InterDigital, Inc.
Form 10-Q
July 30, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from __________ to __________

Commission File Number 1-11152
INTERDIGITAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

PENNSYLVANIA	**23-1882087**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

781 Third Avenue, King of Prussia, PA 19406-1409
(Address of Principal Executive Offices and Zip Code)
(610) 878-7800
(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Common Stock, par value $0.01 per share	**43,125,495**
Title of Class	Outstanding at July 27, 2009

INTERDIGITAL, INC. AND SUBSIDIARIES
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InterDigital® is a registered trademark and SlimChip™ is a trademark of InterDigital, Inc. All other trademarks, service marks and/or trade names appearing in this Form 10-Q are the property of their respective holders.

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INTERDIGITAL, INC. AND SUBSIDIARIES
PART I FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(unaudited)

	JUNE 30, 2009	DECEMBER 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 119,862	$ 100,144
Short-term investments	96,778	41,516
Accounts receivable, less allowances of $2,000 and $3,000	244,510	33,892
Deferred tax assets	69,297	49,002
Prepaid and other current assets	13,068	16,467
Total current assets	543,515	241,021
PROPERTY AND EQUIPMENT, NET	10,749	20,974
PATENTS, NET	109,240	102,808
INTANGIBLE ASSETS, NET		22,731
DEFERRED TAX ASSETS	30,959	7,724
OTHER NON-CURRENT ASSETS	8,622	10,510
	159,570	164,747
TOTAL ASSETS	$ 703,085	$ 405,768
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 580	$ 1,608
Accounts payable	7,799	9,127
Accrued compensation and related expenses	7,758	33,038
Deferred revenue	177,296	78,646
Taxes payable	33,000	
Other accrued expenses	9,365	4,118
Total current liabilities	235,798	126,537
LONG-TERM DEBT	886	1,321
LONG-TERM DEFERRED REVENUE	356,394	181,056
OTHER LONG-TERM LIABILITIES	11,489	9,194

TOTAL LIABILITIES	604,567	318,108
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Preferred Stock, $0.10 par value, 14,399 shares authorized 0 shares issued and outstanding		
Common Stock, $0.01 par value, 100,000 shares authorized, 66,389 and 65,883 shares issued and 43,260 and 43,324 shares outstanding	664	659
Additional paid-in capital	479,165	471,468
Retained Earnings	177,274	159,515
Accumulated other comprehensive income	365	245
	657,468	631,887
Treasury stock, 23,129 and 22,559 shares of common held at cost	558,950	544,227
Total shareholders equity	98,518	87,660
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 703,085	$ 405,768

The accompanying notes are an integral part of these statements.

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

(unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2009	**2008**	**2009**	**2008**
REVENUES	$ 74,928	$ 58,706	$ 145,489	$ 114,733
OPERATING EXPENSES:				
Selling, general and administrative	5,987	7,202	14,241	14,692
Patent administration and licensing	15,580	21,442	27,717	37,525
Development	13,226	22,223	40,096	44,966
Repositioning	(93)		36,970	
Arbitration and litigation contingencies				(1,200)
	34,700	50,867	119,024	95,983
Income from operations	40,228	7,839	26,465	18,750
OTHER INCOME:				
Interest and investment income, net	625	1,231	1,454	1,669
Income before income taxes	40,853	9,070	27,919	20,419
INCOME TAX PROVISION	(14,408)	(3,218)	(10,160)	(7,250)
NET INCOME	$ 26,445	$ 5,852	$ 17,759	$ 13,169
NET INCOME PER COMMON SHARE BASIC	$ 0.60	$ 0.13	$ 0.40	$ 0.28
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC	43,479	45,358	43,490	45,892
NET INCOME PER COMMON SHARE DILUTED	$ 0.59	$ 0.13	$ 0.39	$ 0.28
	44,313	46,264	44,387	46,733

WEIGHTED AVERAGE NUMBER OF
COMMON SHARES OUTSTANDING
DILUTED

The accompanying notes are an integral part of these statements.

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

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2009	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 17,759	$ 13,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,874	13,698
Deferred revenue recognized	(111,026)	(58,625)
Increase in deferred revenue	385,014	82,464
Deferred income taxes	(43,530)	
Share-based compensation	5,225	2,885
Non-cash repositioning charges	30,568	
Impairment of long-term investment		745
Other	(181)	(248)
(Increase) decrease in assets:		
Receivables	(210,618)	95,165
Deferred charges	3,095	117
Other current assets	1,028	7,643
(Decrease) increase in liabilities:		
Accounts payable	(764)	(22,590)
Accrued compensation	(24,401)	(1,968)
Accrued taxes payable	33,000	(15,675)
Other accrued expenses	5,247	723
Net cash provided by operating activities	103,290	117,503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(106,199)	(102,049)
Sales of short-term investments	50,991	81,452
Purchases of property and equipment	(1,872)	(3,063)
Capitalized patent costs	(13,806)	(15,608)
Capitalized technology license costs	(1,115)	(1,220)
Long-term investments		(651)
Net cash used by investing activities	(72,001)	(41,139)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	3,241	956
Payments on long-term debt, including capital lease obligations	(1,463)	(1,179)
Repurchase of Common stock	(14,001)	(36,580)

Tax benefit from share-based compensation	652	498
Net cash used by financing activities	(11,571)	(36,305)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,718	40,059
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	100,144	92,018
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 119,862	$ 132,077

The accompanying notes are an integral part of these statements.

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INTERDIGITAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(unaudited)

1. BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited, condensed, consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position of InterDigital, Inc. (collectively with its subsidiaries referred to as InterDigital, the Company, we, us or as of June 30, 2009, and the results of our operations for the three and six months ended June 30, 2009 and 2008 and our cash flows for the six months ended June 30, 2009 and 2008. The accompanying unaudited, condensed, consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all of the detailed schedules, information and notes necessary to state fairly the financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company s latest Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (2008 Form 10-K) as filed with the Securities and Exchange Commission (SEC) on March 2, 2009. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. We have one reportable segment.

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

For the quarterly period ended June 30, 2009, the Company has considered subsequent events through July 30, 2009, which is the date its Condensed Consolidated Financial Statements were filed with the Securities and Exchange Commission on Form 10-Q.

Reclassifications

Due to our March 30, 2009 repositioning, we reclassified our income statement presentation in order to align our operating expense classifications with our ongoing activities. We eliminated the *General and administrative* and *Sales and marketing* classifications within *Operating Expenses* and created the *Selling, general and administrative* classification. All costs previously reported under *General and administrative* have been reclassified to *Selling, general and administrative,* while *Sales and marketing* costs have been reclassified between *Selling, general and administrative* and *Patent administration and licensing*. Additionally, we have reclassified portions of our *Development* costs to *Patent administration and licensing*. The table below displays the as previously reported and as reclassified operating expenses.

	Full Year 2007	Three Months Ended March 31, 2008	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008	Three Months Ended December 31, 2008	Full Year 2008	Three Months Ended March 31, 2009
As previously reported:									
Sales and marketing	$ 7,828	$ 2,388	$ 2,049	$ 4,437	$ 1,855	$ 6,292	$ 2,869	$ 9,161	$ 2,310
	24,210	5,675	5,705	11,380	5,498	16,878	9,698	26,576	6,553

General and administrative									
Patent administration and licensing	67,587	15,051	20,436	35,487	13,310	48,797	10,088	58,885	10,844
Development	87,141	23,202	22,677	45,879	24,088	69,967	31,287	101,254	27,554
Arbitration and litigation contingencies	24,412	(1,200)		(1,200)	(2,740)	(3,940)		(3,940)	
Repositioning									37,063
Total operating expense	$ 211,178	$ 45,116	$ 50,867	$ 95,983	$ 42,011	$ 137,994	$ 53,942	$ 191,936	$ 84,324
As reclassified:									
Selling, general and administrative	$ 30,052	$ 7,490	$ 7,202	$ 14,692	$ 6,878	$ 21,570	$ 11,882	$ 33,452	$ 8,254
Patent administration and licensing	71,475	16,083	21,442	37,525	14,329	51,854	11,638	63,492	12,137
Development	85,239	22,743	22,223	44,966	23,544	68,510	30,422	98,932	26,870
Arbitration and litigation contingencies	24,412	(1,200)		(1,200)	(2,740)	(3,940)		(3,940)	
Repositioning									37,063
Total operating expense	$ 211,178	$ 45,116	$ 50,867	$ 95,983	$ 42,011	$ 137,994	$ 53,942	$ 191,936	$ 84,324

There have been no material changes in our existing accounting policies from the disclosures included in our 2008 Form 10-K, except as discussed below.

New Accounting Pronouncements

SFAS No. 141-R

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141-R, *Business Combinations* (SFAS No. 141-R), which revised SFAS No. 141, *Business Combinations.* SFAS No. 141-R is effective for us beginning January 1, 2009. Under SFAS No. 141, organizations utilized the announcement date as the measurement date for the purchase price of the acquired entity. SFAS No. 141-R requires measurement at the date the acquirer obtains control of the acquiree, generally referred to as the acquisition date. SFAS No. 141-R will have a significant impact on the accounting for transaction costs and restructuring costs, as well as the initial recognition of contingent assets and liabilities assumed during a business combination. Under SFAS No. 141-R, adjustments to the acquired entity s deferred tax assets and uncertain tax position balances occurring outside the measurement period are recorded as a component of the income tax expense, rather than goodwill. We adopted this statement on January 1, 2009. SFAS No. 141-R s impact on accounting for business combinations is dependent upon acquisitions, if any, made on or after that time.

FSP No. EITF 03-6-1

In June 2008, the FASB issued Staff Position (FSP) No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (FSP EITF 03-6-1), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in earnings allocation in computing earnings per share under the two-class method as described in SFAS No. 128, *Earnings Per Share.* Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two class method. We adopted

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FSP EITF 03-6-1 on January 1, 2009 and, in accordance with the FSP, have retrospectively adjusted prior-period earnings per share data. The table below displays the as previously reported and adjusted basic and diluted earnings per share for all prior periods affected by this new pronouncement.

	Full Year 2007	Three Months Ended March 31, 2008	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008	Full Year 2008
As previously reported:							
Net Income per share basic	$0.42	$ 0.16	$ 0.13	$ 0.29	$ 0.21	$ 0.49	$0.58
Net Income per share diluted	$0.40	$ 0.15	$ 0.13	$ 0.28	$ 0.20	$ 0.48	$0.57
Adjusted:							
Net Income per share basic	$0.41	$ 0.16	$ 0.13	$ 0.28	$ 0.20	$ 0.49	$0.58
Net Income per share diluted	$0.40	$ 0.15	$ 0.13	$ 0.28	$ 0.20	$ 0.48	$0.57

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. For financial assets and liabilities, SFAS No. 157 was effective for us beginning January 1, 2008. In February 2008, the FASB issued FASB Staff Position FSP No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 and FSP No. FAS 157-2, Effective Date of FASB Statement No. 157.* FSP 157-1 amends SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 delayed the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) and was adopted by the Company beginning first quarter 2009. In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active,* to clarify the application of SFAS 157 in inactive markets for financial assets. FSP 157-3 became effective upon issuance and SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4), to provide additional guidance and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. FSP 157-4 became effective for interim and annual periods ending after June 15, 2009. The adoption of SFAS No. 157 for both financial and non-financial assets and liabilities did not have a material effect on the Company s financial condition or results of operations.

FSP 107-1

In April 2009, the FASB issued FSP No. FAS 107-1 and Accounting Principles Board (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1), which requires disclosure about fair value of financial instruments in interim and annual financial statements. We adopted FSP 107-1 in second quarter 2009, and the adoption had no financial impact on the Company s Condensed Consolidated Financial Statements.

FSP 115-2

In April 2009, the FASB issued FSP FAS No. 115-2 and FAS No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP 115-2), which provides operational guidance for determining other-than-temporary impairments for debt securities. We adopted FSP 115-2 in second quarter 2009, and the adoption did not have a material effect on the Company s Condensed Consolidated Financial Statements.

SFAS No. 165

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 establishes standards for accounting for and disclosing subsequent events (events which occur after the balance sheet date but before financial statements are issued or are available to be issued). SFAS No. 165 requires an entity to disclose the date subsequent events were evaluated and whether that evaluation took place on the date financial statements were issued or were available to be issued. This standard is effective for interim and annual periods ending after June 15, 2009. The adoption of SFAS No. 165 did not have a material impact on the Company s financial condition or results of operations.

SFAS No. 168

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 168). SFAS No. 168 replaces FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes the FASB Accounting Standards Codification ™ (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. SFAS No. 168 is effective for interim and annual periods ending after September 15, 2009. We will begin to use the new Codification when referring to GAAP in our quarterly filing on Form 10-Q for the period ending September 30, 2009. This will not have an impact on the consolidated results of the Company.

2. <u>REPOSITIONING:</u>

On March 30, 2009, we announced a repositioning plan that includes the expansion of the technology development and licensing business, the cessation of further product development of the SlimChip modem technology, and efforts to monetize the SlimChip technology investment through IP licensing and technology sales. In connection with the repositioning, the Company incurred a charge of $37.0 million during first half 2009. Of this amount, approximately $30.6 million represents non-cash asset impairments that relate to assets used in the product and product development, including $21.2 million of acquired intangible assets and $9.4 million of property, equipment and other assets. During second quarter 2009, the repositioning charge was reduced by $0.1 million primarily due to a change in estimate for contract termination costs.

In addition, the repositioning resulted in a reduction in force of approximately 100 employees across the Company s three locations, the majority of which were terminated effective April 3, 2009. Approximately $6.4 million of the repositioning charge represents cash obligations associated with severance and contract termination costs. Substantially all of the severance and related costs are scheduled to be paid within twelve months of the balance sheet date.

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We currently estimate that we will incur additional repositioning costs of approximately $1.0 million to $2.0 million in second half 2009, but the timing and amount of the additional charge will be dependent upon our process to wind down activities related to our SlimChip product development.

The following table provides information related to our first half 2009 repositioning charge and the related accrued liability for repositioning costs, which is included on our balance sheet within Other accrued expenses (in thousands):

	Asset Impairments	Severance and Related Costs	Contract Termination Costs	Total
Expected repositioning charge	**$ 30,568**	**$ 4,840**	**$ 3,538**	**$ 38,946**
Repositioning Charge Recognized				
Repositioning charge recognized during first quarter 2009	$ 30,568	$ 3,863	$ 2,632	$ 37,063
Adjustments recognized during second quarter 2009			(93)	(93)
Repositioning charge recognized during first half 2009	**$ 30,568**	**$ 3,863**	**$ 2,539**	**$ 36,970**
Accrued Liability for Repositioning Costs:				
Amounts accrued during first quarter 2009	$	$ 3,863	$ 2,632	$ 6,495
Payments		(68)	(601)	(669)
March 31, 2009		**3,795**	**2,031**	**5,826**
Payments		(2,560)	(1,235)	(3,795)
Adjustments			(93)	(93)
June 30, 2009	**$**	**$ 1,235**	**$ 703**	**$ 1,938**

3. INCOME TAXES:

In first half 2009, our effective tax rate was approximately 36.4% based on the statutory federal tax rate net of discrete state and foreign taxes. During first half 2008, our effective tax rate was 35.5% based on the statutory federal tax rate net of permanent differences.

During first half 2009 and 2008, we paid approximately $16.5 million and $15.9 million, respectively, of foreign withholding tax. We established a corresponding deferred tax asset related to foreign tax credits that we expect to utilize to offset future U.S. federal income taxes.

Our future book tax expense may also be affected by charges associated with any share-based tax shortfalls that may occur under SFAS No. 123(R), *Share-Based Payment*. However, we cannot predict if, when or to what extent this will affect our future tax expense. If, in the course of future tax planning, we identify tax saving opportunities that entail amending prior year returns in order to avail ourselves fully of credits that we previously considered unavailable to us, we will recognize the benefit of the credits in the period in which they are both identified and quantified, thereby reducing the book tax expense in that period.

4. NET INCOME PER SHARE:

The following table sets forth a reconciliation of the shares used in the basic and diluted net income per share computations (in thousands, except per share data):

	For the Three Months Ended June 30,			
	2009		2008	
	Basic	Diluted	Basic	Diluted
Numerator:				
Net Income	$ 26,445	$ 26,445	$ 5,852	$ 5,852
Less: Income applicable to participating securities	(405)	(397)	(49)	(48)
Net Income applicable to common shareholders	$ 26,040	$ 26,048	$ 5,803	$ 5,804
Denominator:				
Weighted Average Shares Outstanding: Basic	43,479	43,479	45,358	45,358
Dilutive effect of stock options		834		906
Weighted Average Shares Outstanding: Diluted		44,313		46,264
Earnings Per Share:				
Net Income: Basic	$ 0.60	$ 0.60	$ 0.13	$ 0.13
Dilutive effect of stock options		(0.01)		
Net Income: Diluted		$ 0.59		$ 0.13

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	For the Six Months Ended June 30,			
	2009		2008	
	Basic	Diluted	Basic	Diluted
Numerator:				
Net Income	$ 17,759	$ 17,759	$ 13,169	$ 13,169
Less: Income applicable to participating securities	(281)	(275)	(118)	(116)
Net Income applicable to common shareholders	$ 17,478	$ 17,484	$ 13,051	$ 13,053
Denominator:				
Weighted Average Shares Outstanding: Basic	43,490	43,490	45,892	45,892
Dilutive effect of stock options		897		841
Weighted Average Shares Outstanding: Diluted		44,387		46,733
Earnings Per Share:				
Net Income: Basic	$ 0.40	$ 0.40	$ 0.28	$ 0.28
Dilutive effect of stock options		(0.01)		
Net Income: Diluted		$ 0.39		$ 0.28

For both the three and six months ended June 30, 2009, options to purchase approximately 0.5 million shares of common stock were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the weighted-average market price of our common stock during this period and, therefore, their effect would have been anti-dilutive.

For the three and six months ended June 30, 2008, options to purchase approximately 0.8 million shares and 0.9 million shares of common stock, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the weighted-average market price of our common stock during this period and, therefore, their effect would have been anti-dilutive.

5. LITIGATION AND LEGAL PROCEEDINGS:

Nokia Litigation

Nokia USITC Proceeding and Related Delaware District Court and Southern District of New York Proceedings

In August 2007, InterDigital filed a USITC Complaint against Nokia Corporation and Nokia, Inc. (collectively, Nokia) alleging that Nokia engaged in an unfair trade practice by selling for importation into the United States, importing into the United States, and selling after importation into the United States, certain 3G mobile handsets and components that infringe two of InterDigital s patents. In November and December 2007, a third patent and fourth patent, respectively, were added to our Complaint against Nokia. The Complaint seeks an exclusion order barring from entry into the United States infringing 3G mobile handsets and components that are imported by or on behalf of Nokia. Our Complaint also seeks a cease-and-desist order to bar further sales of infringing Nokia products that have already been imported into the United States.

In addition, on the same date as our filing of the USITC action referenced above, we also filed a Complaint in the Delaware District Court alleging that Nokia s 3G mobile handsets and components infringe the same two InterDigital patents identified in the original USITC Complaint. This Delaware action was stayed on January 10, 2008, pursuant to the mandatory, statutory stay of parallel district court proceedings at the request of a respondent in a USITC investigation. Thus, this Delaware action is stayed until the USITC s determination in this matter becomes final. The Delaware District Court permitted InterDigital to add to the stayed Delaware action the third and fourth patents InterDigital asserted against Nokia in the USITC action.

Nokia, joined by Samsung Electronics Co., Ltd. (Samsung), moved to consolidate the Nokia USITC proceeding with an investigation we had earlier initiated against Samsung in the USITC. On October 24, 2007, the Honorable Paul J. Luckern, the Administrative Law Judge overseeing the two USITC proceedings against Samsung and Nokia, respectively, issued an Order to consolidate the two pending investigations. Pursuant to the Order, the schedules for both investigations were revised to consolidate proceedings and set a unified evidentiary hearing on April 21-28, 2008, the filing of a single initial determination by Judge Luckern by July 11, 2008, and a target date for the consolidated investigations of November 12, 2008, by which date the USITC would issue its final determination (the Target Date).

On December 4, 2007, Nokia moved for an order terminating or, alternatively, staying the USITC investigation as to Nokia, on the ground that Nokia and InterDigital must first arbitrate a dispute as to whether Nokia is licensed under the patents asserted by InterDigital against Nokia in the USITC investigation. On January 8, 2008, Judge Luckern issued an order denying Nokia s motion and holding that Nokia has waived its arbitration defense by instituting and participating in the investigation and other legal proceedings. On February 13, 2008, Nokia filed an action in the U.S. District Court for the Southern District of New York (the Southern District Action), seeking to preliminarily enjoin InterDigital from proceeding with the USITC investigation with respect to Nokia, in spite of Judge Luckern s ruling denying Nokia s motion to terminate the USITC investigation. Nokia raised in this preliminary injunction action the same arguments it raised in its motion to terminate the USITC investigation, namely that InterDigital allegedly must first arbitrate its alleged license dispute with Nokia and that Nokia has not waived arbitration of this defense. In the Southern District Action, Nokia also sought to compel InterDigital to arbitrate its alleged license dispute with Nokia and, in the alternative, sought a determination by the District Court that Nokia is licensed under the patents asserted by InterDigital against Nokia in the USITC investigation. On March 7, 2008, InterDigital filed a motion to dismiss Nokia s claim in the alternative that Nokia is licensed under the patents asserted by InterDigital against Nokia in the USITC investigation.

On February 8, 2008, Nokia filed a motion for summary determination in the USITC that InterDigital cannot show that a domestic industry exists in the United States as required to obtain relief. Samsung joined this motion. InterDigital opposed this motion. On February 14, 2008, InterDigital filed a motion for summary determination that InterDigital satisfies the domestic industry requirement based on its licensing activities. On February 26, 2008, InterDigital filed a motion for summary determination that it has separately satisfied the so-called economic prong for establishing that a domestic industry exists based on InterDigital s chipset product that practices the asserted patents. Samsung and Nokia opposed these motions. On March 17, 2008, Samsung and Nokia filed a motion to strike any evidence concerning InterDigital s product and to preclude InterDigital from introducing any such evidence in relation to domestic industry at the evidentiary hearing. On March 26, 2008, the Administrative Law Judge granted InterDigital s motion for summary determination that it has satisfied the so-called economic prong for establishing that a domestic industry exists based on InterDigital s chipset product that practices the asserted patents and denied Samsung s motion to strike and preclude introduction of evidence concerning InterDigital s domestic industry product.

On March 17, 2008, Nokia and Samsung jointly moved for summary determination that U.S. Patent No. 6,693,579, which was asserted against both Samsung and Nokia, is invalid. InterDigital opposed this motion. On April 14, 2008, the Administrative Law Judge denied Nokia s and Samsung s joint motion for summary determination that the 579 patent is invalid.

On March 20, 2008, the U.S. District Court for the Southern District of New York, ruling from the bench, decided that Nokia is likely to prevail on the issue of whether Nokia s alleged entitlement to a license is arbitrable. The Court did not consider or rule on whether Nokia is entitled to such a license. As a result, the Court entered a preliminary injunction requiring InterDigital to participate in arbitration of the license issue and requiring InterDigital to cease participation in the USITC proceeding by April 11, 2008, but only with respect to Nokia. The Court further ordered Nokia to post a $500,000 bond by March 28, 2008, which Nokia did. InterDigital promptly filed a request for a stay of the preliminary injunction and for an expedited appeal with the U.S. Court of Appeals for the Federal Circuit, which transferred the appeal to the U.S. Court of Appeals for the Second Circuit. The preliminary injunction became effective on April 11, 2008, and, in accordance with the Court s order, InterDigital filed a motion with the Administrative Law Judge to stay the USITC proceeding against Nokia pending InterDigital s appeal of the District Court s decision or, if that appeal were unsuccessful, pending the Nokia TDD Arbitration (described below). On April 14, 2008, the Administrative Law Judge ordered that the date for the commencement of the evidentiary hearing, originally scheduled for April 21, 2008, be suspended until further notice from the Administrative Law Judge. The Administrative Law Judge did not at that point change the scheduled date of July 11, 2008 for his initial determination in the investigation or the scheduled Target Date of November 12, 2008 for a decision by the USITC. InterDigital s motion for a stay of the preliminary injunction and for an expedited appeal was considered by a panel of the Second Circuit on April 15, 2008. On April 16, 2008, the Second Circuit denied the motion for stay but set an expedited briefing schedule for resolving InterDigital s appeal on the merits of whether the District Court s order granting the preliminary injunction should be reversed.

On April 17, 2008, InterDigital filed a motion with the USITC to separate the consolidated investigations against Nokia and Samsung in order for the investigation to continue against Samsung pending the expedited appeal or, if the appeal is unsuccessful, pending the Nokia TDD Arbitration. Samsung and Nokia opposed InterDigital s motion. On May 16, 2008, the Administrative Law Judge deconsolidated the investigations against Samsung and Nokia and set an evidentiary hearing date in the investigation against Samsung (337-TA-601) to begin on July 8, 2008.

On May 20, 2008, the Administrative Law Judge denied without prejudice all pending motions in the consolidated investigation (337-TA-613).

On June 17, 2008, a panel of the U.S. Court of Appeals for the Second Circuit heard oral argument on InterDigital s appeal from the Order of the U.S. District Court for the Southern District of New York preliminarily enjoining InterDigital from proceeding against Nokia in the consolidated investigation. On July 31, 2008, the Second Circuit reversed the preliminary injunction, finding that Nokia s litigation conduct resulted in a waiver of any right to arbitrate its license dispute. InterDigital promptly notified the Administrative Law Judge in the Nokia investigation (337-TA-613) of the Second Circuit s decision. On August 14, 2008, Nokia filed a petition for rehearing and petition for rehearing en banc of the Second Circuit s decision, and on September 15, 2008, the Second Circuit denied Nokia s petitions. The mandate from the Second Circuit issued to the Southern District of New York on September 22, 2008. Notwithstanding the Second Circuit s decision, on October 17, 2008 Nokia filed a request for a status conference with the District Court to establish a procedural schedule for Nokia to pursue a permanent injunction requiring InterDigital to arbitrate Nokia s alleged license defense, and arguing that the Second Circuit s decision does not bar such an action. On October 23, 2008, InterDigital filed a response with the District Court asserting that the Second Circuit s waiver finding was dispositive, and seeking the dismissal of Nokia s complaint in its entirety. On March 5, 2009, the Court in the Southern District Action granted InterDigital s request and dismissed all of Nokia s claims in the Southern District Action, but delayed issuing a final judgment pending a request by InterDigital seeking to collect against the $500,000 preliminary injunction bond posted by Nokia. On April 3, 2009, InterDigital filed a motion to collect against the preliminary injunction bond, contending that InterDigital was damaged by at least $500,000 as a result of the wrongfully obtained preliminary injunction. Briefing on InterDigital s motion has been completed, but the Court has not yet ruled on this motion.

On September 24, 2008, InterDigital filed a motion to lift the stay of the Nokia investigation (337-TA-613) based on the issuance of the Second Circuit s mandate reversing the preliminary injunction granted to Nokia. The Administrative Law Judge granted InterDigital s motion on September 25, 2008 and lifted the stay. On October 7, 2008, the Administrative Law Judge issued an Order in the Nokia investigation setting the evidentiary hearing for May 26-29, 2009. On October 10, 2008, the Administrative Law Judge issued an Order resetting the Target Date for the USITC s Final Determination in the Nokia investigation to December 14, 2009, and requiring a final Initial Determination by the Administrative Law Judge to be entered no later than August 14, 2009.

On January 21, 2009, Nokia filed a motion to schedule a claim construction hearing in the USITC proceeding in early February 2009, and on January 29, 2009, InterDigital filed an opposition to the motion for a claim construction hearing. On February 9, 2009, the Administrative Law Judge denied Nokia s motion for a claim construction hearing.

On February 13, 2009, InterDigital filed a renewed motion for summary determination that InterDigital has satisfied the domestic industry requirement based on its licensing activities, and on February 27, 2009, Nokia filed an opposition to the motion. On March 10, 2009, the Administrative Law Judge granted InterDigital s motion, finding that InterDigital has established, through its licensing activities, that a domestic industry exists in the United States as required to obtain relief before the USITC. On April 9, 2009, the Commission issued a notice that it would not review the Administrative Law Judge s Order granting summary determination of a licensing-based domestic industry, thereby adopting the Administrative Law Judge s decision.

The evidentiary hearing for the USITC investigation with respect to Nokia was held from May 26, 2009 through June 2, 2009. Posthearing briefing for the USITC investigation with respect to Nokia has been completed. A final Initial Determination by the Administrative Law Judge is expected by August 14, 2009, and the Final Determination by the USITC is expected by December 14, 2009.

Nokia TDD Arbitration

On April 1, 2008, Nokia Corporation filed a Request for Arbitration with the International Chamber of Commerce against InterDigital, Inc. and its wholly owned subsidiaries InterDigital Communications, LLC, and InterDigital Technology Corporation, seeking a declaration that Nokia is licensed under the patents asserted by InterDigital against Nokia in the USITC investigation pursuant to the parties TDD Development Agreement.

On May 9, 2008, InterDigital filed an Answer to Nokia s Request for Arbitration, requesting, *inter alia*: (i) that the arbitration be dismissed because the dispute is not arbitrable and, even if arbitrable, Nokia waived its right to arbitration; and, in the alternative, (ii) a declaration that Nokia is not licensed to the patents at issue in the USITC investigation pursuant to the parties TDD Development Agreement.

On July 17, 2008, the arbitral tribunal was constituted.

On July 31, 2008, as discussed above, the United States Court of Appeals for the Second Circuit reversed the district court s grant of an order requiring InterDigital to submit the TDD issue to arbitration, finding that Nokia waived any right to arbitrate the issue. InterDigital believed that Nokia should not be permitted to continue to pursue this arbitration in light of the Second Circuit s finding of waiver and requested that the arbitration be dismissed. Nokia asserted that the Second Circuit s decision was not a final decision on the issue of waiver, and has contended that Nokia may submit the waiver issue to the arbitral tribunal or, as indicated above, to the District Court on remand. However, as discussed above (see Nokia USITC Proceeding and Related Delaware District Court and Southern District of New York Proceedings above), on March 5, 2009, the Court in the Southern District Action issued an order dismissing Nokia s complaint in its entirety, agreeing with InterDigital that the Second Circuit s decision on waiver was final. In light of the above, on June 4, 2009, Nokia informed the Tribunal that Nokia was withdrawing its Request for Arbitration. On June 25, 2009, the International Chamber of Commerce informed the parties that it was closing the file for this arbitration.

Other

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

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

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

6. REPURCHASE OF COMMON STOCK:

In October 2007, our Board of Directors authorized a $100.0 million share repurchase program (the 2007 Repurchase Program). In March 2009, our Board of Directors authorized another $100.0 million share repurchase program (the 2009 Repurchase Program). The Company may repurchase shares under the programs through open market purchases, pre-arranged trading plans or privately negotiated purchases. During 2008, we completed the 2007 Repurchase Program under which we repurchased a cumulative total of 4.8 million shares totaling $100.0 million, including 1.8 million shares we repurchased for $36.0 million in first half 2008. During first half 2009, we repurchased approximately 0.6 million shares for $14.7 million under the 2009 Repurchase Program. At June 30, 2009, we accrued approximately $0.7 million associated with our obligation to settle repurchases made late in second quarter 2009.

From July 1, 2009 through July 27, 2009, we repurchased an additional 0.1 million shares for $4.1 million, to bring the cumulative repurchase totals to 0.7 million shares at a cost of $18.8 million under the 2009 Repurchase Program.

7. COMPREHENSIVE INCOME:

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

	For the Three Months Ended June 30,	
	2009	**2008**
Net Income	$ 26,445	$ 5,852
Unrealized gain (loss) on investments	134	(226)
Total comprehensive income	$ 26,579	$ 5,626

	For the Six Months Ended June 30,	
	2009	**2008**
Net Income	$ 17,759	$ 13,169
Unrealized gain (loss) on investments	120	(13)
Total comprehensive income	$ 17,879	$ 13,156

8. INVESTMENTS IN OTHER ENTITIES:

We may make strategic investments in companies that have developed or are developing technologies that are complementary to our business. During 2007, we made a $5.0 million investment for a non-controlling interest in Kineto Wireless (Kineto). This investment is recorded on our balance sheet within Other Non-Current Assets. In first quarter 2008, we wrote-down this investment $0.7 million based on a lower valuation of Kineto by its investors. Early in second quarter 2008, we participated in a new round of financing that included several other investors, investing an additional $0.7 million in Kineto. This second investment both maintained our ownership position and preserved certain liquidation preferences. We do not have significant influence over Kineto and are accounting for this investment using the cost method of accounting. Under the cost method, we will not adjust our investment balance when the investee reports profit or loss but will monitor the investment for an other-than-temporary decline in value. When assessing whether an other-than-temporary decline in value has occurred, we will consider such factors as the valuation placed on the investee in subsequent rounds of financing, the performance of the investee relative to its own performance targets and business plan, and the investee s revenue and cost trends, liquidity and cash position, including its cash burn rate, and updated forecasts.

9. INSURANCE REIMBURSEMENT:

In first half 2008, we received payments from insurance providers of $6.9 million to reimburse us for portions of our defense costs in certain litigation with Nokia. This amount reduced our patent administration and licensing expense in 2008. We did not receive any such reimbursements during first half 2009.

10. CONCENTRATION OF CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

Concentration of Credit Risk and Fair Value of Financial Instruments

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

Our accounts receivable are derived principally from patent license agreements and technology solutions. At June 30, 2009, two customers represented 82% and 15% of our accounts receivable balance. At December 31, 2008, four customers represented 59%, 17%, 10% and 10% respectively, of our accounts receivable balance. We perform ongoing credit evaluations of our customers who generally include large, multi-national, wireless telecommunications equipment manufacturers. We believe that the carrying value of our financial instruments approximate their fair values.

SFAS No. 157 Fair Value Measurements

Effective January 1, 2008, we adopted the provisions of SFAS No. 157. *Fair Value Measurements* that relate to our financial assets and financial liabilities. SFAS No. 157 establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

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Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active

Level 3: Unobservable inputs that reflect the reporting entity s own assumptions

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. We use quoted market prices for similar assets to estimate the fair value of our Level 2 investments. Our financial assets that are accounted for at fair value on a recurring basis are presented in the table below (in thousands):

	Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Demand Accounts (a)	$ 23,025	$	$	$ 23,025
Money Market Accounts (a)	66,848			66,848
Commercial Paper (b)		43,382		43,382
U.S. government agencies (c)	64,492			64,492
Corporate Bonds		18,893		18,893
	$154,365	$62,275	$	$216,640

(a) Included within cash and cash equivalents.

(b) Includes $20.0 million of commercial paper that is included within cash and cash equivalents.

(c) Includes $10.0 million of government agency instruments that is included within cash and cash equivalents.

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

OVERVIEW

The following discussion should be read in conjunction with the unaudited, condensed consolidated financial statements and notes thereto contained elsewhere in this document, in addition to our 2008 Form 10-K as filed with the SEC on March 2, 2009, other reports filed with the SEC and the *Statement Pursuant to the Private Securities Litigation Reform Act of 1995 Forward-Looking Statements* below. Please refer to the *Glossary of Terms* in our 2008 Form 10-K for a list and detailed description of the various technical, industry and other defined terms that are used in this Quarterly Report on Form 10-Q.

Patent Licensing

Patent licensing royalties of $72.7 million in second quarter 2009 posted a 29 percent increase over $56.2 million in second quarter 2008, due to the addition of $25.7 million in fixed-fee amortized royalty revenue from a patent license agreement with Samsung signed in first quarter 2009, $2.3 million in royalties for past sales, partially offset by a $10.4 million decrease in per-unit royalty revenue related to industry-wide declines in handset sales for comparable first quarter sales. Despite this overall decline in per-unit royalties, certain licensees with concentrations in the smartphone market reported increased sales for the reporting period.

Repositioning

On March 30, 2009, we announced a repositioning plan that includes the expansion of the technology development and licensing business, the cessation of further product development of the SlimChip modem technology, and efforts to monetize the SlimChip technology investment through IP licensing and technology sales. In connection with the repositioning, the Company incurred a charge of $37.0 million during first half 2009. Of this amount, approximately $30.6 million represents non-cash asset impairments that relate to assets used in the product and product development, including $21.2 million of acquired intangible assets and $9.4 million of property, equipment and other assets. During second quarter 2009, the repositioning charge was reduced by $0.1 million primarily due to a change in estimate for contract termination costs.

In addition, the repositioning resulted in a reduction in force of approximately 100 employees across the Company s three locations, the majority of which were terminated effective April 3, 2009. Approximately $6.4 million of the repositioning charge represents cash obligations associated with severance and contract termination costs.

We currently estimate that we will incur additional repositioning costs of approximately $1.0 million to $2.0 million in second half 2009, but the timing and amount of the additional charge will be dependent upon our process to wind down activities related to our SlimChip product development.

Through the reduction in force and the cessation of further product development of the SlimChip modem technology, the repositioning reduced our Development expense for second quarter 2009 by approximately $13.6 million from first quarter 2009.

Litigation and Arbitration

Please see Note 5, Litigation and Legal Proceedings, in the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a full discussion of the following matter and other matters:

Nokia USITC

In August 2007, we filed a complaint against Nokia in the USITC seeking an exclusion order barring Nokia from importing certain unlicensed 3G handsets into the United States. Subsequently, Nokia successfully sought to consolidate the Nokia investigation with an investigation we had earlier initiated against Samsung in the USITC.

Nokia then unsuccessfully sought to terminate or stay the USITC investigation against it on the ground that Nokia and InterDigital must first arbitrate an alleged dispute as to whether Nokia is licensed under the patents asserted by InterDigital against Nokia in the USITC investigation. After that effort failed, Nokia sought and obtained a preliminary injunction in the U.S. District Court for the Southern District of New York preventing us from proceeding in the USITC against Nokia. Shortly after the issuance of the preliminary injunction, the Nokia USITC investigation was stayed, and the Nokia and Samsung USITC investigations were de-consolidated, which permitted the Samsung USITC investigation to move forward.

In July 2008, the Second Circuit reversed the preliminary injunction obtained by Nokia. In September 2008, the Administrative Law Judge lifted the stay in the Nokia USITC investigation. In March 2009, the U.S. District Court for the Southern District of New York dismissed Nokia s claims relating to its alleged license dispute.

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The evidentiary hearing in the Nokia USITC investigation was held from May 26, 2009 through June 2, 2009. A final Initial Determination by the Administrative Law Judge is expected by August 14, 2009, and the Final Determination by the USITC is expected by December 14, 2009.

Nokia continues to vigorously contest the USITC proceedings against them, and we have been, and will continue to be, required to expend substantial amounts to continue this and related proceedings. The timing and magnitude of these expenditures remain unpredictable.

Comparability of Financial Results

When comparing second quarter 2009 financial results against other periods, the following item should be taken into consideration:

- Our second quarter 2009 revenue included $2.3 million of revenue related to the resolution of an audit of one of our licensees.

When comparing second quarter 2008 financial results against other periods, the following item should be taken into consideration:

- Our second quarter 2008 revenue included $0.3 million related to past infringement and $1.3 million of one-time, incremental revenue associated with one of our licensees transitioning from per-unit royalties to a mix of per-unit and fixed-fee royalties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 1 of the *Notes to Consolidated Financial Statements* included in our 2008 Form 10-K. A discussion of our critical accounting policies, and the estimates related to them, are included in *Management s Discussion and Analysis of Financial Condition and Results of Operations* in our 2008 Form 10-K. There have been no material changes in our existing critical accounting policies from the disclosures included in our 2008 Form 10-K. Refer to Note 1, Basis of Presentation of this Form 10-Q for updates related to new accounting pronouncements.

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FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

Our primary sources of liquidity are cash, cash equivalents and short-term investments, as well as cash generated from operations. We have the ability to obtain additional liquidity through debt and equity financings but have not had a significant debt or equity financing in over 10 years, and we do not anticipate a need for such financings in the next twelve months. Based on our past performance and current expectations, we believe our available sources of funds, including cash, cash equivalents and short-term investments and cash generated from our operations, will be sufficient to finance our operations, capital requirements and any stock repurchase programs that we may initiate in the next twelve months. Although our existing revenue streams have been affected by the recent global economic downturn, our near-term revenues are partially insulated from market swings because approximately two-thirds of our recurring patent licensing revenues were based on fixed payments in first half 2009.

Cash, cash equivalents and short-term investments

At June 30, 2009 and December 31, 2008, we had the following amounts of cash, cash equivalents and short-term investments (in thousands):

		June 30, 2009		December 31, 2008
Cash and cash equivalents	$	119,862	$	100,144
Short-term investments		96,778		41,516
Total Cash, cash equivalents and short-term investments	$	216,640	$	141,660

Our cash, cash equivalents and short-term investments increased $75.0 million in first half 2009. The increase was primarily due to our receipt of the first of four $100.0 million installments from Samsung under our patent license agreement signed in January 2009. After using this and other receipts to fund our operations, working capital requirements and share repurchases in first half 2009, we invested the excess in short-term investments.

Cash flows from operations

We generated the following cash flows from our operating activities in 2009 and 2008 (in thousands):

	For the Six Months Ended June 30,	
	2009	**2008**
Cash flows from operating activities	$ 103,290	$ 117,503

The positive operating cash flow in first half 2009 arose principally from receipts of approximately $201.5 million primarily associated with 3G related patent license agreements. These receipts included the first of four installments of $100.0 million from Samsung under our January 2009 license agreement and $41.2 million under a new $77.0 million prepayment commitment from an existing licensee, with the remainder received early in third quarter 2009. We also received fixed royalty payments of $21.4 million and per-unit royalty payments of $38.9 million from other existing licensees and cash receipts from our technology solutions totaling $8.8 million, primarily related to royalties associated with our SlimChip modem IP. These receipts were partially offset by cash operating expenses (operating expenses less depreciation of fixed assets, amortization of intangible assets, non-cash repositioning charges and non-cash compensation) of $70.4 million, cash payments for foreign source withholding taxes of $16.5 million, cash payments for an estimated federal tax payment of $4.0 million and changes in working capital during first half 2009.

The positive operating cash flow in first half 2008 arose principally from receipts of approximately $230.0 million primarily associated with 3G related patent license agreements. These receipts included the third of three $95.0 million payments from LG, a new prepayment of $29.6 million from an existing licensee and current royalty payments of $20.7 million from Sharp Corporation of Japan (Sharp), $13.4 million from NEC Corporation of Japan (NEC) and $6.8 million from Panasonic Mobile Communications Co., Ltd. based on the royalty reports they submitted during the period. We also received fixed and current royalty payments of $64.5 million from other existing licensees and cash receipts from our technology solutions totaling $3.0 million, primarily related to royalties associated with our SlimChip modem IP. These receipts were partially offset by cash operating expenses (operating expenses less depreciation of fixed assets, amortization of intangible assets and non-cash compensation) of $79.4 million, cash payments for foreign source withholding taxes of $15.7 million, payment of $23.0 million to post a bond for the Federal Insurance Company arbitration award and changes in working capital during first half 2008.

Working capital

We believe that working capital, adjusted to exclude cash, cash equivalents, short-term investments, current maturities of debt and current deferred revenue provides additional information about assets and liabilities that may affect our near-term liquidity. Our adjusted working capital, a non-GAAP financial measure, reconciles to working capital, the most directly comparable GAAP financial measure, as follows (in thousands):

	June 30, 2009	December 31, 2008
Current assets	$ 543,515	$ 241,021
Current liabilities	(235,798)	(126,537)
Working capital	307,717	114,484
(Subtract) Add		
Cash and cash equivalents	(119,862)	(100,144)
Short-term investments	(96,778)	(41,516)
Current portion of long-term debt	580	1,608
Current deferred revenue	177,296	78,646
Adjusted working capital	$ 268,953	$ 53,078

The $215.9 million increase in adjusted working capital is primarily due to our patent license agreement with Samsung signed in January 2009. Our balance sheet at June 30, 2009 includes $200.0 million of accounts receivable associated with Samsung, including the second installment due under our agreement, which was collected early in third quarter 2009 and the third installment which is due within twelve months of the balance sheet date. The decrease of $25.3 million in accrued compensation, primarily related to our first quarter 2009 payments against our long-term cash incentive and annual bonus obligations, further contributed to the increase in adjusted working capital. These items were partially offset by an increase of $5.3 million in other accrued expenses primarily attributable to accrued repositioning charges of $1.9 million and increased accrued legal fees of $3.3 million.

We used net cash from investing activities of $72.0 million in first half 2009 and used net cash from investing activities of $41.1 million in first half 2008. We purchased $55.2 million and $20.6 million of short-term marketable securities, net of sales, in first half 2009 and 2008, respectively. This increase in purchases was driven by lower cash requirements during first half 2009. Purchases of property and equipment decreased to $1.9 million in first half 2009 from $3.1 million in first half 2008 due to the lower levels of development tools and engineering needed in first half 2009 in connection with our cessation of further SlimChip product development. Investment costs associated with patents decreased from $15.6 million in first half 2008 to $13.8 million in first half 2009. This decrease reflects the lag effect between filing an initial patent application and the incurrence of costs to issue the patent in both the U.S. and foreign jurisdictions.

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Net cash used in financing activities decreased $24.7 million primarily due to our higher levels of stock repurchase activity in first half 2008. We also received $2.3 million and $0.2 million more in respective contributions from stock option exercises and tax benefits from share-based compensation as compared to the prior year.

Other

Our combined short-term and long-term deferred revenue balance at June 30, 2009 was approximately $533.7 million, an increase of $274.0 million from December 31, 2008. We have no material obligations associated with such deferred revenue. In first half 2009, we recorded gross increases in deferred revenue of $385.0 million primarily related to the first three of four $100.0 million payments under the Samsung patent license agreement signed in January 2009. The gross increases in deferred revenue were partially offset by first half 2009 deferred revenue recognition of $88.9 million related to the amortization of fixed-fee royalty payments, $22.1 million related to per-unit exhaustion of prepaid royalties (based upon royalty reports provided by our licensees) and the recognition of deferred revenue related to technology solutions agreements.

Over the next twelve months, based on current patent license agreements, we expect the amortization of fixed-fee royalty payments to reduce the June 30, 2009 deferred revenue balance of $533.7 million by $177.3 million. Additional reductions to deferred revenue will be dependent upon the level of per-unit royalties our licensees report against prepaid balances.

At June 30, 2009 and December 31, 2008, we had approximately 2.3 million and 2.9 million options outstanding, respectively, that had exercise prices less than the fair market value of our stock at each balance sheet date. These options would generate $29.4 million and $38.9 million of cash proceeds to the Company if they were fully exercised.

Credit Facility

In light of our current financial position and in connection with the reduction of recurring operating expenses expected to result from our repositioning plan, we elected to terminate our $60.0 million unsecured revolving credit facility on April 2, 2009.

Off-Balance Sheet Arrangements

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

RESULTS OF OPERATIONS

Second Quarter 2009 Compared to Second Quarter 2008

Revenues

The following table compares second quarter 2009 revenues to revenues in the comparable period from the prior year (in millions):

	Second Quarter 2009	Second Quarter 2008
Per-unit royalty revenue	$ 23.7	$ 34.1
Fixed-fee amortized royalty revenue	46.7	21.8
Recurring patent licensing royalties	70.4	55.9
Past infringement and other non-recurring royalties	2.3	0.3
Total patent licensing royalties	72.7	56.2
Technology solutions revenue	2.2	2.5
Total revenue	$ 74.9	$ 58.7

Revenues were $74.9 million in second quarter 2009, compared to $58.7 million in second quarter 2008. Patent licensing royalties of $72.7 million in second quarter 2009 posted a 29 percent increase over $56.2 million in second quarter 2008, due to the addition of $25.7 million in fixed-fee amortized royalty revenue from a patent license agreement with Samsung signed in first quarter 2009, $2.3 million in royalties for past sales, partially offset by a $10.4 million decrease in per-unit royalty revenue related to industry-wide declines in handset sales for comparable first quarter sales. Despite this overall decline in per-unit royalties, certain licensees with concentrations in the smartphone market reported increased sales for the reporting period.

Technology solution revenue decreased in second quarter 2009 to $2.2 million from $2.5 million in second quarter 2008. The decrease is primarily attributable to engineering service fees earned in second quarter 2008 that did not recur in second quarter 2009, offset by an increase in royalties earned on our SlimChip modem IP.

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In second quarter 2009, 53% of our total revenue of $74.9 million was attributable to companies that individually accounted for 10% or more of our total revenue, Samsung (34%) and LG (19%). In second quarter 2008, 55% of our total revenue of $58.7 million was attributable to companies that individually accounted for 10% or more of our total revenue, LG (24%), Sharp (18%) and NEC (13%).

Operating Expenses

Operating expenses decreased 32% to $34.7 million in second quarter 2009 from $50.9 million in second quarter 2008. The $16.2 million decrease was primarily due to the following net changes in expenses (in millions):

	(Decrease)/ Increase
Patent litigation and arbitration	$ (7.0)
Personnel related costs	(2.9)
Depreciation and amortization	(2.2)
Consulting services	(2.0)
Reserve for uncollectable accounts	(1.0)
Engineering software and equipment maintenance	(0.9)
Travel expenses	(0.3)
Other	(0.9)
Share-based compensation	1.0
Total decrease in operating expenses	$ (16.2)

Patent litigation and arbitration decreased primarily due to the resolution of our various disputes with Samsung and the third quarter 2008 resolution of the Nokia U.K. disputes. The decrease in personnel-related costs, depreciation and amortization, consulting services, engineering software and equipment maintenance, and travel expenses were primarily due to the repositioning announced on March 30, 2009. The decrease in the reserve for uncollectable accounts was related to our partial collection of an overdue account receivable associated with our SlimChip modem IP. The related customer has agreed to a new payment schedule and we may further reduce this reserve in future periods as the related payments are collected. The above-noted decreases in operating expenses were partially offset by an increase in share-based compensation resulting from the structure of our Long-Term Compensation Program (LTCP), which included overlapping restricted stock unit award (RSU) cycles in 2009.

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

	Second Quarter 2009	Second Quarter 2008	Increase / (Decrease)	
Selling, general and administrative	$ 6.0	$ 7.2	$ (1.2)	(17%)
Patent administration and licensing	15.6	21.5	(5.9)	(27%)
Development	13.2	22.2	(9.0)	(41%)
Repositioning	(0.1)		(0.1)	0%
Total operating expenses	$ 34.7	$ 50.9	$ (16.2)	(32%)

Selling, General and Administrative Expense: The decrease in selling, general and administrative expense in second quarter 2009 was primarily due to the above-noted reduction in the reserve for uncollectable accounts and a decrease in personnel-related costs due to the repositioning announced on March 30, 2009.

Patent Administration and Licensing Expense: The decrease in patent administration and licensing expense primarily resulted from the above-noted decrease in patent litigation and arbitration ($7.0 million), which was partially offset by increases in consulting services ($0.7 million) and other personnel-related costs ($0.4 million).

Development Expense: The decrease in development expense was primarily due to the above-noted repositioning announced on March 30, 2009.

Repositioning Expense: On March 30, 2009, we announced a repositioning plan under which we (i) have begun to expand our technology development and licensing business and (ii) ceased further product development of our SlimChip HSPA technology and have sought to monetize the product investment through technology licensing. During second quarter 2009, the repositioning charge was reduced by $0.1 million primarily due to a change in estimate for contract termination costs.

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Interest and Investment Income, Net

Net interest and investment income for second quarter 2009 totaled $0.6 million, a decrease of $0.6 million from second quarter 2008. The decrease was primarily due to lower rates of return on lower average investment balances in second quarter 2009 as compared to second quarter 2008.

First Half 2009 Compared to First Half 2008

Revenues

The following table compares first half 2009 revenues to revenues in the comparable period from the prior year (in millions):

	First Half 2009	First Half 2008
Per-unit royalty revenue	$ 50.9	$ 66.8
Fixed-fee amortized royalty revenue	88.9	42.5
Recurring patent licensing royalties	139.8	109.3
Past infringement and other non-recurring royalties	2.3	0.8
Total patent licensing royalties	142.1	110.1
Technology solutions revenue	3.4	4.6
Total revenue	$ 145.5	$ 114.7

Revenues of $145.5 million in first half 2009 grew $30.8 million, or 27 percent, compared to $114.7 million in first half 2008. Patent licensing royalties were $142.1 million in first half 2009, up from $110.1 million in first half 2008. The increase in patent licensing royalties was primarily related to a $46.4 million increase in fixed-fee amortized royalty revenue driven by the company s patent license agreement with Samsung. This increase was partially offset by a $15.9 million decrease in per-unit royalty revenue relating to an overall decrease in industry handset sales.

Technology solution revenue decreased in first half 2009 to $3.4 million from $4.6 million in first half 2008. The decrease is primarily attributable to engineering service fees earned in first half 2008 associated with our SlimChip modem IP, which did not recur in first half 2009. This decrease was partially offset by an increase in royalties earned on our SlimChip modem IP.

In first half 2009, 52% of our total revenue of $145.5 million was attributable to companies that individually accounted for 10% or more of our total revenue, Samsung (32%) and LG (20%). In first half 2008, 55% of our total revenue of $114.7 million, was attributable to companies that individually accounted for 10% or more of our total revenue, LG (25%), Sharp (18%) and NEC (12%).

Operating Expenses

Excluding a $37.0 million repositioning charge in first half 2009, operating expenses decreased 15% to $82.0 million in first half 2009 from $96.0 million in first half 2008. The $14.0 million decrease was primarily due to the following net changes in expenses (in millions):

	(Decrease)/ Increase
Patent litigation and arbitration	$ (18.2)
Personnel related costs	(2.2)
Long-term cash incentive	(1.6)
Reserve for uncollectable accounts	(1.0)
Depreciation and amortization	(0.8)
Engineering software and equipment maintenance	(0.5)
Travel expenses	(0.2)

Other		(1.2)
Insurance reimbursement		6.9
Share-based compensation		2.6
Arbitration and contingency adjustment		1.2
Consulting services		1.0
Total decrease in operating expenses excluding repositioning charge		(14.0)
Repositioning charge		37.0
Total increase in operating expenses	$	23.0

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Patent litigation and arbitration decreased primarily due to the resolution of our various disputes with Samsung and the third quarter 2008 resolution of the Nokia U.K. disputes. The decrease in personnel-related costs, depreciation and amortization, consulting services, engineering software and equipment maintenance, and travel expenses were primarily due to the repositioning announced on March 30, 2009. The decrease in the reserve for uncollectable accounts was related to our partial collection of an overdue account receivable associated with our SlimChip modem IP. The related customer has agreed to a new payment schedule and we may further reduce this reserve in future periods as the related payments are collected. First half 2008 operating expenses were reduced due to the inclusion of a $6.9 million insurance reimbursement to reimburse us for a portion of our defense costs in certain litigation with Nokia. The increase in share-based compensation and the decrease in long-term cash incentives were both primarily due to the structure of our LTCP, which resulted in overlapping RSU cycles in 2009 and overlapping performance-based cash incentive cycles in 2008. In 2008, we recognized a credit of $1.2 million related to the reduction of a previously established accrual associated with our contingent obligation to reimburse Nokia for a portion of its attorney s fees associated with the resolved U.K. matters. Consulting services increased due to first quarter interoperability testing of our SlimChip product family against various 2G/3G network vendors equipment, precertification efforts on our SlimChip modem chipset and reference platforms and customer evaluations and testing.

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

	First Half 2009	First Half 2008	Increase / (Decrease)	
Selling, general and administrative	$ 14.2	$ 14.7	$ (0.5)	(3%)
Patent administration and licensing	27.7	37.5	(9.8)	(26%)
Development	40.1	45.0	(4.9)	(11%)
Repositioning	37.0		37.0	0%
Arbitration and litigation contingencies		(1.2)	1.2	(100%)
Total operating expenses	$ 119.0	$ 96.0	$ 23.0	24%

Selling, General and Administrative Expense: The slight decrease in selling, general and administrative expense in first half 2009 was primarily attributable to the above-noted reduction in the reserve for uncollectable accounts. This was partially offset by slight increases in other personnel-related costs.

Patent Administration and Licensing Expense: The decrease in patent administration and licensing expense primarily resulted from the above-noted decrease in patent litigation and arbitration ($18.2 million), which was offset by the above-noted increase in insurance reimbursement ($6.9 million) and increased patent amortization expense ($1.2 million).

Development Expense: The decrease in development expense was primarily due to the above-noted repositioning announced on March 30, 2009.

Repositioning Expense: On March 30, 2009, we announced a repositioning plan under which we (i) have begun to expand our technology development and licensing business and (ii) ceased further product development of our SlimChip HSPA technology and have sought to monetize the product investment through technology licensing. In connection with the repositioning plan, we have incurred certain costs associated with exit or disposal activities. The repositioning resulted in a reduction in force of approximately 100 employees across our three locations. We have incurred a repositioning charge of $37.0 million during first half 2009.

Arbitration and Litigation Contingencies: In 2008, we recognized a credit of $1.2 million related to the reduction of a previously established accrual associated with our contingent obligation to reimburse Nokia for a portion of its attorney s fees associated with the resolved U.K. matters.

Interest and Investment Income, Net

Net interest and investment income for first half 2009 totaled $1.5 million, a decrease of $0.2 million from first half 2008, which included a $0.7 million investment write-down. The decrease is primarily related to lower rates of return on lower average investment balances, which was partially offset by a first half 2009 $0.6 million interest income related to our 2009 settlement of litigation with Federal Insurance Company.

Expected Trends

Our second quarter 2009 Development expenses were slightly lower than expected, reflecting the positive impact of a Canadian research and development credit and lower than expected consulting services as we transitioned our full development efforts to our core business. Our selling, general and administrative expenses also benefited from a $1.0 million credit associated with the reversal of an allowance for an uncollectible receivable. We don t expect these items to recur in third quarter 2009. As is our practice, we will provide an update on our expectation for third quarter 2009 revenue after we receive and review the applicable royalty reports.

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

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

The potential effects of new accounting standards on our financial statements or results of operations, if any;

Our amortization of fixed-fee royalty payments and recognition of deferred technology solutions revenue over the next twelve months to reduce our June 30, 2009 deferred revenue balance;

Our future tax expense and changes to our reserves for uncertain tax positions;

The timing, outcome and impact of our various litigation and administrative matters;

The expansion of our technology development and licensing business and the realignment of our SlimChip product business;

Our need for debt and equity financings in the next twelve months;

Our belief that our available sources of funds will be sufficient to finance our operations, capital requirements and any stock repurchase programs that we may initiate in the next twelve months; and

Our ability to add substantial new licensees.

Forward-looking statements concerning our business, results of operations and financial condition are inherently subject to risks and uncertainties that could cause actual results, and actual events that occur, to differ materially from results contemplated by the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks and uncertainties outlined in greater detail in Part I, Item 1A of our 2008 Form 10-K. We undertake no obligation to revise or publicly update any forward-looking statement for any reason, except as otherwise required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in quantitative and qualitative market risk from the disclosures included in our 2008 Form 10-K.

Item 4. CONTROLS AND PROCEDURES.

The Company s principal executive officer and principal financial officer, with the assistance of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective in their design to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

The information required by this Item is incorporated by reference to Note 5, Litigation and Legal Proceedings, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS.

In addition to factors set forth in Statement Pursuant to the Private Securities Litigation Reform Act of 1995 Forward-Looking Statements in Part I, Item 2 of this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A of our 2008 Form 10-K, which could materially affect our business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and in our 2008 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

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

The following table provides information regarding the Company s purchases of its Common Stock, $0.01 par value per share, during second quarter 2009:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
April 1, 2009 - April 30, 2009	203,000	$ 26.32	203,000	$ 94,657,972
May 1, 2009 - May 31, 2009	147,000	$ 26.39	147,000	$ 90,778,790
June 1, 2009 - June 30, 2009	220,000	$ 24.95	220,000	$ 85,289,161
Total	570,000	$ 25.81	570,000	$ 85,289,161

(1) Shares were purchased under a $100.0 million share repurchase program, authorized by the Board of Directors on March 11, 2009 with no expiration date. The Company may repurchase

shares under the 2009 $100.0 million share repurchase program through open market purchases, pre-arranged trading plans or privately negotiated purchases.

(2) Amounts shown in this column reflect amounts remaining under the 2009 $100.0 million share repurchase program referenced in Note 1 above.

Note: From July 1, 2009 through July 27, 2009, we repurchased an additional 0.1 million shares for $4.1 million, to bring the current cumulative repurchase totals to 0.7 million shares at a cost of $18.8 million under the $100.0 million share repurchase program.

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

At our 2009 annual meeting of shareholders held on June 4, 2009, our shareholders elected Mr. William J. Merritt as a director, adopted and approved the InterDigital, Inc. 2009 Stock Incentive Plan and ratified the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the year ending December 31, 2009. Our shareholders elected Mr. Merritt as a director, to serve for a three-year term expiring at our 2012 annual meeting of shareholders or until his successor has been duly elected and qualified or until his earlier resignation or removal, by a vote of 36,258,891 shares in favor and 3,313,772 shares withheld. Messrs. Harry G. Campagna, Steven T. Clontz, Edward B. Kamins and Robert S. Roath also continue to serve their terms as directors after the meeting. The vote adopting and approving the InterDigital, Inc. 2009 Stock Incentive Plan was: 15,588,171 shares in favor; 6,476,624 shares against; 67,314 shares abstaining; and 17,440,554 broker non-votes. The vote ratifying the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the year ending December 31, 2009 was: 38,786,073 shares in favor; 634,655 shares against; 151,934 shares abstaining; and 0 broker non-votes.

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Item 6. EXHIBITS.

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

Exhibit Number	Exhibit Description
*Exhibit 3.1	Articles of Incorporation of InterDigital, Inc. (Exhibit 3.1 to InterDigital s Quarterly Report on Form 10-Q dated August 9, 2007)
*Exhibit 3.2	Bylaws of InterDigital, Inc. (Exhibit 3.1 to InterDigital s Current Report on Form 8-K dated December 24, 2008)
Exhibit 10.1	InterDigital Long-Term Compensation Program, as amended June 2009
Exhibit 10.2	InterDigital Annual Employee Bonus Plan, as amended June 2009
Exhibit 10.3	InterDigital Compensation Program for Outside Directors, as amended June 2009
Exhibit 10.4	InterDigital, Inc. Term Sheet for Restricted Stock Units (Nonemployee Directors Annual Award)
Exhibit 10.5	InterDigital, Inc. Term Sheet for Restricted Stock Units (Nonemployee Directors Election Award)
Exhibit 10.6	InterDigital, Inc. Standard Terms and Conditions for Restricted Stock Units (Nonemployee Directors)
Exhibit 31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

* Incorporated by reference to the previous filing indicated.

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SIGNATURES

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

	INTERDIGITAL, INC.
Date: July 30, 2009	/s/ WILLIAM J. MERRITT **William J. Merritt** **President and Chief Executive Officer**
Date: July 30, 2009	/s/ SCOTT A. MCQUILKIN **Scott A. McQuilkin** **Chief Financial Officer**
Date: July 30, 2009	/s/ RICHARD J. BREZSKI **Richard J. Brezski** **Chief Accounting Officer**

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Exhibit 32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

* Incorporated by reference to the previous filing indicated.