INTERDIGITAL COMMUNICATIONS CORP
Form 10-K/A
March 29, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended December 31, 2003

OR

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

For the fiscal year ended December 31, 2003 transition period from _____ to _____

Commission File Number 1-11152

INTERDIGITAL COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**23-1882087** **(I.R.S. Employer Identification No.)**
781 Third Avenue King of Prussia, Pennsylvania **(Address of principal executive offices)**	**19406-1409** **(Zip Code)**
Registrant s telephone number including area code:	**(610) 878-7800**

Securities registered pursuant to Section 12(b) of the Act:	**None**
Securities registered pursuant to Section 12(g) of the Act:	**Common Stock (Par Value $0.01 Per Share) [Title of class]**
	Series B Junior Participating Preferred Stock Rights [Title of class]
	$2.50 Cumulative Convertible (Par Value $0.10 Per Share) [Title of class]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not herein contained, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No ¨

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter: $1,306,806,972 as of June 30, 2003.

The number of shares outstanding of the registrant s Common Stock was 55,316,970 as of March 5, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant s 2004 Annual Meeting of Shareholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III, Items 10, 11, 12, and 14 of this Annual Report. Such Definitive Proxy Statement will be filed not later than 120 days after the conclusion of the registrant s fiscal year ended December 31, 2003.

EXPLANATORY NOTE

In accordance with Exchange Act Rule 12b-15, this Form 10-K/A, Amendment No. 1 amends the Annual Report on Form 10-K of InterDigital Communications Corporation for the year ended December 31, 2003 filed with the United States Securities and Exchange Commission (SEC) on March 15, 2004. This Form 10-K/A, Amendment No. 1 is being filed solely to add a graphic to the original Form 10-K under Part I, Item 1, Business Evolution of Wireless Standards that was inadvertently omitted from the original Form 10-K. This Form 10-K/A, Amendment No. 1 does not reflect events occurring after the filing of the original Form 10-K or modify or update those disclosures affected by subsequent events.

PART I

Item 1. BUSINESS

General

We are in the business of designing and developing advanced wireless technology solutions, which we make available for license or sale to semiconductor companies and equipment producers. Our advanced technology solutions are comprised of inventions, know-how and other technical data (e.g., software, designs and specifications) related to the design and operation of digital wireless products. We patent many of our inventions and license those inventions to wireless communications equipment producers and related suppliers. In addition, we offer for sale or license various portions of the technology (e.g., reference designs, know-how and software) to producers of wireless equipment products and components. Our advanced technology solutions have been developed both independently and in conjunction with equipment manufacturers. We also actively participate in the standard setting process, contributing solutions that are incorporated from time to time into Standards.

We currently generate revenues and cash flow primarily through royalties from the licensing of our patent portfolio. We also seek to generate revenues and cash flow from licensing of other technology products (e.g., FDD terminal unit protocol stack) and the provision of specialized engineering services.

As an early participant in the digital wireless market, we developed pioneering solutions as to both of the main air interface technologies in use today in cellular systems, namely: TDMA and CDMA technologies. Our significant worldwide portfolio of patents and patent applications in wireless communications evidences our high level of early and fundamental invention in digital wireless technologies. A number of our patented inventions are essential to the implementation of 2G, 2.5G and 3G products, and we have been licensing those and other inventions to numerous wireless communications manufacturers to develop, manufacture, and sell 2G, 2.5G or 3G products. The products incorporating our inventions include but are not limited to:

- Mobile phones and personal digital assistants
- Other wireless devices (e.g., laptops, PC cards)
- Base stations and other infrastructure equipment
- Modules and components for wireless devices

We also incorporate our inventions into our own products. We develop advanced software platforms (such as reference designs, know-how and software) that provide highly efficient solutions for the wireless market. These products provide customers with advanced wireless technology solutions, improved power consumption characteristics and offer reduced time-to-market. We are also developing advanced algorithms and software solutions.

We invest heavily in the development of advanced wireless technology and related products by building and sustaining a highly specialized engineering team. Over the last three years, our cost of development has increased from approximately $44.5 million to approximately $45.9

million and has represented between 54% and 61% of our total operating expenses. Our technology development programs broaden and deepen our extensive patent portfolio, expand our body of technical know-how related to standards-based wireless technologies and systems, and support bringing our technologies to the market in the form of products. We are developing technologies that may be utilized to extend the life of the current generation of products, may be applicable to multiple generational standards such as 2G, 2.5G and 3G cellular standards as well as WLAN standards, and may have applicability across multiple air interfaces.

We incorporated in Philadelphia, Pennsylvania in 1972. We conducted our initial public offering in November 1981. Our corporate and administrative offices are located in King of Prussia, Pennsylvania, USA.

Our research and technology and product development teams are located in the following locations: King of Prussia, Pennsylvania, USA; Melville, New York, USA; Melbourne, Florida, USA; Montreal, Quebec, Canada; and Munich, Germany.

Our Internet address is *www.interdigital.com*. There, in the Investing section, we make available, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, other reports required to be filed under the Securities Exchange Act of 1934, and all amendments to those reports as soon as reasonably practicable after such material is filed with the United States Securities and Exchange Commission (SEC).

Wireless Communications Industry Overview

Participants in the wireless communications industry include original equipment manufacturers (OEMs), semiconductor manufacturers, original design manufacturers (ODMs), a variety of technology suppliers, applications developers, and operators that deliver communications products and services to consumers and businesses. In order to achieve economies of scale and allow for interoperability across geographic regions, many market participants have increasingly focused on standards-based solutions for

digital wireless equipment. The cellular market was originally focused on delivering voice-oriented services. Over the past two years, the industry has begun a transition from digital voice-oriented wireless products and services (commonly referred to as Second Generation or 2G), to more fully integrated digital voice and data services offering higher data rates and enhanced Internet access (commonly referred to as 3G). Concurrently, non-cellular technologies such as, WLAN, have emerged as a means to provide wireless Internet access for fixed and nomadic use.

Over the course of the last decade, the cellular communications industry has experienced rapid worldwide growth. Total worldwide cellular wireless communications subscribers rose from slightly more than 200 million at the end of 1997 to 1.2 billion at the end of 2003. In several countries, mobile telephones now outnumber fixed-line telephones. Market analysts expect that the aggregate number of global wireless subscribers will reach 2 billion in 2008.

The growth in new cellular customers combined with customers who are replacing their mobile phones helped fuel sales growth of mobile phones from approximately 115 million units in 1997 to approximately 516 million units in 2003. We believe the combination of a broad subscriber base, technological change, the ever growing dependence on the Internet, e-mail and other digital mediums sets the stage for growth in the sales of wireless products and services through the balance of this decade. The introduction of mobile technologies that permit the delivery of enhanced data-oriented services such as messaging, music, pictures and robust Internet access have helped fuel the sales of these new wireless products. The market for 3G products has begun to emerge and is expected to grow over the course of several years.

A number of service providers have launched 2.5G services offering the addition of enhanced data capabilities to their voice services. In 2003, GPRS or EDGE-enabled mobile phones accounted for a third of total worldwide shipments. During 2003, cdma2000-enabled devices (which accounted for 20% of total worldwide shipments) largely replaced the earlier generation of narrow-band CDMA mobile phones.

In addition, various cellular wireless operators in Europe and Japan have begun to deploy 3G networks. Installation of 3G network infrastructure began in stages, starting in markets of heavy use. NTT DoCoMo, the largest wireless operator in Japan, launched a WCDMA-like 3G network in Japan in October 2001. This service now has 2 million subscribers. Also, operators conducted WCDMA 3G field trials in parts of Asia and Europe during 2003. The deployment, pace and growth of the 3G market will depend upon the ability of the manufacturers to offer and deliver fully-functional equipment, including mobile phones, at affordable prices and the introduction and uptake of new services designed to use the enhanced data capability. Major manufacturers have reaffirmed their intention to bring commercial volumes of 3G mobile phones to market during 2004. In 2003 approximately 3 million WCDMA enabled phones were sold. Analysts have forecast shipments of 10 to 20 million WCDMA-enabled mobile phones in 2004.

In addition to the advances in cellular technologies, additional technologies to provide data and other communications in a wireless fashion have emerged. Of note, WLAN has gained momentum in recent years as a wireless broadband solution in the home, office and in public areas. WLAN technology offers high-speed data connectivity through unlicensed spectrum within a relatively modest operating range. From initial semiconductor shipments of products built to the 802.11 standard in 1998, WLAN sales have nearly doubled every year since introduction. While relatively small compared to the cellular market (50 million WLAN units shipped in 2003) the affordability and attractiveness of the technology has helped fuel rapid market growth.

Evolution of Wireless Standards

Wireless communications standards are formal guidelines for engineers, designers, manufacturers and service providers, that regulate and define the use of the licensed radio frequency spectrum for wireless communications products and services used in the marketplace. A number of international and regional wireless Standards Development Organizations (SDOs), including the International Telecommunications Union (ITU), the European Telecommunications Standards Institute (ETSI), the Telecommunications Industry Association (TIA), Engineering

Committee TI, and the American National Standards Institute (ANSI), have responsibility for the development and administration of wireless communications standards. In order to provide for interoperability, most wireless products are manufactured to comply with standards adopted by these organizations either on a regional or worldwide basis. New standards are typically adopted with each new generation of products.

Essential patents claim those inventions that must be used by equipment that operates in conformance with a standard. To lawfully manufacture, have made, sell, offer to sell, or use such products, a manufacturer or other entity doing so must obtain a license from the holder of those essential patent rights. The SDOs do not have the enforcement authority against entities that fail to obtain required licenses, nor the ability to protect the intellectual property rights of holders of essential patents. Rather, these standards bodies ask participating companies to formally declare whether they believe they hold patents essential in a particular standard and whether they are willing to license such patents on either a royalty-bearing basis on fair, reasonable and nondiscriminatory terms or on a royalty-free basis.

The principal standardized digital wireless technologies in use today are based on TDMA and CDMA technologies, with TDMA-based technologies serving over 80% of wireless subscribers worldwide. These standardized TDMA technologies include GSM, TIA/EIA 54/136 (commonly known as AMPS-D, United States-based TDMA), PDC, PHS, DECT and TETRA standards. Of the TDMA technologies, GSM is the most prevalent, having been deployed in Europe, Asia, Africa, the Middle East, parts of the

Americas and other regions. Approximately 70% of all wireless subscribers as of year-end 2003 use GSM technologies. Due to its dominance in Europe, GSM permits, with very limited exceptions, inter-country roaming for its customers. TIA/EIA 54/136 technology has been deployed primarily in North, Central and South America. PDC technology has been deployed in Japan while PHS technologies are deployed primarily in Japan, the People s Republic of China (under the name PAS) and Taiwan. PDC, PHS and U.S. TDMA technologies account for approximately 15% of worldwide wireless subscribers. DECT is a digital cordless standard that operates primarily in Europe. TETRA is an open digital trunked radio standard widely deployed in Europe to meet the needs of professional mobile radio users such as railways and utilities. Narrowband CDMA-based technologies, which represent approximately 12% of all wireless subscribers, include TIA/EIA-95 (more commonly known as TIA/EIA-95 or cdmaOne) and cdma2000 technologies and serve parts of the United States, Japan, South Korea and several other countries. In 2003, nearly 3 million subscribers (less than 1%) used 3G WCDMA systems. The remaining 3% of worldwide wireless subscribers use first generation analog technology.

Deployment of standardized TDMA-based 2.5G systems (such as GPRS and EDGE) accelerated in 2003. 2.5G systems offer higher data rate services, and depending upon the generation of installed infrastructure, can be implemented without substantial additional infrastructure investment. However, 2.5G systems utilizing existing radio spectrum may face capacity constraints as data-rich applications become widely used.

Deployment of 3G services is expected to allow operators to take advantage of additional radio spectrum allocations and, through the use of higher data speeds, deliver additional voice and data-rich applications to their customers. In late 1999, the ITU established a set of recommendations for IMT-2000, the internationally accepted umbrella standard for various 3G technologies. IMT-2000 defined five sets of alternative specifications, which can be selected or aggregated by equipment manufacturers to produce standards-compliant 3G wireless products for their customers.

The five specifications under the 3G standard include the following forms of CDMA technology: CDMA FDD, CDMA TDD, and Multichannel CDMA (cdma2000 technology). There are two forms of CDMA TDD in the specifications: WTDD and NTDD (also referred to as TD-SCDMA). WTDD and FDD combined are commonly referred to as WCDMA. The 3G standard also includes two forms of TDMA technology: UWC-136 and a form of DECT.

WCDMA systems commercial deployment began in Japan in 2001 and expanded with initial deployments and field trials in Europe during 2002 and 2003. Of the GSM service providers in Europe that have selected a 3G air interface, all have selected WCDMA. A select number of operators in South Korea, Japan, the United States and a few other countries have selected cdma2000 technology as their air interface because it is compatible with their installed infrastructure. TD-SCDMA is being developed as a potential wireless technology for the People s Republic of China and for possible export outside of China. The following chart shows the technology evolution from 2G to 2.5G to 3G based on classification by the standards organizations:

The IEEE (Institute of Electrical and Electronic Engineering) began to address the need for an interoperability standard among WLANs in 1990. The final proposal the 802.11 standard was ratified in 1997. Since that time the 802.11 Working Group has continued to update and expand the basic 802.11 standard to achieve higher data ratios and accommodate additional operating frequencies. The wide area community has established the 802.16 Working Group to define air interface standards for long distance (2 to 50 kms) Wide Area Networks (WANS).

Strategy

Our strategy is to leverage our expected cash flow from licensing to grow our portfolio of wireless technology and product solutions, with the goal of becoming a preferred provider of advanced modem solutions for the wireless industry. By doing so, we believe we can deliver substantial growth in enterprise value. To accomplish this objective, we are combining our experience based on a long history of pioneering technology and product development with creative, technically efficient and cost effective designs for advanced digital wireless products in the cellular and non-cellular wireless markets. Our strength lies in our deep understanding of wireless modem technology and components (including antenna subsystems, radio, baseband processor, associated protocol software and radio resource management) and their efficient implementation into a broad range of wireless products that deliver enhanced system performance, reduced costs for OEMs and operators, and accelerated time to market for equipment producers and service providers. We are leveraging these areas of expertise as we develop solutions for the advanced mobile and WLAN markets.

We seek to create enterprise value by serving the growing demand for advanced functionality, including robust high data rate capability, in wireless communications core technologies and products. To address this growing demand, we are developing sophisticated wireless technology platforms and implementing those platforms into products that enable the producers of wireless terminals and infrastructure equipment to deliver the advanced functionality their customers desire. We seek to monetize our investment in technology development primarily through patent licensing and through the sale or license of various portions of the technology (e.g., reference designs, know-how and software) that we have developed for incorporation in products of semiconductor fabricators and other equipment manufacturers. We also seek to market our technology to agencies of the United States government.

Our strategy consists of the following key elements:

Development and delivery of advanced wireless technologies, and a deep and broad portfolio of intellectual property, to address the constantly evolving demands of the advanced wireless market. The heart of our ability to create value lies in our sustained investment in core technology development that advances the state-of-the-art of wireless solutions for our customers.

Implementation of our technologies into a diversified portfolio of products to serve a broad range of customers in the global cellular and WLAN markets. Our products include reference designs (including ASIC designs), software, antenna subsystems, and know-how. These products, along with maintenance, support and upgrade services, can be sold directly to our customers or through partnerships entitling us to receive royalties and other fees.

A program of licensing our patented technology to wireless equipment producers worldwide. Our substantial portfolio of wireless telecommunications inventions, including inventions applicable to TDMA and CDMA products and systems, our current license agreements and the capability to license these inventions are valuable assets. We will continue to broaden our base of licensees around the world. Where appropriate, we also intend to expand our licensing activities through strategic relationships under which we market the technology and patented inventions of other entities.

Maximizing the value proposition for our customers and partners by combining our intellectual property rights and technology products into a coordinated offering. Through such offerings our customers gain the enhanced benefit of access to our core technology and our efficient implementations to enhance the performance of their products in a cost effective and timely manner.

Substantial involvement in key worldwide standards bodies to contribute to the ongoing definition of wireless standards and to incorporate our inventions into those standards. By actively participating in cellular and WLAN standards development, we continue to contribute to the development of better solutions for the marketplace, build recognition of our technical competence, gain insight into market trends, and secure positions for our intellectual property within the technology standards.

Acquisition of valuable intellectual property, technologies and products that will enhance the value of our portfolio of solutions for our customers. When and where appropriate, we seek to acquire technology assets that accelerate our ability to bring more complete and valuable solutions to our customers.

Creatively structured relationships with leading technology developers and equipment producers to accelerate our time to market and extend our reach into new markets. We pursue agreements with companies to transfer our technology into their products, giving them access to our longstanding competencies in digital air interface design and development, and to secure access to their solutions to enhance our product offerings. Such agreements allow us to gain expanded reach into a broader base of potential customers.

InterDigital s Technology Position

We have a strong history developing wireless technologies including those related to CDMA and TDMA. With regard to TDMA, we led the industry in establishing TIA/EIA-54 as a wireless standard in the United States in the 1980s and, through standards-related innovation, created a substantial portfolio of patented inventions. Our TDMA inventions include or relate to (among others):

The fundamental architecture of commercial Time Division/Frequency Division Multiple Access (TD/FDMA) systems

Methods of synchronizing the operation of TD/FDMA systems

A unique approach to managing system capacity and maintaining agility through the reassignment of online subscriber units to different time slots and/or frequencies in response to system conditions

The design of a multi-component base station utilizing distributed intelligence that allows for more robust performance

Initializing procedures that enable roaming

A number of our TDMA inventions are being used in a broad range of 2G and 2.5G wireless networks and mobile and fixed terminal-end devices and we believe such inventions are essential to those standards and to the TDMA 2G and 2.5G backwards compatibility included in many 3G wireless networks and terminal-end mobile and fixed devices. (See, -Business Activities, Patent and Technology Licensing .)

With respect to CDMA technologies we also have led industry innovation and patented our resulting CDMA inventions. Today we hold a significant worldwide portfolio of patents and patent applications for CDMA technology. Similar to our TDMA inventions, we believe that a number of our inventions are essential to the implementation of the 2G and 2.5G and 3G CDMA systems in use today. Our key CDMA inventions include or relate to (among others):

Global pilot: The use of a common pilot channel to synchronize sub-channels in a multiple access environment

Bandwidth allocation: Techniques including multi-channel and multi-code mechanisms

Power control: Highly efficient schemes for controlling transmission power output of terminal and base station devices vital in a CDMA system

Overlay techniques for communications systems, which allow new wireless systems to be deployed with existing wireless technologies without frequency allocation

Joint detection and interference cancellation for reducing multiple access interference in a physical receiver

Soft handover enhancement techniques between designated cells

Various sub-channel access and coding techniques

Packet data

Fast handoff

Geo-location for calculating the position of terminal users

Multi-user detection (MUD)

Our reputation as an inventor and innovator positions us to influence the content and direction of wireless technology standards. Our competitive advantage is derived from the fact that we have intimate knowledge of the innovation together with intellectual property rights that may attach to such innovations. Our ability to influence the standards development process also helps to create a climate for the growth of business opportunities both by enhancing our image as a key innovator, and providing early intelligence on technologies.

To facilitate our position as a contributor to emerging wireless technologies, we are active in the Third Generation Partnership Project (3GPP), through our membership in the European Telecommunications Standards Institute (ETSI), and are also an active member of several SDOs and industry associations that influence and sponsor standards development including the ITU-R, the Telecommunications Industry Association

(TIA), the Alliance for Telecommunications Industry Solutions (ATIS) Committee T1P1, the Institute of Electrical and Electronic Engineers (IEEE) Standards Association and the American National Standards Institute (ANSI). For 3G standards, we have submitted over 1,000 contributions to standards bodies worldwide and over 60% of those contributions have been adopted. We have made technical contributions into the IEEE 802 standards bodies and expect that effort to expand. We have also taken leadership positions in a number of these standards bodies. Company management and engineers either have served or are currently serving in a number of leadership positions in key industry standards bodies including past Chair of the IEEE 802.16a Task Group (Broadband Wireless Access, 2-11 GHz), current Chair of the IEEE 802.16e Task Group (Mobile Broadband Wireless Access, based on the 2-11 GHz IEEE 802.16a air interface); current Vice Chair of the 3GPP RAN Working Group 3 (WG3); Acting Chair of T1P1.4 Wireless Wideband Internet Access; past North American Rapporteur for ITU-R IMT-2000 Deployment Handbook; past Editor, 3GPP RAN WG1 Physical Layer Procedures (TDD)(R5) and past Editor and Rapporteur, 3GPP RAN WG4, TDD Base Station Classification. In addition to our participation in a number of standards bodies, we are also active in several technology forums that foster our business interests. For example, our Chief Technology Officer (CTO) chairs the Universal Mobile Telecommunications System (UMTS) Forum Task Force on TDD and Wireless LANs, and is the Chair, as well as a member of the Associate Member Interest Group (AMIG) of the GSM Association. Our Chief Operating Officer is the Vice-Chair of the Manufacturing Task Force for the UMTS Forum. A member of our CTO Office is the Co-chair of the GSM Association s Wireless LANs Task Force. Further, we are a Council Member (a senior level position held by a limited number of the world s leading wireless companies) of the TD-SCDMA Forum, and our Chief Strategic Standards Officer is an officer in the TDD Coalition, an industry consortium which promotes TDD airlink technology.

Based on our history of invention and our extensive participation in the standards bodies, together with extensive use of technology innovation across different standards, we believe that our patent portfolio, including patents applied for, is applicable to all

of the air interface protocols described in the IMT-2000 standard. We have indicated to the appropriate standards bodies that we hold patents and patent applications that are essential for implementation of the present 3G standards specifications in products, and have, in conjunction with such indication, declared that our patented inventions will be available for license under the general principles of fairness, reasonableness and/or non-discrimination for each standards body. (See, -Business Activities, Patent and Technology Licensing .)

Business Activities

Technology and Product Development

Over the course of our history, we have designed, developed and placed into operation a variety of advanced wireless technologies, systems and products. In addition, through our involvement in the standards bodies and incubation efforts, we monitor emerging technologies being developed to deliver voice and data in a wireless environment. Since 1999, we have focused our technology and product development on the air interface technology referred to as WCDMA. WCDMA is comprised of two duplexing methods, FDD and TDD. With FDD, transmission, communications signals are transmitted in two separate radio bands of equal size. With TDD transmission, communications signals are sent in alternate directions, often asymmetrically, in a single radio channel. While global market demand for FDD products is growing in tandem with the emerging market demand for 3G generally, we expect that consideration of deployment of TDD products will trail the emergence of FDD products. Our technology development in both specifications of WCDMA technology allows us to offer a complete WCDMA solution to manufacturers of wireless equipment.

We recorded expenses of $45.9 million, $46.1 million, and $44.5 million during 2003, 2002 and 2001, respectively, related to all of our research, technology and product development. Revenues recognized in 2003, 2002, and 2001 associated with development efforts were $1.1 million, $4.5 million, and $21.8 million, respectively. Such revenue amounts were primarily associated with a TDD development project for Finland-based, Nokia. In 2003, 2002, and 2001, respectively, 1%, 5%, and 42% of our total revenue was from Nokia.

FDD Technology Products

Since 2001 we have been engaged in the implementation of FDD protocol stacks under our cooperative development and sales agreement with Infineon Technologies AG (Infineon). Together with Infineon, we have been jointly developing this software for use in terminal units. This FDD protocol stack interfaces with existing GSM/GPRS hardware and software, supports Infineon s 3G baseband processor, and is portable to other baseband processors. In first quarter of 2003, we conducted a successful public demonstration of the FDD protocol stack s performance characteristics with critical features, including 384 kbps voice and video transmission capability, on a variety of different hardware platforms. The Company and Infineon completed the full multi-mode FDD protocol stack in 2003 and, in first quarter 2004, conducted a successful public demonstration of the protocol stack operating in a fully functional 3G handset. The Company and Infineon are offering the FDD protocol stack solution to 3G mobile phone and semiconductor producers. In September 2003, Infineon and Huawei Technologies announced that they had joined forces to offer a competitive WCDMA mobile phone platform. As part of this effort, Infineon is contributing the reference design and jointly developed protocol stack. Members of the Company s FDD development team, working with Infineon and Huawei, have successfully conducted interoperability testing at Huawei s laboratories in Shanghai, China. We expect to continue to support field trials, testing and implementation of the software with Infineon and Huawei.

Under the March 2001 agreement, which has a duration of nine years from the first sale of the joint 3G Protocol stack, the parties each own the technology they develop. In addition, the parties have cross-licensed to each other a limited set of patents for specified purposes. In our case, the cross-licensed patents are those generally applicable to the jointly developed software and related products for specified purposes. We have also agreed to a framework for determining royalties in other 2G and 3G products. No revenues have been generated under this agreement to date. (See, -Risk Factors, We Rely and Intend to Rely on Relationships with Third Parties to Develop and Deploy Products .)

As part of our commitment to develop and offer a robust FDD product offering, we are developing the next generation of FDD that provides advanced high-speed capabilities. This technology is referred to as HSDPA (High-Speed Downlink Packet Access). Our HSDPA development effort includes the physical (commonly referred to as Layer 1) and the software protocol stacks (commonly referred to as Layers 2/3). Through our involvement in the standards bodies, we have made important contributions to the development of this technology. We plan to expand our HSDPA solution to incorporate the design of the physical layer along with the software. We plan to offer this technology product to semiconductor manufacturers and equipment producers.

TDD Technology Products

Our TDD technology development work began in 1999 when we entered into a strategic technology development agreement with Nokia involving the development and validation of fully standards compliant WTDD technology. Under the Nokia development agreement, we own all of the developed technology and have the ability to license the technology to other companies, as well as design, manufacture, sell and use products and components that utilize the resulting technology. Under this agreement, we delivered technology building blocks to Nokia for use in 3G wireless products. This development effort concluded in 2003 with final verification, testing and acceptance by Nokia.

Under the terms of the Nokia development agreement, Nokia agreed to fund the majority of the development effort based on a project budget of $40.0 million and to maintain an active role in the development plan. During the third quarter of 2001, the Company and Nokia amended the development agreement by refining the pace and scope of the program. Nokia agreed to forego its right to terminate the project for convenience and committed to a project maximum of approximately $58.0 million, up from the original estimate of approximately $40.0 million. Under the amendment, generally, Nokia was obligated to pay for the work based on negotiated commercial rates and to reimburse certain expenses, up to the project maximum. During 2002, Nokia s payments reached the agreed maximum amount, less a $1.0 million payment to be made upon completion of the project. During 2003, we recorded revenue in the amount of $1.0 million from the Nokia development project, completing the project during the fourth quarter. Certain royalty-free licenses relating to TDD granted to Nokia under the contract continue after the development work has been completed.

In fourth quarter 2003, utilizing 5 MHz of unpaired spectrum owned by Swisscom Mobile we deployed a demonstration system, using our TDD technology, and demonstrated live, over-the-air, full screen streaming video calls at 2 Mbps while operating over a point-to-point fully functioning radio network controller, base station, and end-user terminal device. The demonstration also included live, over-the-air 384 kpbs video conference calls operating from terminal to terminal and voice calls with a Web browsing session.

We have experienced varying degrees of preliminary interest in our TDD technology among manufacturers and operators as they begin to evaluate their use of unpaired spectrum. We will continue to monitor market interest in TDD. With the development work on TDD for Nokia now complete, we expect to have modest resources devoted to the stabilization of the technology in 2004. Further, we have delayed any investment in field trial demonstration product until market demand warrants such investment.

We believe that a substantial amount of our TDD technology applies to other TDD technologies, such as TD-SCDMA. As part of our efforts to evaluate key technology developments, in 2002 we became a Council Member in the TD-SCDMA Forum, a body focused on the application of TD-SCDMA technology in wireless product. We are monitoring the evolution in TD-SCDMA development activities and its potential for deployment in China or elsewhere.

Smart Antenna Technology Products

In July 2003, we acquired substantially all the assets of Windshift Holdings, Inc., a company formerly known as Tantivy Communications, Inc. (Windshift). With this acquisition, we added smart antenna technology and capabilities and early product designs, to our portfolio. We are committing additional resources to validate the performance advantages of the smart antenna technology and to productize and market the solutions to semiconductor manufacturers and equipment producers. In general, smart antenna technology seeks to improve the ability of a wireless device to acquire and hold a radio signal. Our subscriber-based smart antenna product employs a steerable beam antenna for mobile devices that increases capacity in the cellular system, improves coverage, and extends battery life. We are seeking to conduct cooperative field trials of the cellular smart antenna solution with mobile device manufacturers during 2004. For the WLAN market, we have applied the steerable beam concepts, algorithms and methodology for deployment in a WLAN system. The smart antenna for WLAN could be deployed in access points, the PC cards, or other WLAN-enabled end-user devices. We are actively testing the WLAN smart antenna technology and seeking potential customers among the semiconductor manufacturers and equipment producers.

Radio Resource Management Solutions

As part of our TDD development effort, we created a complete suite of advanced radio resource management algorithms that maximize system performance, lower deployment costs and enhance operators service offerings under different network deployment scenarios. The radio resource management solution, offered under our service mark SmartRRM, allocates radio resources to suit the character of wireless traffic, optimizing network stability, connection reliability, system capacity, terminal battery consumption, and overall quality of service. As an extension of the

SmartRRM solution, we have begun efforts to explore capacity management constructs and evaluate their applicability to WLAN systems. In addition, the constructs and approaches involved in the SmartRRM solution may well be applicable in the integration of WLAN and cellular systems technologies.

Future Technology Efforts

The Company is creating the InterDigital Incubation Center (IIC), comprised of a dedicated team of engineers, to explore and foster the development of new architectures and technologies for wireless systems. Under the direction of the Company s CTO, the IIC is focusing on identifying leading-edge technologies that have attractive long-term commercial potential in the wireless market. The IIC will work with leading universities and research centers to expand the scope of its work into leveraging advancements in material sciences and advanced software applications.

Patent and Technology Licensing

Our business model is based on developing advanced wireless technology solutions, and then making those solutions available to customers through licensing and product sales. These solutions (many of which are patented) include inventions, know-how and

other technical data (e.g., software, designs, specifications, etc.) related to the design and operation of digital wireless products. We seek to monetize our investment in technology development primarily through patent licensing and/or the sale or license of various portions of the technology (e.g., reference designs, know-how and software) that we have developed for incorporation in products of semiconductor and other equipment manufacturers. Also, we have entered strategic partnering arrangements with other companies to develop new technologies in which we typically have retained ownership of all or portions of the patents, copyrights, know-how and/or other technical data we develop.

As of December 31, 2003, we held the following patents and applications relating specifically to digital wireless radiotelephony technology (including without limitation TDMA and/or CDMA) which expire at differing times primarily ranging from the current year through 2023. Most of our foreign patent applications are single treaty application filings, which can produce patents in all of the countries that are parties to the treaty. Consequently, a single treaty filing can result in a number of foreign patents that is a multiple of the number of our foreign patent applications. (That multiple is not reflected in the chart below. Only one issued patent is listed as to a single treaty filing.) While our patents and patent applications have been derived from development efforts primarily regarding TDMA and CDMA technologies, the patents can apply to all forms of either CDMA or TDMA technologies, as well as other wireless technologies. The CDMA technologies include narrowband CDMA (TIA/EIA-95 and similar standards), WCDMA (both FDD and TDD), cdma2000, and TD-SCDMA. The TDMA technologies include GSM, GPRS, EDGE, PDC, PHS, TETRA and DECT.

	U.S. Issued Patents	U.S. Patent Applications	Foreign Issued Patents	Foreign Patent Applications (Including Under Single Treaty Filings)	Total Issued and Applications (Including Under Single Treaty Filings)
CDMA development-based Patents	257	584	453	2,190	3,484
TDMA development-based Patents	77	26	376	85	564
TOTAL	334	610	829	2,275	4,048

During 2003, we filed 2,001 new patent applications, 413 of which were United States applications, and were granted 299 new patents, 70 of which were United States patents. The majority of these applications and patents were for 3G CDMA-related inventions, though inventions while deriving from a CDMA development project can often extend across multiple technologies. In addition, we acquired a number of patents and patent applications from Windshift. (See, -Acquisition of Patent Rights .) Our patents have effective terms of up to 20 years from the date of the first application upon which the patent is based. We have in the past filed, and will continue to actively file, additional patent applications throughout most of the world, primarily relating to 2.5G and 3G products.

A significant portion of our business involves the licensing of our patents on a worldwide basis. A number of our patented inventions have been included in various digital wireless communications standards. Many of these patented inventions are considered essential (i.e., required to be used) to build equipment in accordance with the standards. (See, -Evolution of Wireless Standards .) Those standards include, but are not limited to, TIA/EIA-54/136, narrowband CDMA (TIA/EIA-95 and similar standards), WCDMA (both FDD and TDD), cdma2000, TD-SCDMA, GSM, GPRS, EDGE, PDC, PHS, TETRA and DECT. We also expect that many of our patents and patents expected to issue from existing applications will be commercially important in the actual 2G, 2.5G and 3G product implementations. Accordingly, we believe that companies making, using or selling products compliant with these standards require a license under our patents. We also believe that our patents have application beyond the digital cellular environment, including WLAN and smart antenna.

Currently, numerous manufacturers supply digital cellular equipment conforming to such standards. While some companies seek licenses before they commence manufacturing devices that use our patented inventions, many others do not. Consequently, we approach these companies and seek to establish license agreements. We expend significant effort identifying potential users of our inventions and negotiating license agreements with companies that may be reluctant to do so. In our license negotiations, we typically seek consideration for the prior sales of infringing equipment, as well as patent royalties for future sales of equipment incorporating the patented inventions. We are in active discussions with numerous companies on a worldwide basis regarding the licensing of our 2G, 2.5G and 3G-related patents. We attempt to be both aggressive and creative in structuring broad-based agreements that enable unlicensed companies to meet their obligations to us and position us as a value-added partner. During negotiations, from time to time, unlicensed companies raise different defenses and arguments as to the need to

enter into a patent license with us, including defenses and arguments (i) as to the essential nature of our patents, (ii) that their products do not infringe our patents, (iii) that they are indemnified or otherwise protected by third parties against infringement claims, and (iv) relating to the impact on them of litigation in which we are involved. We address these arguments and defenses by asserting our positions on essentiality and infringement, and by asserting our positions that any relationship between the prospective licensee and a third party and the existence of litigation do not provide a defense to the legal requirement for a patent license. Also, from time to time, if we believe that a third party is required to license our patents in order to manufacture and sell digital cellular products, and such third party will not enter into a license, we may institute a patent infringement lawsuit against the third party.

We offer non-exclusive, royalty-bearing patent licenses to telecommunications manufacturers that manufacture, use or sell, or intend to manufacture, use or sell, equipment that implements the inventions covered by our extensive portfolio of patents. In earlier years, we developed wireless technology solutions relating to 2G and 2.5G technologies. As a result, earlier licensing agreements

include the 2/2.5G patents generated from such technology development. We continue to seek to license our 2/2.5G patents, as the key 2/2.5G patents will generally not expire until starting in 2006, and 2G products remain pervasive in today s market. Since 1992 we have also been developing wireless technology solutions relating to 3G technologies, which have generated a significant number of 3G patents and continue to lead to the filing of additional 3G-related patent applications.

In addition to patent licensing, we have been actively engaged in the licensing of know-how both to companies with whom we have had strategic relationships (including alliance partners) and to other companies. In 1999, we signed a technology transfer agreement with Nokia involving the development of TDD technology. In 2001, we entered into a strategic relationship with Infineon involving the development of FDD technology and products. (See, -Business Activities, Technology and Product Development .)

Patent Licenses

At December 31, 2003, we had granted to 33 licensees a total of 36 non-exclusive, generally non-transferable, royalty-bearing or paid-up licenses to incorporate our patented inventions covering 2G and/or 3G standards. (See Table below.) When we enter into a new patent license agreement with a licensee, the licensee typically agrees to pay consideration for sales made prior to the effective date of the license agreement and also agrees to pay royalties or license fees on products that it will sell during the term of the agreement. We expect that, for the most part, new license agreements will follow this model. In circumstances where we receive consideration for sales made prior to the effective date, we recognize revenue in the quarter in which the patent license agreement is signed. However, if the license agreement is reached as part of the settlement of patent infringement litigation, we recognize consideration for past sales as other income. Our license agreements are structured on a prepaid, paid-up, or current royalty-bearing basis, or a combination thereof. Non-refundable prepayments are advances against payment of future royalties, and are usually made in exchange for prepayment discounts. As the licensee reports sales of covered products, the royalties due are calculated and either applied against any prepayment, or paid in cash. Sometimes, the royalties due are applied in full against the prepayment while other times they are applied in partial satisfaction (e.g., 40%). In the latter case, a royalty would be due for the remaining amount not applied against the prepayment (e.g., 60%). Additionally, royalties on sales of covered products under the license agreement are payable or exhausted against prepayments based on the royalty formula applicable to the particular license agreement. These formulas include flat dollar rates per unit, a percentage of sales, percentage of sales with caps, and other similar measures. The formulas can also vary by other factors including territory, covered standards, quantity, and dates sold.

Most of our license agreements that provide for the payment of royalties on an ongoing basis require the payment of royalties based on sales of covered products built to a particular standard. A few agreements that provide for the payment of royalties on an ongoing basis commencing when there is an infringed patent issued in the applicable geographic sales region. We generally recognize royalty revenue as earned based on royalty reports provided by our licensees or based on reasonable estimates.

Most of our license agreements are royalty bearing, however, certain of our license agreements are paid up and do not require further payments under specified ranges of conditions (e.g., for products built to particular standards). We recognize revenues related to paid-up amounts on a straight-line basis over the effective term of the license.

Siemens AG s (Siemens) license is paid up under our 2G and selected 3G patents. The Siemens agreement does not include any rights under any of our patents (including essential patents) issuing from patent applications filed after December 15, 1999, or for those patents for which we acquired licensing or ownership rights after such date (e.g., Windshift s patents and patent applications). Based on these limitations, the Siemens patent license agreement does not provide a license under all of our patents that we believe are essential to 3G, including cdma2000, or all of the inventions which we believe will be essential and which are contained in pending patent applications. Kyocera Corporation s license under certain of our patents is paid up for PHS and PDC products but not as to other TDMA-based products. The Sanyo and Toshiba licenses under certain of our patents are paid up for PHS and PDC equipment made, sold and used in Japan but are generally royalty-bearing otherwise. NEC s license under certain of our patents is paid up as to PDC and PHS products; and the 2G Matsushita Electric Industrial, Inc., license under certain of our patents is generally paid-up for TDMA-based 2G and 2.5G products.

Our patent license with Nokia is paid-up, generally, with respect to 2G and 3G covered products through the end of 2001, and contains a structure for determining the royalties thereafter. Nokia and InterDigital Technology Corporation, our wholly-owned subsidiary (ITC), are currently in arbitration over Nokia s obligations on royalties for product sales beginning in January 1, 2002. (See, -Legal Proceedings). In addition, as part of our recently completed development project with Nokia (See, -Business Activities, Technology and Product Development), Nokia s royalty obligations are also paid-up for TDD products based upon the scope of technology delivered under the development project. Nokia is also licensed on the same basis with respect to certain patents technically necessary to implement TDD technology; however, such paid-up license does not extend to non-TDD functionality.

Additionally, in 1994 we entered into a paid-up CDMA-based patent license agreement with Qualcomm, Inc. (Qualcomm) that is limited in scope. The Qualcomm license excludes, among other things, any rights under our patents as regards TDMA standards, any rights under any of our patent applications filed after March 7, 1995, any rights under the patents and applications subsequently acquired, such as was the case with Windshift, and any rights to any patents relating to cellular overlay and interference cancellation. The Qualcomm license agreement grants Qualcomm the paid-up right to grant sub-licenses under designated patent and patent applications to Qualcomm s customers. For some of our patents, Qualcomm s sublicensing rights are limited to those situations where

Qualcomm is selling ASICs to the customer. For a limited number of patents as to which applications were filed prior to March 8, 1995, Qualcomm may grant licenses under such ITC patents regardless of whether the customer is also purchasing an ASIC from Qualcomm. Based on these limitations, Qualcomm is not licensed under either all of our patents that we believe are essential to 3G, including cdma2000, or all of the inventions which we believe will be essential and which are contained in pending patent applications. The proportion of essential Company patents under which Qualcomm is licensed has diminished substantially over time as the Company has been inventing and acquiring technology at an accelerating rate since early 1995.

Certain existing license agreements may be renegotiated or restructured based on most favored licensee (MFL) or other provisions contained in the applicable license agreement. MFL clauses typically permit a licensee to elect to apply the terms of a subsequently executed license agreement that are more favorable than those of the licensee s agreement. The application of the MFL clause may affect, and generally acts to reduce, the amount of royalty obligations of the licensee. The application of an MFL clause can be complex, given the varying terms among patent license agreements.

Expenditures relating to maintaining our current licenses (other than enforcement proceedings) are not material, and are predominantly administrative in nature. Revenues from patent license agreements have been used for general corporate purposes, including substantial reinvestment in standards contributions, technology development and productization. Revenues generated from royalties are subject to quarterly and annual fluctuations.

In 2003, 2002, and 2001, respectively, 64%, 94%, and 50% of our total revenue was derived from licensees based in Japan but generally covering products sold both within and outside of Japan. In 2003, revenues from our licensees NEC, Sony Ericsson, and Sharp Corporation of Japan (Sharp) were approximately 29%, 29% and 25%, respectively. The loss of revenues and cash payments under any of these license agreements (with the exception of the NEC 2G Agreement, for which all cash has been received and Sharp WCDMA/GSM/3G Agreement) would adversely affect our cash flow and results of operations and could affect our ability to achieve or sustain acceptable levels of profitability.

Licensees Generating 2003 Revenues Exceeding 10% of Total Revenues

ITC is a party to a worldwide, generally nontransferable, royalty-bearing, narrowband CDMA and 3G patent licenses with NEC. Pursuant to its patent license agreement with ITC, NEC paid $19.5 million royalty prepayment in 2002, which was exhausted during first quarter of 2003. Currently, NEC is obligated to pay royalties on a convenience basis on all sales of products covered under the license. This patent license agreement expires upon the last to expire of the patents licensed under the agreement. NEC and ITC are also parties to a separate non-exclusive, worldwide, convenience-based, generally nontransferable, royalty-bearing TDMA patent license agreement (2G), which expires upon the last to expire of the patents licensed under the agreement. In 2002, the parties amended that agreement to provide for the payment by NEC to ITC of $53.0 million, in exchange for which royalty obligations for PHS and PDC products are considered paid-up. We are recognizing revenue associated with this $53.0 million payment on a straight-line basis from the January 2002 agreement date through February 2006, which is the expected period of use by NEC. It is unlikely that NEC would have any further royalty payment obligations under that agreement based on existing paid-up and other unique provisions. In 2003, we recorded revenues of $33.3 million from NEC of which approximately $12.9 million is attributable to our 2G patent license agreement and approximately $20.4 million is attributable to our narrowband CDMA and 3G patent license agreement.

ITC is a party to a worldwide, generally nontransferable, royalty-bearing, convenience-based patent license agreement with Sony Ericsson (Sony Ericsson Agreement) covering sales of terminal units compliant with 2G GSM/TDMA and 2.5G GSM/GPRS/TDMA standards. Under the terms of this license agreement, we received and expect to receive payments totaling $20.3 million related to sales of terminal unit products through December 31, 2002. We recognized this amount as revenue in 2003. For periods thereafter through 2006, Sony Ericsson is obligated under the terms of its agreement to pay ITC a royalty on each licensed product sold. In addition, Sony Ericsson made non-refundable advance royalty payments of approximately $26.2 million to ITC in 2003 covering Sony Ericsson s projected sales in 2003 and 2004. The prepayment entitles Sony Ericsson to receive royalty rate discounts. We recognize revenue from the prepayment as sales are reported. Once this initial prepayment is exhausted, Sony Ericsson can either make additional prepayments (net of prepayment discounts and any applicable credits) for 24-month periods

or pay royalties at the base rate on sales through 2006. This license agreement expires upon the last to expire of the patents licensed under each agreement. In 2003, we recorded revenues of $32.9 million from the Sony Ericsson Agreement.

ITC is a party to a non-exclusive, worldwide, generally nontransferable, royalty-bearing, convenience-based patent license agreement with Sharp (Sharp PDC/PHS Agreement) covering sales of terminal devices compliant with TDMA-based PDC and PHS standards. In second quarter 2003, ITC and Sharp extended the term of the Sharp PDC/PHS Agreement until April 2008. Under the extension, Sharp made a $17.5 million up-front payment consisting of a renewal fee of $2.0 million and a royalty prepayment of $15.5 million. We recognize revenue from the prepayment as sales are reported. Once the royalty prepayment is exhausted, Sharp will be obligated to make additional royalty payments on sales of licensed products sold through early 2008 at the updated rates. The renewal fee is being amortized on a straight-line basis over the five-year term of the extension.

ITC and Sharp are also parties to a separate non-exclusive, worldwide, convenience-based, generally nontransferable, royalty-bearing patent license agreement (Sharp NCDMA/GSM/3G Agreement) covering sales of GSM, narrowband CDMA and 3G products that expires upon the last to expire of the patents licensed under the agreement. In 2003, we recorded revenues of $28.5 million from

Sharp of which approximately $19.5 million is attributable to the Sharp PDC/PHS Agreement and approximately $9.0 million is attributable to the Sharp NCDMA/GSM/3G Agreement. In addition, under an amendment to the Sharp NCDMA/GSM/3G Agreement executed in first quarter 2004, Sharp is obligated to make an up-front payment of approximately $17.8 million in second quarter 2004 as an advance against future royalty obligations.

2003 License Agreements

In addition to the Sony Ericsson Agreement and extension of the Sharp PHS/PDC Agreement described above, during 2003 we entered into four new patent license agreements.

In first quarter 2003, we entered into a worldwide, royalty-bearing, convenience-based patent license agreement with Telefonaktiebolaget LM Ericsson and Ericsson Inc. (Ericsson) covering sales of 2G GSM/TDMA and 2.5G GSM/GPRS/TDMA products. Under the terms of the license agreement with Ericsson, we received and expect to receive payments of approximately $14.0 million related to sales of terminal unit and infrastructure products through December 31, 2002. We recognized the $14.0 million from Ericsson, net of an estimated $3.4 million associated with a claim under an insurance reimbursement agreement as other income in 2003. Under the terms of its agreement, Ericsson is obligated to pay us an annual license fee of $6.0 million for sales of covered infrastructure equipment for each of the years 2003 through 2006. We are recognizing the related revenue on a straight-line basis from first quarter 2003 to fourth quarter 2006. This license agreement expires upon the last to expire of the patents licensed under each agreement.

In second quarter 2003, we entered into a non-exclusive, worldwide, convenience-based, royalty-bearing patent license agreement with Research In Motion Limited (RIM) for terminal units compliant with GSM/GPRS/EDGE standards. Under this agreement, we will receive a royalty on each licensed product sold by RIM worldwide. RIM also made a royalty prepayment and, once that prepayment is exhausted, RIM will be obligated to pay additional royalties on sales of licensed products through January 1, 2008. We recognize revenue associated with this agreement as sales of licensed products are reported.

In second quarter 2003, we entered into a non-exclusive, worldwide, convenience-based, royalty-bearing patent license agreement with Nakayo Telecommunications, Inc. (Nakayo) for terminal units and infrastructure compliant with TDMA-based PHS standards. Under this agreement, we will receive a royalty on each licensed product sold by Nakayo worldwide. Nakayo made a royalty prepayment and paid a one-time license fee. Once the prepayment is exhausted, Nakayo will be obligated to pay additional royalties on sales of licensed products through the life of the licensed patents. We recognize the revenue associated with this agreement as sales of licensed products are reported.

In fourth quarter 2003, we entered into a non-exclusive, worldwide, convenience-based, royalty-bearing patent license agreement with High Tech Computer Corp. (HTC) covering the sale of terminal units and infrastructure compliant with 2G and 2.5G IS-136/GSM/GPRS/EDGE and 3G WCDMA/cdma2000/TD-SCDMA standards. Under this agreement, we will receive a royalty on each licensed product sold by HTC worldwide. HTC is obligated to make a royalty prepayment in first quarter 2004 and, once that prepayment is exhausted, will be obligated to pay additional royalties on sales of licensed products through the life of the licensed patents. We recognize the revenue associated with this agreement as sales of licensed products are reported.

Acquisition of Patent Rights

In third quarter 2003, we entered into an asset purchase agreement with Windshift pursuant to which we acquired substantially all of its assets. Included in the acquisition were patents, patent applications, and know-how related to cdma2000 technology, Smart Antenna, WLAN and other

wireless communications technologies, as well as state-of-the art laboratory facilities. The acquisition included patents and patent applications that we had previously acquired under a patent license agreement with Windshift in 2002. The purchase price for the acquisition was $11.5 million, consisting of approximately $10.0 million in cash and cancellation of approximately $1.5 million in outstanding indebtedness owed to us by Windshift. In addition, for approximately five years, Windshift will be entitled to receive 1% and 4%, respectively, of amounts we receive from the licensing or sale of Smart Antenna and 802.11 intellectual property acquired from Windshift in the acquisition.

Legal Proceedings

Patent Oppositions

In high technology fields characterized by rapid change and engineering distinctions, the validity and value of patents are sometimes subject to complex legal and factual challenges and other uncertainties. Accordingly, our patent claims are subject to uncertainties that are typical of patent enforcement generally. The validity of some of our key patents has been and continues to be challenged in patent opposition proceedings in a number of jurisdictions. While in a few cases, our patents have been invalidated or substantially narrowed, this has not impaired our patent license program because we generally license a broad portfolio of patents held worldwide, and not a single patent or invention in a single jurisdiction. Nonetheless, if a party successfully asserts that some of our patent claims are not valid or do not cover their products, or if products are implemented in a manner such that patents we believe to be commercially important are not infringed, our licensing potential and revenues could be adversely affected. The cost of enforcing and protecting our patent portfolio is significant.

Patent Infringement Lawsuits

From time to time, if we believe that a third party is required to license our patents in order to manufacture and sell digital cellular products and such third party will not enter into a license agreement, we may institute legal action against the third party. These legal actions typically take the form of a patent infringement lawsuit. In a patent infringement lawsuit, we would typically seek damages for past infringement, and an injunction against future infringement. As part of a settlement of any such lawsuit, we would expect to recover consideration for past infringement, as well as license future sales in return for the payment of a license fee(s) and/or ongoing royalties. Court awards and settlements of patent infringement lawsuits can be substantial, but are uncertain, unpredictable and often of a non-recurring nature. The response from the third party can come in the form of challenges to the validity and applicability of our patents. The risks to our licensing program from an adverse ruling and the monetary cost of patent litigation can be significant. We are currently in such a patent infringement lawsuit with Lucent Technologies, Inc. (Lucent) (See Legal Proceedings Lucent). If we recover amounts owed for past sales from the settlement of litigation (excluding contractual arbitration rulings) or pursuant to a litigation award, we recognize these amounts as other income.

Contractual Arbitration Proceedings

We and our licensees, in the normal course of business, may have disagreements as to the rights and obligations of the parties under the applicable license agreement. For example, we could have a disagreement with a licensee as to the amount of reported sales and royalties. The license agreements typically provide for private arbitration as the mechanism for resolving disputes. Arbitration proceedings can be resolved through an award rendered by the arbitrators or by settlement between the parties. Awards and settlements of arbitration proceedings can be substantial, but are uncertain, unpredictable and often of a non-recurring nature. In circumstances where we receive consideration from the resolution of a disagreement or arbitration with a licensee over the terms of an existing agreement, whether by arbitrators award or by settlement, we recognize the related consideration as revenue.

We believe that the license agreements with Ericsson and Sony Ericsson establish the financial terms necessary to define the royalty obligations of Nokia and Samsung on 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE/TDMA infrastructure and terminal units under their existing patent licensing agreements with us. We believe that, under MFL provisions applicable to their respective patent licenses, both companies are obligated to pay royalties on sales of covered products from January 1, 2002 by reference to the terms of the Ericsson and Sony Ericsson licenses. Our patent license agreement with Nokia provides that, in exchange for a payment of $31.5 million, Nokia s royalty obligation to ITC had been paid-up generally with respect to certain 2G and certain 3G covered products through the end of 2001. The MFL provision in this agreement provides that Nokia s royalty obligations will be defined by the relevant licensing terms applicable to other designated leading manufacturers of wireless telecommunications equipment. It is our position that Ericsson and Sony Ericsson constitute such leading manufacturers under Nokia s agreement. Since the Ericsson and Sony Ericsson license agreements apply only to 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE/TDMA infrastructure and terminal unit products, one or more additional agreements with a designated leading manufacturer will be necessary, in the absence of agreement between us and Nokia, to fully define the full scope of Nokia s obligations (including 3G) under its patent license agreement. The starting point for calculating Nokia s royalty obligation will be January 1, 2002. In addition, in 2002, Samsung elected to apply its MFL provision to our patent license agreement with Nokia as regards Samsung s 2G and 2.5G GSM/GPRS/EDGE/TDMA products. Therefore, it is our position that, beginning in 2002, Samsung s royalty rate is determined in the same manner as Nokia s royalty rate is determined for 2G GSM/TDMA and 2.5G GSM/GPRS/EDGE/TDMA infrastructure and terminal unit products. Nokia and Samsung dispute our positions, and each have initiated arbitration to resolve the disputes. Nokia is seeking a determination that their obligation under our existing patent license agreement with Nokia is not defined by our license agreements with Ericsson and Sony Ericsson or has been discharged. Samsung is seeking a determination that Samsung s obligations under our existing patent license agreement with Samsung are not defined by our license agreements with Ericsson and Sony Ericsson or, in the alternative, to determine the amount of the appropriate royalty due. (See, Item 3. Legal Proceedings.)

Licensee Summary Chart

The following table presents a limited summary of the technology areas in which we have granted licenses to terminal unit and infrastructure manufacturers under our patents and technology as of March 1, 2004. A number of these licenses are subject to a variety of significant limitations including, for example, the patents and products covered by the license.

COMPANY	2G and 2.5G Standards								3G Standards	
	B-CDMA Technology and Patents	TIA/EIA 54/136	GSM/GPRS/EDGE	PHS (PAS)	PDC	TIA/EIA 95	DECT	TETRA	WCDMA	TD-SCDMA/cdma2000
Alcatel Espana										
American Telephone & Telegraph										
Denso Corporation										
Ericsson Inc. and Telefonaktiebolaget LM Ericsson										
High Tech Computer Corp.										
Hitachi Communication Technologies, Ltd.										
Hop-On Wireless, Inc.										
Hughes Network Systems										
Iwatsu America, Inc.										
Japan Radio Company										
Kokusai Electric Co., Ltd.										
Kyocera Corporation										
Matsushita Comm. Indus. Co., Ltd.										
Matsushita Electrical Co. Ltd.										
Mitsubishi Electric Corp.										
Nakayo Telecommunications, Inc.										
NEC Corporation										
Nokia Corporation										
OKI Electric Industry, Ltd.										
Pacific Comm. Sciences, Inc.										
Qualcomm, Inc.										
Research in Motion, Ltd.										
Robert Bosch GmbH										
Samsung Electronics Co. Ltd.										
Sanyo Electric Corporation										
Sharp Corporation										
Shintom Company										
Siemens AG										
Sony Ericsson Mobile Communications AB										
Toshiba Corporation										
UbiNetics Ltd.										

Competition

We are positioning our current and future technologies and products to the emerging 3G market as well as the 2.5G and WLAN markets. Our target is technology and products that will function across different air interface technologies (e.g., TDMA and CDMA), across different technology generations (e.g., GPRS and EDGE), and/or extend the life of current generations through enhanced features, functionality and/or performance. For example, we believe our Smart Antenna solutions can be applied to 2.5G, 3G and WLAN products.

However, the entire wireless communications market in which we compete is characterized by rapid technological change, frequent product introductions and evolving industry standards. Our future success will depend on (i) our making substantial resource investment in research and development, (ii) our ability to continue to develop, introduce and sell new products, technology and enhancements on a timely and consistent basis (See, -Risk Factors, Our Industry is Subject to Rapid Technological Change, Uncertainty, and Shifting Market Windows .), and (iii) our ability to keep pace with technological developments, satisfy varying customer requirements, price our products competitively and achieve market acceptance. The competition in the wireless telecommunications industry is intense. Our products and services face competition from existing companies developing product and technology offerings comparable to ours for the same standardized air interface (e.g., a number of companies offer FDD protocol stack solutions). We also face competition from the in-house development teams at semiconductor fabricators and telecommunication equipment suppliers. It is also possible that new competitors may enter the market.

We also face competitive issue when an air interface we develop a solution for becomes less preferable when compared to other air interface solutions. As an example, WLAN, which enables users to connect laptops and personal digital assistants to the Internet over a relatively short range, is already being marketed worldwide and is competitive with TDD for deployment in non-mobile, data-

only environments. If the initial deployment of FDD for data applications obtains significant market share, or if FDD high-speed downlink packet access gains market acceptance, the niche targeted for TDD could be reduced or eliminated. Similarly, cdma2000 which has not been a primary focus of our development efforts has been deployed in parts of Asia and the United States, and such deployment could cause cdma2000 to gain significant market share and reduce the opportunities for WCDMA, where we have devoted more effort. (See, -Risk Factors, Our Technologies May Not Be Adopted by the Market or Widely Deployed .)

In addition to the competitive pressures among different wireless standards, we face unique competitive pressures within each of the market segments that we participate in. While there are synergies in our targeted product portfolio, our different offerings, will each face a distinct competitive environment that consists of existing and new players, small and large.

Further, many current and potential competitors may have advantages over us, including (a) existing royalty-free cross-licenses to competing and emerging technologies; (b) longer operating histories and presence in key markets; (c) greater name recognition; (d) access to larger customer bases; and (e) greater financial, sales and marketing, manufacturing, distribution channels, technical and other resources. These competitors may have more established relationships and greater technical, marketing, sales and distribution capabilities and greater access to markets. These competitors also have established or may establish financial or strategic relationships among themselves or with our existing or potential customers, resellers or other third parties. These relationships may affect third parties decisions to purchase products or license technology from us. (See, -Risk Factors, We Face Substantial Competition From Companies With Greater Resources .)

We also face competition as regards the licensing of our patent portfolio. We believe that licenses under a number of our patents and patents arising from patent applications are required to manufacture and sell 2G and 3G products. However, numerous companies also claim that they hold essential 3G patents. To the extent that multiple parties all seek royalties on the same product, the manufacturers may have difficulty in meeting the financial requirements of each patent holder. In response, certain manufacturers have sought antitrust exemptions to act collectively, on a voluntary basis, and impose agreed aggregate 3G licensing fees or rates for essential patents among the collaborating parties. One such group desires to set up procedures to identify whether a submitted member patent is essential, to streamline the licensing of those which are deemed essential, and to limit the overall license fees paid for the collaborating members entire portfolio of essential patents. The groups, sometimes identified as patent platforms , are likely to be individually formed by collaborating holders of essential patents for each of the principal 3G standards. We (as well as a number of other major 3G essential patent holders) have not, at this time, elected to participate in any patent platforms, but are not precluded from electing to do so at any future time. Participation in this group could simplify the process of entering into licensing agreements but may also result in lower royalty rates to collaborating members for access to essential patents than might otherwise be obtainable outside the patent platform structure.

Employees

As of March 1, 2004, we employed 311 full-time individuals consisting of approximately 232 engineering and product development personnel, 12 patent administration and licensing personnel and 67 other personnel, as well as 9 part-time employees. None of our employees are represented by a collective bargaining unit.

Executive Officers

The executive officers of InterDigital are:

NAME	AGE	POSITION

Howard E. Goldberg	58	President and Chief Executive Officer
Charles Rip Tilden	50	Chief Operating Officer
Richard J. Fagan	47	Chief Financial Officer
William J. Merritt	45	General Patent Counsel and President of InterDigital Technology Corporation
Alain C. Briancon	44	Chief Technology Officer
Mark A. Lemmo	46	Senior Business Development Officer
Brian G. Kiernan	57	Chief Strategic Standards Officer
William C. Miller	49	Senior Programs and Engineering Officer
Lawrence F. Shay	45	General Counsel and Corporate Secretary

Howard E. Goldberg was promoted to Chief Executive Officer and appointed as a Director of the Company in November 2000. He was named President in January 2001. Mr. Goldberg had served as Interim President since September 1999. Prior to becoming Chief Executive Officer, Mr. Goldberg also held the position of Executive Vice President Strategic Alliances from October 1998 to September 1999. Mr. Goldberg also held the positions of Executive Vice President, General Counsel and Secretary from May 1995 to October 1998.

Charles Rip Tilden was promoted to the position of Chief Operating Officer in December 2001. Mr. Tilden also held the title of Executive Vice President of the Company from March 1998 to January 1, 2004. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Executive Vice President was deleted from Mr. Tilden s title. Prior to that, Mr. Tilden held the position of Senior Vice President from May 1997 and Vice President from November 1996 until May 1997. Before joining InterDigital, Mr. Tilden served as Vice President, Corporate Affairs at Alco Standard Corporation in Wayne, Pennsylvania, an office products and paper distribution company, since December 1994.

Richard J. Fagan joined InterDigital as a Senior Vice President and Chief Financial Officer in November 1998, and was promoted to Executive Vice President in September 1999. The title distinctions among Vice Presidents at the executive level, were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Executive Vice President was deleted from Mr. Fagan s title. Prior to joining InterDigital, Mr. Fagan served as Controller and Treasurer of Quaker Chemical Corporation, a Pennsylvania corporation, since 1994 and as Assistant Corporate Controller of that corporation from 1993 to 1994.

William J. Merritt was promoted to General Patent Counsel of the Company and President of ITC in July 2001. Mr. Merritt also held the position of Executive Vice President of the Company from September 1999 to January 2004. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Executive Vice President was deleted from Mr. Merritt s title. Prior to that, Mr. Merritt held the positions of Senior Vice President, General Counsel and Secretary since October 1998 and Vice President Legal and Assistant Secretary since January 1996.

Dr. Alain C. Briancon joined InterDigital as Executive Vice President and Chief Technology Officer in January 2001. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Executive Vice President was deleted from Mr. Briancon s title. From 1996 through December 2000, Dr. Briancon served as Vice President and General Manager of Motorola Inc., with the Advanced Services Applications Platform Division within the Semiconductor Product Sector from 1999 to December 2000, the Digital Experience within the Personal Communication Sector from 1998 to 1999, and the FLEX Information Networking Division Messaging Systems Product Group during 1998. Prior to that, he served as Vice President and Director of Motorola s FLEXArchitecture, Protocols and Standards Group from 1995 to 1997.

Mark A. Lemmo was named Executive Vice President, Product Management and Business Development in April 2000. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Mr. Lemmo s title was changed to Senior Business Development Officer. Prior to that, Mr. Lemmo held the position of Executive Vice President, Engineering and Product Operations since October 1996 and Vice President, Sales and Marketing since June 1994.

Brian G. Kiernan was promoted to Senior Vice President, Standards in July 1997. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Mr. Kiernan s title was changed to Chief Strategic Standards Officer. Prior to that, Mr. Kiernan held the position of Vice President, Marketing Support from January 1993.

William C. Miller joined InterDigital as Senior Vice President, Programs and Engineering in July 2000. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Mr. Miller s title was changed to Senior Programs and Engineering Officer. Before joining InterDigital, Mr. Miller served as Vice President, Programs with Telephonics Corporation, an aircraft and mass transit communications systems corporation located in Farmingdale, New York, since 1993.

Lawrence F. Shay joined InterDigital as Vice President, General Counsel and Corporate Secretary in November 2001. The title distinctions among Vice Presidents at the executive level were eliminated and the title nomenclature of all such individuals was revised effective January 1, 2004 without a change to responsibilities. As a result, Vice President was deleted from Mr. Shay s title. Before joining InterDigital, Mr. Shay served as General Counsel and Corporate Secretary with U.S. Interactive, Inc., a multi-national publicly held Internet professional services corporation, from June 1999 to June 2001, Executive Vice President from September 2000 until June 2001, and Senior Vice President from June 1999 until September 2000. U.S. Interactive, Inc. filed a Chapter 11 bankruptcy petition in January 2001 and a reorganization plan was confirmed in September 2001. Prior to June 1999, Mr. Shay was a partner in the corporate group of Dilworth Paxson LLP, a major Philadelphia law firm, where he practiced law from 1985 until 1999.

InterDigital s executive officers are elected to the offices set forth above to hold office until their successors are duly elected and have qualified. All of such persons are parties to agreements that provides for severance pay and continuation of designated benefits. Mr. Goldberg s agreement generally provides for the payment of severance of up to a maximum of eighteen months salary

and up to a maximum of eighteen months continuation of medical and dental benefits. The other executives agreements generally provide for the payment of severance up to a maximum of one year s salary and up to a maximum of one year s continuation of medical and dental benefits. In addition, with respect to all of these agreements, in the event of a termination or resignation within one year following a change of control, which is defined as the acquisition (including by mergers or consolidations, or by the issuance by InterDigital of its securities) by one or more persons in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the outstanding stock of InterDigital, the executive would generally receive two years of salary and the immediate vesting of all restricted stock and stock options.

Risk Factors

This Annual Report, including Item 1. Business and Item 7. Management s Discussion and Analysis , contains forward-looking statements reflecting, among other things, the Company s beliefs and expectations as to:

(i) the deployment, pace, and growth of the 3G market and the wireless data services market, and analyst and industry expert forecasts as to the market for wireless products and services and growth of certain technologies; (ii) the ability of operators to deliver 3G services in volume, the success of underlying 3G technology functionality and affordability being offered by manufacturers, and the successful introduction and reception of new services designed to use enhanced data capabilities; (iii) our current strategic objectives to (a) develop and deliver advanced wireless technologies and deepen and broaden our portfolio of intellectual property to address the evolving demands of the wireless market, (b) implement our technologies into a diversified portfolio of products to serve a broad range of customers in the global cellular and WLAN markets, (c) continue to expand our patent licensing program to wireless equipment producers worldwide, (d) maximize customer and partner value by combining our intellectual property rights and technology products into coordinated offerings, (e) continue to have substantial involvement and make substantial contributions to worldwide standards bodies, (f) acquire intellectual property, technologies and products to enhance the value of our current intellectual property portfolio, and (g) create relationships with leading technology developers and equipment producers to accelerate our time to market and extend our reach into new markets; (iv) our belief that a number of our inventions are essential to the 2G, 2.5G and 3G standards, and many will be commercially important to actual 2G, 2.5G, 3G, WLAN and smart antenna product offerings; (v) our plans to (a) continue field trials, testing and implementation support of the Company s and Infineon s FDD protocol stack product offering to Huawei, (b) expand our HSDPA solution into a product offering to semiconductor manufacturers and equipment producers, (c) devote modest Company resources to the stabilization of our TDD technology developed for Nokia, (d) establish cooperative field trials of our cellular smart antenna solution with mobile device manufacturers, (e) seek potential customers for our WLAN smart antenna technology among semiconductor manufacturers and equipment producers, (f) potentially extend the application of our SmartRRM^{SM} solution into WLAN and cellular systems technologies, and (g) partner with leading universities and research centers to leverage new architectures and technologies for wireless systems into advancements in material sciences and advanced software applications; (vi) our future revenues, cash flow, short-term investment position, operating expenses, and capital expenditures, and the sources and timing thereof, and our near term operating requirements and lack of need to seek additional financing; (vii) our ability to monetize our investment in technology development primarily through patent licensing or sale of all or a portion of our technologies; (viii) our ability to enter into new customer, partner and licensing relationships, secure patent protection for our inventions, and develop, introduce and sell new products, technology and enhancements on a timely and consistent basis; (ix) our beliefs as to the royalty obligations of Nokia and Samsung under their respective patent license agreements with us and the timing of the respective arbitration proceedings; and (x) our ability to collect royalties under existing license agreements and settlement agreements and derive revenues from our patents. Words such as expect , will , believe , could , would , may , anticipate , our strategy , future , target , trend , se outcome , predict , due to receive , likely , in the event or similar expressions contained herein are intended to identify such forward-looking statements.

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

Our Technologies May Not Be Adopted By the Market or Widely Deployed.

We invest significant engineering resources in the development of advanced wireless technology and related products. These investments may not be recoverable or not result in meaningful revenue. To increase future revenues and our share of the 3G market, we are dependent upon the wide deployment of products based on the technologies in which we invest. Competing digital wireless technologies could reduce the opportunities for deployment of these technologies. For example, if the technologies in which we invest are not adopted in the mainstream markets or in time periods we expect or we are unable to secure partner support for our technologies, our business, financial condition and operating results could be adversely affected. Our ability to capitalize on our investments in TDD and smart antenna solutions, for example, depends upon market interest in such technologies. WLAN, which enables users to connect laptops and personal digital assistants to the Internet, is already being marketed worldwide and is competitive

with TDD in a non-mobile, data-only environment. In addition, if the initial deployment of FDD for data applications obtains significant market share, or if FDD HSDPA gains market acceptance, the niche targeted for TDD could be reduced or eliminated. All of these competing technologies also could impair multi-vendor and operator support for TDD, key factors in defining opportunities in the wireless market.

Our Technology and Product Development Activities May Experience Delays.

We may experience technical, financial or other difficulties or delays related to the further development of our technologies and products. Delays may have adverse financial effects and may allow competitors with comparable technology and/or product offerings to gain a commercial advantage over us. There can be no assurance that our development efforts will ultimately be successful. Further, if such development efforts are not successful or delays are serious, strategic relationships could suffer and strategic partners could be hampered in their marketing efforts of products containing our technologies. As a result we could experience reduced revenues or we could miss critical market windows. Moreover, our technologies have not been fully tested in commercial use. It is possible that they may not perform as expected. In such case, our business, financial condition and operating results could be adversely affected and our ability to secure new customers and other business opportunities could be diminished.

The Markets for Our Technologies and Our Products May Fail to Materialize in the Manner We Expect.

We are positioning our current development projects for the evolving advanced wireless markets. Certain of the these markets, in particular the 3G market and the market for smart antenna solutions, may continue to develop at a slower rate or pace than we expect and may be of a smaller size than we expect. Additionally, the development projects that target only the emerging 3G market do not have direct bearing on the 2.5G or any other market which has developed or might develop after the 2G market but prior to the development of the 3G market. For example, the potential exists for 3G market preemption or reduction in scope by the success of current or future 2.5G solutions and of WLAN. In addition, there could be fewer applications for our technology and products than we expect. The development of the 3G and other advanced wireless markets also could be impacted by general economic conditions, customer buying patterns, timeliness of equipment development, pricing of 3G infrastructure and mobile devices, rate of growth in telecommunications services that would be delivered on 3G devices, and the availability of capital for, and the high cost of, radio frequency licenses and infrastructure improvements. Failure of the markets for our technologies and our products to materialize to the extent or at the rate we expect could reduce our opportunities for sales and licensing and could materially adversely affect our longer-term business, financial condition and operating results.

Our Future Financial Condition and Operating Results Could Fluctuate.

Our financial condition and operating results have fluctuated significantly in the past and might fluctuate significantly in the future. Our financial condition and operating results could continue to fluctuate because (i) our markets are subject to increased competition from other products and technologies; (ii) it is difficult to predict the timing and amount of licensing revenue associated with past infringement and new licenses, or the timing, nature or amount of revenues associated with strategic partnerships; (iii) we may not be able to enter into additional or expanded strategic partnerships or license agreements, either at all or on acceptable terms; (iv) the strength of our patent portfolio could be weakened through patents being declared invalid, our claims being narrowed, changes to the standards, and adverse court decisions; (v) our revenues are currently dependent on sales by our licensees which is outside of our control and which could be negatively impacted by a variety of factors including global economic conditions, buying patterns of end users, competition for our licensees products, and any decline in the sale prices our licensees receive for their covered products. Our operating results also could be affected by general economic and other conditions that cause a downturn in the market for our products or technology. Because the base level of many of our expenses is relatively fixed, variations in revenue from a small number of customers could cause our operating results to vary from quarter to quarter. In addition, increased expenses which could result from factors such as increased litigation costs, actions designed to keep pace with technology and product market targets, and other strategic investments, could adversely impact near-term operating results. The foregoing factors are difficult to forecast and could adversely affect both our quarterly and annual operating results and financial condition.

Additionally, our 2G licensing revenue is expected to be impacted negatively over time by the decline of the 2G market coupled with the expiration of certain of our TDMA patents starting in 2006. Our revenue and cash flow also could be impacted by: (i) the deterioration of the financial condition of any licensee or the unwillingness of any licensee to satisfy all of their royalty obligations on the terms we expect; and (ii) the failure of 2G and 2.5G sales to meet market forecasts due to global economic conditions, political instability, competitive technologies, or otherwise.

Global Economic Weakness That Impacts the Wireless Communications Industry Could Negatively Affect Our Development and Licensing Efforts.

Recent economic weakness has had wide-ranging effects on markets that we serve, particularly equipment manufacturers, semiconductor companies, and network operators. Such businesses might be reluctant in the near future to increase spending on technology and product development. To the extent this trend continues, our development and licensing efforts may be negatively impacted.

The Number of Licensors and Lower Royalty Rates Could Adversely Impact Our Future Revenue and Cash Flow.

A number of companies have made claims as to the essential nature of their patents for products for the 3G market. Additionally, licensees, individually and collectively, are increasingly demanding that the royalty rates for 3G patents be lower than historic royalty rates, and in some cases, that the aggregate royalty rates for their 3G products be capped at a maximum amount. Both the increasing number of potential licensors of 3G technology and any downward pressure on royalty rates for such technology could cause a decrease in the royalty rates we receive for use of the inventions covered by our patents, causing future revenue and cash flow to be lower than we anticipate.

We Face Substantial Competition From Companies with Greater Resources.

Competition in the wireless telecommunications industry is intense. We face competition from companies developing other technologies including existing companies with in-house development teams and new competitors to the market. (See, -Our Technologies May Not Be Adopted By the Market or Widely Deployed.) Many current and potential competitors may have advantages over us, including: (a) existing royalty-free cross-licenses to competing and emerging technologies; (b) longer operating histories and presence in key markets; (c) greater name recognition; (d) access to larger customer bases; and (e) greater financial, sales and marketing, manufacturing, distribution channels, technical and other resources. In particular, our more limited resources and capabilities may adversely impact our competitive position if the market trends toward the provision of an existing complete technology platform solution which larger equipment manufacturers have the ability to provide.

Our Industry is Subject to Rapid Technological Change, Uncertainty, and Shifting Market Windows.

Our market success depends, in part, on our ability to keep pace with changes in industry standards, technological developments, and varying customer requirements. Changes in industry standards could adversely affect the development of and demand for our technology, rendering products and technology currently under development obsolete and unmarketable. If we fail to anticipate or respond adequately to these shifts or we experience any significant technical, financial, or other delays in the development, introduction or commercial availability of our products and technology, we could miss a critical market window, reducing or eliminating our ability to capitalize on our technology, products, or both.

Our 2003 Revenues were Derived Primarily from Three Patent Licensees.

Revenues from patent license agreements with Sony Ericsson, NEC and Sharp accounted for approximately 83% of our recurring revenues in 2003. In the event any of these licensees fail to meet their payment obligations under their respective license agreements (with the exception of the NEC 2G Agreement for which all cash has been received), our future revenue and cash flow could be materially adversely impacted. Additionally, since two of these companies (accounting for approximately 54% of our 2003 recurring revenues) are based in Japan, the future level of revenue and cash flow from these two companies could be impacted by general economic conditions in Japan and would be impacted by each company s respective success in selling covered products in markets both inside and outside of Japan.

We Rely on Relationships with Third Parties to Develop and Deploy Products.

The successful execution of our strategic plan is partially dependent on the establishment and success of relationships with equipment producers and other industry participants. Our plan contemplates that these third parties will permit us to have access to product capability, markets, and additional libraries of technology. We currently have one semiconductor partner in our FDD technology development effort-Infineon. Delays or

failure to enter into additional partnering relationships to facilitate other technology development efforts could impair our ability to introduce into the market portions of our technology and resulting products or cause us to miss critical market windows.

Claims by Third Parties That We Infringe Their Intellectual Property Could Adversely Affect Our Business.

A number of third parties publicly have claimed that they own patents essential to various wireless standards. Certain of our products are designed to comply with such standards. If any of our products are found to infringe the intellectual property rights of a third party, we could be required to redesign such products, take a license from such third party, and/or pay damages to the third party. If we are not able to negotiate a license and/or if we cannot economically redesign such products, we could be prohibited from marketing such products. In such case, our prospects for realizing future revenue could be adversely affected. If we are required to obtain licenses and/or pay royalties to one or more patent holders, this could have an adverse effect on the commercial implementation of our wireless products.

Our Revenue and Cash Flow Depend Upon the Success of Our Licensing Program.

Over the next several years, our strategic plan depends upon our ability to continue to generate patent licensing revenue and cash flow related to the sale by third parties of wireless devices and infrastructure compliant with the 2G, 2.5G, and 3G digital cellular standards in use today, among them GSM, GPRS, EDGE, TIA/EIA-54/136, PDC, PHS, WCDMA, and cdma2000. Our ability to collect such revenue and cash flow is subject to a number of risks:

Impact of Nokia and Samsung Arbitrations

First, we believe that the license agreements with Ericsson and Sony Ericsson establish the financial terms necessary to define the royalty obligations of Nokia and Samsung on 2G GSM/TDMA and 2.5G GSM/GPRS/TDMA products under their existing patent licensing agreements with ITC. However, Nokia and Samsung each dispute the applicability of the Ericsson and Sony Ericsson agreements, and these disputes are in arbitration. (See, -Business Activities, Patent and Technology Licensing, Legal Proceedings. Contractual Arbitration Proceedings.) These disputes have delayed our receipt of the payments that we believe are due from each of Nokia and Samsung. In addition, the resolution of these disputes could (a) reduce or eliminate amounts that we believe Nokia and/or Samsung owe and/or are required to pay in the future, and (b) impact negotiating leverage in patent licensing activities.

Challenges to and Expirations of Existing License Agreements

Revenue and cash flow from existing and potential licensees may also be impacted by challenges to our interpretation of provisions of license agreements. Such challenges could result in rejection or modification of license agreements and the termination, reduction, and suspension of payments. Also, the Sony Ericsson Agreement covering the sale of 2G/2.5G products which accounted for 29% of our revenues in 2003 expires at the end of 2006 and the PHS/PDC license agreement with Sharp which accounted for 17% of our revenues in 2003 expires in 2008. In the case of the Sony Ericsson Agreement, the expiration will terminate payments relating to that license agreement, and in the case of the Sharp PHS/PDC license agreement the expiration would terminate the payments relating to that license agreement unless the expiration date for that agreement is extended.

Ability to Enter into New License Agreements

We face challenges in entering into new patent license agreements. During discussions with unlicensed companies significant negotiation issues arise from time to time. For example, manufacturers of 2G products can be reluctant to enter into a license agreement because such companies might be required to make a significant lump sum payment for unlicensed past sales. Also, many of the inventions we believe will be employed in 3G products are the subject of our patent applications where no patent has been issued yet by the relevant patent reviewing authorities and certain prospective licensees are unwilling to license patent rights prior to a patent s issuance. Additionally, in the ordinary course of negotiations, in response to our demand that they enter into a license agreement, manufacturers raise different defenses and arguments including defenses and arguments (i) as to the essential nature of our patents, (ii) that their products do not infringe our patents, (iii) that they are indemnified or otherwise protected by third parties against infringement claims, and (iv) relating to the impact on them of litigation in which we are involved. We can not be assured that all prospective licensees will be persuaded during negotiations to enter into a patent license.

Defending and Enforcing Patent Rights

Major telecommunications equipment manufacturers have challenged, and we expect will continue to challenge, the validity of our patents. In some instances, certain of our patent claims have been declared invalid or substantially narrowed. We cannot assure that the validity of these patents will be maintained or that any of the key patents will be determined to be applicable to any 2G or 3G product. Any significant adverse finding as to the validity or scope of our key patents could result in the loss of patent licensing revenue from existing licensees and could substantially impair our ability to secure new patent licensing arrangements.

In addition, the cost of defending our intellectual property has been and may continue to be significant. Litigation may be required to enforce our intellectual property rights, protect our trade secrets, enforce confidentiality agreements, or determine the validity and scope of proprietary rights

of others. In addition, third parties could commence litigation against us seeking to invalidate our patents and/or have determined that our patents are unenforceable. As a result of any such litigation, we could lose our proprietary rights and/or incur substantial unexpected operating costs. Any action we take to protect our intellectual property rights could be costly and could absorb significant management time and attention that, in turn, could negatively impact our results of operations. Moreover, third parties could circumvent our patents not considered essential to the standards through design changes. Any of these events could adversely affect our prospects for realizing future revenue.

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

Certain of our licenses contain provisions that could cause the licensee s obligation to pay royalties to be reduced or suspended for an indefinite period, with or without the accrual of the royalty obligation. For example, some of the existing license agreements may be renegotiated or restructured based on MFL or other provisions contained in the applicable license agreement. The assertion or validity of such provisions could interfere with our ability to generate recurring licensing revenue under the existing agreements or the timing of such revenue.

We Face Risks From Doing Business in Global Markets.

A significant portion of our business opportunities exists in a number of international markets. Accordingly, we could be subject to the effects of a variety of uncontrollable and changing factors, including: difficulty in protecting our intellectual property and enforcing contractual commitments in foreign jurisdictions; government regulations, tariffs and other applicable trade barriers;

currency control regulations; political instability; natural disasters, acts of terrorism and war; potentially adverse tax consequences; and general delays in remittance and difficulties of collecting non-U.S. payments. In addition, we also are subject to risks specific to the individual countries in which our customers, our licensees and we do business.

Consolidations in the Wireless Communications Industry Could Adversely Affect Our Business.

The wireless communications industry has experienced consolidation of participants and this trend may continue. Any concentration within the wireless industry might reduce the number of licensing opportunities and, in some instances, result in the loss or elimination of existing royalty obligations. Further, if wireless carriers consolidate with companies that utilize technologies competitive with our technologies, we could lose market opportunities.

We Depend on Sufficient Engineering and Licensing Resources.

Competition exists for qualified individuals with expertise in licensing and with significant engineering experience in emerging technologies, like WCDMA and smart antenna solutions. Our ability to attract and retain qualified personnel could be affected by any adverse decisions in any litigation or arbitration and by our ability to offer competitive cash and equity compensation and work environment conditions. The failure to attract and retain such persons with relevant and appropriate experience could interfere with our ability to enter into new license agreements and undertake additional technology and product development efforts, as well as our ability to meet our strategic objectives.

Market Predictions are Forward-Looking in Nature.

Our strategy is based on our own predictions and on analyst, industry observer and expert predictions, which are forward-looking in nature and are inherently subject to risks and uncertainties. The validity of their and our assumptions, the timing and scope of the 3G market, economic conditions, customer buying patterns, timeliness of equipment development, pricing of 3G products, growth in wireless telecommunications services that would be delivered on 3G devices, and availability of capital for infrastructure improvements could affect these predictions. If any of these predictions are wrong, our operating results and financial condition could be adversely affected.

If Wireless Handsets Pose Health and Safety Risks, Demand for Products of Our Licensees and Customers Could Decrease.

Media reports and certain studies have suggested that radio frequency emissions from wireless handsets may be linked to health concerns, such as brain tumors, other malignancies and genetic damage to blood, and may interfere with electronic medical devices, like pacemakers, telemetry and delicate medical equipment. If concerns over radio frequency emissions grow, this could discourage the use of wireless handsets, and cause a decrease in demand for the products of our licensees and customers. Concerns over safety risks posed by the use of wireless handsets while driving and the effect of any resulting legislation could reduce demand for the products of our licensees and customers.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT OF SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Financial Statements.

(2) Financial Statement Schedules.

(3) The Index to Financial Statements and Schedules and the Financial Statements begin on page 1.

Exhibit Number	
*2.1	Asset Purchase Agreement dated as of July 30, 2003 by and between InterDigital Acquisition Corp. and Tantivy Communications, Inc. (Exhibit 2.1 to InterDigital s Current Report on Form 8-K dated August 4, 2003).
*3.1	Restated Articles of Incorporation (Exhibit 3.1 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).
*3.2	By-laws, as amended March 21, 2002 (Exhibit 3.2 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 2001 (the 2001 Form 10-K).
*4.1	Rights Agreement between InterDigital and American Stock Transfer & Trust Co., (AST) (Exhibit 4 to InterDigital s Current Report on Form 8-K filed on January 2, 1997).
*4.2	Amendment No. 1 to the Rights Agreement between InterDigital and AST (Exhibit 4.2 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (the June 1997 Form 10-Q)).
*4.3	Amendment No. 2 to the Rights Agreement between InterDigital and AST (Exhibit 4.3 to the June 1997 Form 10-Q).
*4.4	Amendment No. 3 to the Rights Agreement between InterDigital and AST (Exhibit 4.4 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 1999 (the 1999 Form 10-K)).
*10.1	Intellectual Property License Agreement between InterDigital and Hughes Network Systems, Inc. (Exhibit 10.39 to InterDigital s Registration Statement No. 33-28253 filed on April 18, 1989).
*10.2	1992 License Agreement dated February 29, 1992 between InterDigital and Hughes Network Systems, Inc. (Exhibit 10.3 to InterDigital s Current Report on Form 8-K dated February 29, 1992 (the February 1992 Form 8-K)).
*10.3	E-TDMA License Agreement dated February 29, 1992 between InterDigital and Hughes Network Systems, Inc. (Exhibit 10.4 to the February 1992 Form 8-K).
*10.4	Non-Qualified Stock Option Plan, as amended (Exhibit 10.4 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 1991).
*10.5	Amendment to Non-Qualified Stock Option Plan (Exhibit 10.31 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (the June 2000 Form 10-Q)).
*10.6	Amendment to Non-Qualified Stock Option Plan, effective October 24, 2001 (Exhibit 10.6 to the 2001 Form 10-K).

*10.7	1992 Non-Qualified Stock Option Plan (Exhibit 10.1 to InterDigital s Current Report on Form 8-K dated October 21, 1992).
*10.8	Amendment to 1992 Non-Qualified Stock Option Plan (Exhibit 10.32 to the June 2000 Form 10-Q).
*10.9	1992 Employee Stock Option Plan (Exhibit 10.71 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 1992).
*10.10	Amendment to 1992 Employee Stock Option Plan (Exhibit 10.29 to the June 2000 Form 10-Q).
*10.11	Amendment to 1992 Employee Stock Option Plan, effective October 24, 2001 (Exhibit 10.11 to the 2001 Form 10-K).
*10.12	1995 Stock Option Plan for Employees and Outside Directors, as amended (Exhibit 10.7 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 1997 (the 1997 Form 10-K)).
*10.13	Amendment to the 1995 Stock Option Plan for Employees and Outside Directors (Exhibit 10.25 to the 1999 Form 10-K).

*10.14	Amendment to 1995 Stock Option Plan for Employees and Outside Directors (Exhibit 10.33 to the June 2000 Form 10-Q).
*10.15	Amendment to 1995 Stock Option Plan for Employees and Outside Directors, effective October 24, 2001 (Exhibit 10.15 to the 2001 Form 10-K).
*10.16	1997 Stock Option Plan for Non-Employee Directors (Exhibit 10.34 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
*10.17	1997 Stock Option Plan for Non-Employee Directors, as amended March 30, 2000 (Exhibit 10.42 to the June 2000 Form 10-Q).
*10.18	Amendment to 1997 Stock Option Plan for Non-Employee Directors (Exhibit 10.34 to the June 2000 Form 10-Q).
*10.19	Amendment to 1997 Stock Option Plan for Non-Employee Directors, effective October 24, 2001 (Exhibit 10.19 to the 2001 Form 10-K).
*10.20	2000 Stock Award and Incentive Plan (Exhibit 10.28 to the June 2000 Form 10-Q).
*10.21	1999 Restricted Stock Plan, as amended April 13, 2000 (Exhibit 10.43 to the June 2000 Form 10-Q).
*10.22	Amended and Restated Employment Agreement dated as of November 20, 2000 by and between InterDigital Communications Corporation (InterDigital) and Howard E. Goldberg (Exhibit 10.12 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 2000 (the 2000 Form 10-K)).
*10.23	Employment Agreement dated November 18, 1996 by and between InterDigital and Charles R. Tilden (Exhibit 10.26 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 1996).
*10.24	Amendment dated as of April 6, 2000 by and between InterDigital and Charles R. Tilden (Exhibit 10.39 to the June 2000 Form 10-Q).
*10.25	Employment Agreement dated May 7, 1997 by and between InterDigital and Mark A. Lemmo (Exhibit 10.32 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
*10.26	Amendment dated as of April 6, 2000 by and between InterDigital and Mark A. Lemmo (Exhibit 10.37 to the June 2000 Form 10-Q).
*10.27	Employment Agreement dated September 3, 1998 by and between InterDigital and William J. Merritt (Exhibit 10.23 to InterDigital s Annual Report on Form 10-K for the year ended December 31, 1998 (the 1998 Form 10-K)).
*10.28	Amendment dated as of April 6, 2000 by and between InterDigital and William J. Merritt (Exhibit 10.38 to the June 2000 Form 10-Q).
*10.29	Employment Agreement dated November 16, 1998 by and between InterDigital and Richard J. Fagan (Exhibit 10.24 to the 1998 Form 10-K).
*10.30	Amendment dated as of April 6, 2000 by and between InterDigital and Richard J. Fagan (Exhibit 10.36 to the June 2000 Form 10-Q).
*10.31	Employment Agreement dated November 19, 1996 by and between InterDigital and Brian G. Kiernan (Exhibit 10.37 to the 2000 Form 10-K).
*10.32	Amendment dated as of April 6, 2000 by and between InterDigital and Brian G. Kiernan (Exhibit 10.38 to the 2000 Form 10-K).
*10.33	Employment Agreement dated July 24, 2000 by and between InterDigital and William C. Miller (Exhibit 10.39 to the 2000 Form 10-K).
*10.34	Agreement dated January 2, 2001 by and between InterDigital and Alain C. Briancon (Exhibit 10.41 to the 2000 Form 10-K).
*10.35	Employment Agreement dated as of November 12, 2001 by and between InterDigital and Lawrence F. Shay (Exhibit 10.38 to the 2001 Form 10-K).
*10.36	Employment Agreement dated as of December 3, 2001 by and between InterDigital and Guy M. Hicks (Exhibit 10.39 to the 2001 Form 10-K).
*10.37	Agreement of Lease dated November 25, 1996 by and between InterDigital and We re Associates Company (Exhibit 10.42 to the 2000 Form 10-K).
*10.38	Modification of Lease Agreement dated December 28, 2000 by and between InterDigital and We re Associates Company (Exhibit 10.43 to the 2000 Form 10-K).

*10.39	Indemnity Agreement dated as of March 19, 2003 by and between Company and Howard E. Goldberg (pursuant to Instruction 2 to Item 601 of Regulation S-K, the Indemnity Agreements, which are substantially identical in all material respects, except as to the parties thereto and the dates, between the Company and the following individuals, were not filed: Lisa A. Alexander, D. Ridgely Bolgiano, Alain C. Briancon, Harry G. Campagna, Steven T. Clontz, Joseph S. Colson, Jr., Patrick J. Donahue, Richard J. Fagan, Howard E. Goldberg, Guy M. Hicks, Gary D. Isaacs, John D. Kaewell, Brian G. Kiernan, Mark A. Lemmo, Linda S. Lutkefedder, William J. Merritt, William C. Miller, Rebecca B. Opher, Robert S. Roath, Jane S. Schultz, Lawrence F. Shay, and Charles R. Tilden) (Exhibit 10.47 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003).
*10.40	Patent License Agreement dated and effective January 1, 2003 between InterDigital Technology Corporation (ITC) and Ericsson Inc. and Telefonaktiebolaget LM Ericsson (Exhibit 10.48 to InterDigital s Amendment No. 1 to Quarterly Report on Form 10-Q/A dated July 2, 2003 (the July 2003 10-Q/A)).
*10.41	Patent License Agreement dated and effective January 1, 2003 between ITC and Sony Ericsson Mobile Communications AB (Exhibit 10.49 to the July 2003 10-Q/A).
*10.42	2002 Stock Award and Incentive Plan (Exhibit 10.50 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).
*10.43	Patent License Agreement dated May 8, 1995 between ITC and NEC Corporation (NEC) (Exhibit 10.51 to InterDigital s Current Report on Form 8-K dated February 21, 2003 (the 2003 Form 8-K)).
*10.44	Amendment to the Patent License Agreement of May 8, 1995 between ITC and NEC (Exhibit 10.52 to the 2003 Form 8-K).
*10.45	Narrowband CDMA and Third Generation Patent License Agreement dated January 15, 2002 between ITC and NEC (Exhibit 10.53 to the 2003 Form 8-K).
*10.46	Settlement Agreement dated January 15, 2002 between ITC and NEC (Exhibit 10.54 to the 2003 Form 8-K).
*10.47	The TDD Development Agreement between and among InterDigital, ITC and Nokia (Exhibit 10.55 to the 2003 Form 8-K).
*10.48	Amendment No. 1 to the TDD Development Agreement dated September 30, 2001 between and among InterDigital, ITC and Nokia (Exhibit 10.56 to the 2003 Form 8-K).
*10.49	PHS and PDC Subscriber Unit Patent License Agreement dated March 19, 1998 between ITC and Sharp (Exhibit 10.57 to the 2003 Form 8-K).
*10.50	Amendment No. 1 dated March 23, 2000 and Amendment No. 2 dated May 30, 2003 to PHS and PDC Subscriber Unit Patent License Agreement dated March 19, 1998 between ITC and Sharp Corporation (Exhibit 10.58 to InterDigital s Amendment No. 1 to Current Report on Form 8-K/A dated July 2, 2003).
*10.51	Indemnity Agreement dated as of May 5, 2003 by and between InterDigital and Richard J. Brezski (Exhibit 10.59 to InterDigital s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).
**10.52	Severance Agreement dated January 20, 2004 by and between InterDigital and Guy M. Hicks.
**10.53	InterDigital Communications Corporation 2002 Stock Award and Incentive Plan, as amended through June 4, 2003.
**21	Subsidiaries of InterDigital.
**23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley