsibility of Eligible Employee.

Amendment or Termination: The Compensation Committee may amend or terminate the Policy at any time, without advance notice to any Eligible Employee or other individual and without regard to the effect of the amendment or termination on any Eligible Employee or on any other individual. Notwithstanding the preceding, no amendment or termination of the Policy will be made if such amendment or termination would reduce the benefits provided hereunder or impair an Eligible Employee's eligibility under the Policy (unless the affected Eligible Employee consents to such amendment or termination), except that the Compensation Committee may unilaterally and without consent of any Eligible Employee make any such amendments that are necessary or appropriate to comply with applicable laws. For clarity, an action by the Plan Administrator not to renew the Policy in accordance with the Term provision above will not be an action that requires an Eligible Employee's consent. Further, an action to amend the Policy in a given Term that is effective as of the commencement of an Additional Term will not be an action that requires an Eligible Employee's consent. Any action to amend or terminate the Policy will be taken in a non-fiduciary capacity.

Claims Procedure: Any Eligible Employee who believes he or she is entitled to any payment under the Policy may submit a claim in writing to the Plan Administrator. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Policy on which the denial is based. The notice will also describe any additional information needed to support the claim and the Policy's procedures for appealing the denial. The denial notice will be provided within 90 days after the claim is received. If special circumstances require an extension of time (up to 90 days), written notice of the extension will be given within the initial 90-day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Administrator expects to render its decision on the claim.

Appeal Procedure: If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Plan Administrator for a review of the decision denying the claim. Review must be requested within 60 days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments in writing. The Plan Administrator will provide written notice of the decision on review within 60 days after it receives a review request. If additional time (up to 60 days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render its decision. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Policy on which the denial is based. The notice will also include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA.

Successors: Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) will assume the obligations under the Policy and agree expressly to perform the obligations under the Policy in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Policy, the term "Company" will include any successor to the Company's business and/or assets which becomes bound by the terms of the Policy by operation of law, or otherwise.

Applicable Law: The provisions of the Policy will be construed, administered, and enforced in accordance with ERISA and, to the extent applicable, the internal substantive laws of the state of Delaware (but not its conflict of laws provisions).

Definitions: Unless otherwise defined in an Eligible Employee's Participation Agreement, the following terms will have the following meanings for purposes of this Policy and the Eligible Employee's Participation Agreement:

"**Base Salary**" means the Eligible Employee's annual base salary as in effect immediately prior to his or her Qualified Termination (or if such Qualified Termination is due to a resignation for Good Reason based on a material reduction in base salary, then the Eligible Employee's annual base salary in effect immediately prior to such reduction) or, if such Qualified Termination is a COC Qualified Termination and such amount is greater, at the level in effect immediately prior to the Change in Control.

"**Board**" means the Board of Directors of the Company.

"**Cause**" means (i) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Eligible Employee with respect to the Eligible Employee's obligations or otherwise relating to the business of the Company; (ii) the Eligible Employee's material breach of this Agreement or the Covenants Agreement; (iii) the Eligible Employee's conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, any felony, or any crime of moral turpitude; or (iv) the Eligible Employee's willful neglect of duties as determined in the sole and exclusive discretion of the Company (or in the case of the Company's Chief Executive Officer, in the sole and exclusive discretion of the Board).

"**Change in Control**" has the same defined meaning as set forth in the Company's 2017 Equity Incentive Plan.

"**Change in Control Period**" will mean the period beginning upon a Change in Control and ending 12 months following a Change in Control.

"**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Disability**" means the total and permanent disability as defined in Section 22(e)(3) of the Code unless the Company maintains a long-term disability plan at the time of the Eligible Employee's termination, in which case, the determination of disability under such plan also will be considered "Disability" for purposes of this Policy.

"**Effective Date**" means the date this Policy was approved by the Compensation Committee.

"**Good Reason**" means the Eligible Employee's termination of his or her employment in accordance with the next sentence after the occurrence of one or more of the following events without the Eligible Employee's express written consent: (i) a material diminution in the Eligible Employee's base salary or in the Eligible Employee's target bonus opportunity under the incentive plan as in effect for the year in which the termination occurs; (ii) a material diminution in the Eligible Employee's title, authority, duties or responsibilities; (iii) a material failure to comply with payment of Eligible Employee's compensation; (iv) relocation of the Eligible Employee's primary office more than 50 miles from the Eligible Employee's current office; or (v) any other action or inaction that constitutes a material breach by the Company of the Policy or the Covenants Agreement. For purposes of this Policy, Good Reason shall only exist if the Eligible Employee provides a notice of termination for Good Reason to the Company within ninety (90) days after the initial existence of such grounds and the Company has had sixty (60) days from the date on which such notice is provided to cure such circumstances. If the Eligible Employee does not terminate his or her employment for Good Reason within sixty (60) days following the end of such sixty (60) day period within which the Company was entitled to remedy the course of conduct constituting Good Reason but failed to do so, then the Eligible Employee shall be deemed to have waived his or her right to terminate for Good Reason with respect to such grounds.

"**Qualified Termination**" means a termination of the Eligible Employee's employment (i) either (A) by the Company other than for Cause, death, or Disability or (B) by the Eligible Employee for Good Reason, in either case, during the Change in Control Period (a "**COC Qualified Termination**") or (ii) outside of the Change in Control Period by the Company other than for Cause, death, or Disability (a "**Non-COC Qualified Termination**").

Additional Information:

Plan Name: InterDigital, Inc. Executive Severance and Change in Control Policy

Plan Sponsor: InterDigital, Inc.
200 Bellevue Parkway, Suite 300,
Wilmington, DE 19809-3727

Identification Numbers: 505

Plan Year: Company's Fiscal Year

Plan Administrator: InterDigital, Inc.
Attention: Plan Administrator of the InterDigital, Inc. Executive Severance and Change in Control Policy
200 Bellevue Parkway, Suite 300,
Wilmington, DE 19809-3727

Agent for Service of
Legal Process: InterDigital, Inc.
Attention: General Counsel
200 Bellevue Parkway, Suite 300,
Wilmington, DE 19809-3727

Service of process may also be made upon the Plan Administrator.

Type of Plan Severance Plan/Employee Welfare Benefit Plan

Plan Costs The cost of the Policy is paid by the Company.

Statement of ERISA Rights:

Eligible Employees have certain rights and protections under ERISA:

They may examine (without charge) all Policy documents, including any amendments and copies of all documents filed with the U.S. Department of Labor, such as the Policy's annual report (Internal Revenue Service Form 5500). These documents are available for review in the Company's Human Resources Department.

They may obtain copies of all Policy documents and other Policy information upon written request to the Plan Administrator. A reasonable charge may be made for such copies.

In addition to creating rights for Eligible Employees, ERISA imposes duties upon the people who are responsible for the operation of the Policy. The people who operate the Policy (called “fiduciaries”) have a duty to do so prudently and in the interests of Eligible Employees. No one, including the Company or any other person, may fire or otherwise discriminate against an Eligible Employee in any way to prevent them from obtaining a benefit under the Policy or exercising rights under ERISA. If an Eligible Employee’s claim for a severance benefit is denied, in whole or in part, they must receive a written explanation of the reason for the denial. An Eligible Employee has the right to have the denial of their claim reviewed. (The claim review procedure is explained above.)

Under ERISA, there are steps Eligible Employees can take to enforce the above rights. For instance, if an Eligible Employee requests materials and does not receive them within 30 days, they may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and to pay the Eligible Employee up to $147 a day until they receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If an Eligible Employee has a claim which is denied or ignored, in whole or in part, he or she may file suit in a state or federal court. If it should happen that an Eligible Employee is discriminated against for asserting their rights, he or she may seek assistance from the U.S. Department of Labor, or may file suit in a federal court.

In any case, the court will decide who will pay court costs and legal fees. If the Eligible Employee is successful, the court may order the person sued to pay these costs and fees. If the Eligible Employee loses, the court may order the Eligible Employee to pay these costs and fees, for example, if it finds that the claim is frivolous.

If an Eligible Employee has any questions regarding the Policy, please contact the Plan Administrator. If an Eligible Employee has any questions about this statement or about their rights under ERISA, they may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in the telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210. An Eligible Employee may also obtain certain publications about their rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

EXHIBIT A

InterDigital, Inc. Severance and Change in Control Policy
Participation Agreement

This Participation Agreement ("**Agreement**") is made and entered into by and between [NAME] on the one hand, and InterDigital, Inc. (the "**Company**") on the other.

You have been designated as eligible to participate in the Policy, a copy of which is attached hereto, under which you are eligible to receive the following severance payments and benefits upon a Qualified Termination, subject to the terms and conditions of the Policy.

Non-COC Qualified Termination

If your Qualified Termination is a Non-COC Qualified Termination, you will be entitled to the following benefits, subject to your compliance with the Policy:

- **Equity Vesting:** As provided in the applicable Plan and the Equity Award Agreements.
- **Salary Severance:** Your percentage of Base Salary will be 250%, payable in equal installments over 30 months in accordance with the Company's regular payroll procedures.
- **Bonus Severance:** None.
- **COBRA Payment:** 18 months.
- **Outplacement Services**: Yes.

COC Qualified Termination

If your Qualified Termination is a COC Qualified Termination, you will be entitled to the following benefits, subject to your compliance with the Policy:

- **Equity Vesting:** As provided in the applicable Plan and the Equity Award Agreements.
- **Salary Severance:** Your percentage of Base Salary will be 300%, payable in lump-sum.
- **Bonus Severance:** 100% of your target bonus under Company's short-term incentive plan, payable in lump-sum.
- **COBRA Payment:** 24 months.
- **Outplacement Services**: No.

Other Provisions

You agree that the Policy and the Agreement constitute the entire agreement of the parties hereto and supersede in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties, and will specifically supersede any severance and/or change in control provisions of any offer letter, employment agreement, or equity award agreement entered into between you and the Company, except that equity vesting or acceleration rights provided for under your Equity Award Agreements shall continue to govern.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

By its signature below, each of the parties signifies its acceptance of the terms of this Agreement, in the case of the Company by its duly authorized officer effective as of the last date set forth below.

INTERDIGITAL, INC. **ELIGIBLE EMPLOYEE**

By:__ Signature:__

Date:__ Date:__

[Signature Page of the Participation Agreement]

EXHIBIT A

InterDigital, Inc. Severance and Change in Control Policy
Participation Agreement

This Participation Agreement (“**Agreement**”) is made and entered into by and between [NAME] on the one hand, and InterDigital, Inc. (the “**Company**”) on the other.

You have been designated as eligible to participate in the Policy, a copy of which is attached hereto, under which you are eligible to receive the following severance payments and benefits upon a Qualified Termination, subject to the terms and conditions of the Policy.

Non-COC Qualified Termination

If your Qualified Termination is a Non-COC Qualified Termination, you will be entitled to the following benefits, subject to your compliance with the Policy:

- **Equity Vesting:** As provided in the applicable Plan and the Equity Award Agreements.
- **Salary Severance:** Your percentage of Base Salary will be 150%, payable in equal installments over 18 months in accordance with the Company’s regular payroll procedures.
- **Bonus Severance:** None.
- **COBRA Payment:** 12 months.
- **Outplacement Services**: Yes.

COC Qualified Termination

If your Qualified Termination is a COC Qualified Termination, you will be entitled to the following benefits, subject to your compliance with the Policy:

- **Equity Vesting:** As provided in the applicable Plan and the Equity Award Agreements.
- **Salary Severance:** Your percentage of Base Salary will be 200%, payable in lump-sum.
- **Bonus Severance:** 100% of your target bonus under Company’s short-term incentive plan, payable in lump-sum.
- **COBRA Payment:** 24 months.
- **Outplacement Services**: No.

Other Provisions

You agree that the Policy and the Agreement constitute the entire agreement of the parties hereto and supersede in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties, and will specifically supersede any severance and/or change in control provisions of any offer letter, employment agreement, or equity award agreement entered into between you and the Company, except that equity vesting or acceleration rights provided for under your Equity Award Agreements shall continue to govern.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

By its signature below, each of the parties signifies its acceptance of the terms of this Agreement, in the case of the Company by its duly authorized officer effective as of the last date set forth below.

INTERDIGITAL, INC. **ELIGIBLE EMPLOYEE**

By:__ Signature:__

Date:__ Date:__

[Signature Page of the Participation Agreement]

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Section 6: EX-10.7 (EXHIBIT 10.7 - OFFER LETTER BETWEEN INTERDIGITAL INC AND KAI OISTAMO)

Exhibit 10.7

[INTERDIGITAL, INC. LETTERHEAD]

October 10, 2018

Kai Oistamo

Dear Kai:

I am pleased to offer you the position of Chief Operating Officer on behalf of InterDigital, Inc. and InterDigital Wireless, Inc. (collectively, "InterDigital"). You will report directly to InterDigital's CEO, William Merritt, or any other individual designated by InterDigital's Board of Directors. Your primary work location will be our Wilmington, DE office, however, substantial travel will be required to meet the duties and responsibilities of this position. Details of this offer are as follows:

Start Date: Your start date will be October 10, 2018, or as soon as you receive authorization to work for InterDigital, Inc. in the United States. You agree to devote your full business time, attention and best efforts to the performance of your duties and to the furtherance of InterDigital's interest.

Base Salary: Your annual base salary will be $600,000, which will be paid in bi-weekly installments, less taxes and other deductions as required by law or elected by you for benefits coverage, 401(k) participation, etc. You have been identified as an exempt employee and you will be paid in accordance with InterDigital's standard payroll cycle, which occurs every other Friday.

Sign-on Cash Bonus: You will receive a sign-on cash bonus in the amount of $1,100,000, less taxes and other deductions as required by law, payable in four (4) equal installments as follows:

$275,000 upon hire
$275,000 December 31, 2018
$275,000 July 1, 2019
$275,000 December 31, 2019

Travel Stipend: You will receive a $100,000 annual travel/housing allowance for expenses related to your travel between your home and the Company's offices in Wilmington, DE. If you relocated to the Wilmington, Delaware area at any time during your employment with InterDigital, this allowance will cease.

Annual Incentive: You will be eligible to participate in InterDigital's annual bonus plan (currently referred to as the the InterDigital Short Term Incentive Plan ("STIP")). Your target STIP amount will be 100% of your annual base salary; however, for 2018, your STIP target will be to 75% of your annual base salary. Payouts under the STIP are determined based upon a combination of personal, departmental and company performance and are contingent upon your continued employment through the payout date.

Sign-on Equity: You will receive a sign-on performance-based stock option award valued at $700,000, having the same terms and conditions as the performance-based option award granted pursuant to the 2018 LTCP.

Long Term Incentive: You will be eligible to participate in InterDigital's Long Term Compensation Program ("LTCP"), pursuant to the terms and conditions of the 2017 InterDigital Stock Plan, as amended. For the 2018 Cycle, you will receive equity awards with a target value of $3,000,000, allocated as follows:

- 1/3 granted in time-based Restricted Stock Units ("RSUs")
- 1/3 granted in performance-based RSUs
- 1/3 granted in performanc-based options

Time-based RSUs vest on March 15, 2021, assuming continued service through such date and pursuant to the terms of the applicable award agreement. Performance-based RSUs and options vest based on achievement of the company's performance goals measured as of December 31, 2020 with March 15, 2021 vest and December 31, 2022 with vest of March 15, 2023 as further detailed in the applicable award agreements.

Employee Benefits: As a regular, full-time employee, you will be eligible to participate in the company's health and welfare benefit programs in effect from time to time as are made available to other similarly situated employees of InterDigital, and in accordance with and subject to the terms and conditions of such plans and programs. You may contact Cherie Parker, Human Resources Generalist, at 302-281-3602 should you wish to discuss your benefits in greater detail prior to your new hire orientation.

Paid Time Off: In addition, you will be eligible to accrue 23 days of paid time off (PTO) per year.

Employment at Will: Your employment with InterDigital is "at-will" and may be terminated by you or InterDigital at any time, for any reason or for no reason at all, and with or without prior notice. As a key employee, you will be elegible for certain protections if your employment is terminated in certain circumstances or in connection with a Change in Control, as described in the InterDigital Executive Severance and Change of Control Policy, a copy of which will be provided with an Executive Severance and Change in Control Policy Participation Agreement for your execution.

Visa/Employment Authorization: The Company will assist in obtaining an appropriate United States visa and employment authorization, as required, from the USCIS. InterDigital pay all fees, legal and administrative costs associated with this process and any related immigration matters.

Pre-Employment Requirements: This offer of employment is contingent upon the following:

- Verification of your right to work in the United States, as demonstrated by your completion of the I-9 form upon hire and your submission of acceptable documentation (as noted on the I-9 form) verifying your identity and work authorization within three days of starting employment.

- Your completion of the attached ***Export Control Questionnaire*** and, if required by law, InterDigital's obtaining an export license prior to your start of employment. US export control laws require InterDigital to obtain an export license prior to providing controlled technologies to certain foreign nationals. As an employee of InterDigital, you may have access to controlled technologies. The attached Exports Controls Questionnaire contains questions that will allow us to assess your country of chargeability for export control screening purposes only. If an export license is required prior to your employment at InterDigital, we will let you know immediately. The decision whether or not to file and/or pursue an export license is at InterDigital's sole discretion.

- Your execution of our ***Non-Disclosure and Assignment of Ideas Agreement ("NDAIA")***. During your employment with InterDigital, you will have access to confidential and proprietary information, therefore, in order to have access to such information, you are required to sign our NDAIA. A copy of the NDAIA is enclosed for your review.

- Your acknowledgment of InterDigital's ***Code of Ethics***. A copy of the Code of Ethics is enclosed for your review.

This offer will be withdrawn if any of the above conditions are not satisfied.

By accepting this offer, you confirm that you (i) are able to accept this job and carry out the work that it would involve without breaching any legal restrictions on your activities, such as restrictions imposed by a current or former employee, and (ii) have not taken any actions which could give rise to any claims by your current or any other employer against InterDigital. You also confirm that you will inform InterDigital about any such restrictions and provide InterDigital with as much information about them as possible, including any agreements between you and your current or former employer describing such restrictions on your activities.

InterDigital does not want to benefit from any proprietary or other information, in any form, that you are under a duty not to use or divulge, whether it be from your current employer or any other person or entity. Therefore, you further confirm that you will not remove or take any documents or proprietary data or materials of any kind, electronic or otherwise, with you from your current or former employer to InterDigital without written authorization from your current or former employer, nor will you use or disclose any such confidential information during the course and scope of your employment with InterDigital. Therefore, if you have any questions about the ownership of particular documents or other information, discuss such questions with your former employer before removing or copying the documents or information. We further urge you to contact the appropriate officials at your current employer as soon as possible in order that they can determine the appropriate security measures pertaining to your access to company information (if they so desire) to assure themselves regarding any unauthorized use or disclosure of information.

We are excited at the prospect of you joining our organization as a member of what we feel is a company that offers each employee an opportunity for meaningful professional and personal development. To accept this offer of employment, please sign below and return it to me.

Welcome to InterDigital!

Sincerely,

/s/ William J. Merritt

William J. Merritt
President and Chief Executive Officer
InterDigital, Inc.

I have read and understood the provisions of this offer of employment, and I accept the above offer. I understand that my employment with InterDigital is "at will", meaning that either the company or I may terminate this employment relationship at any time with or without cause or notice.

SIGNED _/s/_Kai Oistamo_______________

10/10/2018
Date

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Section 7: EX-31.1 (EXHIBIT 31.1 - CERTIFICATION OF CEO)

EXHIBIT 31.1

CERTIFICATIONS

I, William J. Merritt, certify that:

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

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

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

report;

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

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

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

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

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

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

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

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

Date: November 1, 2018

/s/ William J. Merritt

William J. Merritt

President and Chief Executive Officer

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Section 8: EX-31.2 (EXHIBIT 31.2 - CERTIFICATION OF CFO)

EXHIBIT 31.2

CERTIFICATIONS

I, Richard J. Brezski, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 1, 2018

/s/ Richard J. Brezski

Richard J. Brezski

Chief Financial Officer

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Section 9: EX-32.1 (EXHIBIT 32.1 - CERTIFICATION OF CEO - SECTION 1350)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
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, Inc. (the "Company") for the quarter ended September 30, 2018, 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: November 1, 2018

/s/ William J. Merritt

William J. Merritt

President and Chief Executive Officer

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Section 10: EX-32.2 (EXHIBIT 32.2 - CERTIFICATION OF CFO -

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
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, Inc. (the “Company”) for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard J. Brezski, 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: November 1, 2018

/s/ Richard J. Brezski
Richard J. Brezski
Chief Financial Officer

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