INTERDIGITAL INC.

FORM 10-Q
(Quarterly Report)

Filed 11/12/99 for the Period Ending 09/30/99

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

http://www.edgar-online.com
© Copyright 2008, EDGAR Online, Inc. All Rights Reserved.
Distribution and use of this document restricted under EDGAR Online, Inc. Terms of Use.

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

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1999

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to _________

Commission File Number 1-11152

INTERDIGITAL COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)

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

781 Third Avenue, King of Prussia, PA 19406
(Address of principal executive offices) (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 [X] No _____

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

48,651,195 Shares of Common Stock, par value $.01 per share, were outstanding on October 29, 1999.

INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	SEPTEMBER 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16,669	$ 20,059
Short term investments	63,659	32,218
Accounts receivable	6,097	14,983
Inventories	3,435	5,102
Other current assets	3,280	3,056
Total current assets	93,140	75,418
Property, plant and equipment, net	7,637	9,697
Patents, net	9,669	9,948
Long term deposits	2,934	2,934
Other	1,464	1,526
	21,704	24,105
	$ 114,844	$ 99,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long term debt	$ 490	$ 723
Accounts payable	3,456	5,973
Accrued compensation and related expenses	2,710	2,959
Deferred revenue	844	3,936
Foreign and domestic taxes payable	676	2,249
Other accrued expenses	4,438	4,826
Total current liabilities	12,614	20,666
LONG TERM DEBT	2,667	3,049
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDERS' EQUITY:		
Preferred Stock, $ .10 par value, 14,399 shares authorized- $2.50 Convertible Preferred, 102 shares issued and outstanding	10	10
Common Stock, $.01 par value, 75,000 shares authorized, 48,603 shares and 48,474 shares issued and outstanding	486	484
Additional paid-in capital	236,078	235,631
Accumulated deficit	(134,883)	(160,039)
	101,691	76,086
Treasury stock, 429 and 50 shares held at cost	2,128	278
Total shareholders' equity	99,563	75,808
	$ 114,844	$ 99,523

The accompanying notes are an integral part of these statements.

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

(unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
REVENUES:				
Product	$ 498	$ 2,569	$ 2,022	$ 6,331
Licensing and strategic partner	10,321	2,280	56,285	55,036
	10,819	4,849	58,307	61,367
COST OF PRODUCT AND OPERATING EXPENSES:				
Cost of product	1,005	3,005	4,002	10,644
Sales and marketing	745	878	2,411	2,932
General and administrative	1,693	1,235	5,133	4,116
Patents administration and licensing	216	1,836	4,540	8,591
Development	4,711	4,481	15,417	12,184
Repositioning Charges	0	--	1,213	--
	8,370	11,435	32,716	38,467
Income (loss) from operations	2,449	(6,586)	25,591	22,900
INTEREST INCOME (EXPENSE):				
Interest income	1,024	651	2,829	1,674
Interest and financing expenses	(77)	(75)	(250)	(274)
Income (loss) before income taxes	3,396	(6,010)	28,170	24,300
INCOME TAX PROVISION	(697)	(14)	(2,822)	(4,920)
Net income (loss)	2,699	(6,024)	25,348	19,380
PREFERRED STOCK DIVIDENDS	(64)	(64)	(192)	(192)
NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	$ 2,635	$ (6,088)	$ 25,156	$ 19,188
NET INCOME (LOSS) PER COMMON SHARE - BASIC	$ 0.05	$ (0.13)	$ 0.52	$ 0.40
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	48,285	48,427	48,383	48,349
NET INCOME (LOSS) PER COMMON SHARE - DILUTED	$ 0.05	$ (0.13)	$ 0.52	$ 0.39
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	48,819	48,427	48,789	48,782

The accompanying notes are an integral part of these statements.

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

(unaudited)

	For the nine months ended September 30, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 25,348	$ 19,188
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	3,557	3,422
Deferred revenue	(3,092)	1,062
Repositioning charges	1,213	--
Decrease (increase) in assets-		
Receivables	8,887	259
Inventories	1,667	422
Other current assets	(224)	(482)
Increase (decrease) in liabilities-		
Accounts payable	(2,517)	(3,646)
Accrued compensation	(566)	(58)
Other accrued expenses	(2,062)	(1,585)
Net cash provided by operating activities	32,211	18,582
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments, net	(31,441)	(27,183)
Purchases of property and equipment	(1,162)	(1,068)
Patent costs	(852)	(1,230)
Other non-current assets	62	(22)
Net cash used in investing activities	(33,393)	(29,503)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sales of Common Stock and exercises of stock options and warrants	449	694
Lease obligations incurred	0	120
Payments on long-term debt, including capital lease obligations	(615)	(800)
Cash dividends on Preferred Stock	(192)	--
Purchase of Treasury Stock	(1,850)	--
Net cash provided by (used in) financing activities	(2,208)	14
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,390)	(10,907)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	20,059	17,828
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,669	$ 6,921
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 224	$ 263
Income taxes paid, including foreign witholding taxes	$ 4,331	$ 4,847

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

(UNAUDITED)

1. BASIS OF PRESENTATION:

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of InterDigital Communications Corporation's (collectively with its subsidiaries referred to as InterDigital, the Company, we, us and our) financial position as of September 30, 1999, the results of our operations for the three and nine month periods ended September 30, 1999 and 1998, and our cash flows for the nine month periods ended September 30, 1999 and 1998. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all of the detailed schedules, information and notes necessary for a fair presentation of financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report for the year ended December 31, 1998 on Form 10-K filed with the Securities and Exchange Commission on March 31, 1999. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. Certain prior period amounts have been reclassified to conform to the 1999 presentation.

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

2. CONTINGENCIES:

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

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

3. NOKIA AGREEMENT:

On January 22, 1999, we entered into an agreement with Nokia Corporation ("Nokia") involving the development of new technology for third generation wireless telecommunications products designed for high data rate applications, such as Internet access. The agreement includes royalty bearing TDMA and CDMA patent licenses, which are paid up generally through the project period, and provides a structure for determining the royalty payments thereafter. We recognized $31.5 million as licensing revenue in the first quarter of 1999 and have also recognized $7.4 million of revenue in the first nine months of 1999 related to specialized engineering services in the development effort.

4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:

The Company considers investments purchased with a remaining maturity of three months or less to be cash equivalents for purposes of the statements of cash flows. The Company invests its excess cash in various time deposits and marketable securities, which are included in cash and cash equivalents, as follows:

	(in thousands) September 30, 1999	(in thousands) December 31, 1998
Money market funds and demand deposits	$ 6,022	$ 3,160
Repurchase agreements	479	516
Commercial paper	10,168	16,383
	$16,669	$20,059

The repurchase agreements are fully collateralized by United States Government securities and are stated at cost which approximates fair market value.

Short-term investments available for sale as of September 30, 1999 consisted of $22.9 million in government-issued discount notes and $40.8 million in corporate debt securities. Short-term investments available for sale as of December 31, 1998 consisted of $18.2 million in government-issued discount notes and $14.0 million in corporate debt securities.

5. MAJOR CUSTOMERS AND GEOGRAPHIC DATA:

Revenues by customer geography are as follows:

	(in thousands) Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
U.S.	$ 453	$ 293	$ 976	$ 1,129
Non U.S.	10,366	4,556	57,331	60,238
	$10,819	$ 4,849	$58,307	$61,367

Licensing and strategic partner revenue for the three month period ended September 30, 1999 includes $3.4 million in new licenses, $4.0 million related to development efforts for Nokia and Samsung Electronics Company, Ltd. ("Samsung"), and $2.9 million in recurring royalties. Licensing and strategic partner revenues for the three months ended September 30, 1998 consisted of $2.2 million related to development work and $112,000 in recurring royalties.

For the nine months ended September 30, 1999, 96.5% of our total revenues were derived from licensing and strategic partner activities. These revenues consisted of $42.7 million from new licensing agreements, $9.8 million related to development activities for Nokia, Alcatel Espana ("Alcatel") and Samsung, and $3.8 million from recurring royalties. During the same period in 1998, licensing and strategic partner revenue accounted for more than 89.7% of our total revenue and consisted of $48.1 million from new licensing agreements, $6.5 million from strategic partners and $0.5 million in recurring royalties.

6. NET INCOME (LOSS) PER COMMON SHARE:

The following tables set forth the numerator and denominator of a reconciliation of the shares used in the basic and diluted net income (loss) per share computations:

(in thousands)

	Three Months Ended September 30, 1999			Three Months Ended September 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income (Loss) per Share -Basic: Income (loss) available to common Stockholders	$ 2,635	48,285	$ 0.05	$(6,088)	48,427	$(0.13)
Effect of Dilutive Options and Warrants	$ --	534	$ --	--	--	$ --
Income (Loss) per Share-Diluted: Income (loss) available to common stockholders + assumed conversions	$ 2,635	48,819	$ 0.05	$(6,088)	48,427	$(0.13)

	Nine Months Ended September 30, 1999			Nine Months Ended September 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income (Loss) per Share--Basic: Income (loss) available to common stockholders	$25,156	48,383	$ 0.52	$19,188	48,349	$ 0.40
Effect of Dilutive Options and Warrants	--	406	--	--	433	$ 0.01
Income (Loss) per Share-Diluted Income (loss) available to common stockholders + assumed conversions	$25,156	48,789	$ 0.52	$19,188	48,782	$ 0.39

During the three months and the nine months ended September 30, 1999, there were 6.4 million and 6.8 million options and warrants to purchase common stock outstanding that were excluded from the computation of diluted earnings per share because they were antidilutive.

7. REPOSITIONING OF OPERATIONS:

In the second quarter of 1999, we recorded a pre-tax repositioning charge of $1.2 million in connection with a change in our strategy from sales and development of wireless local loop products to technology development for advanced wireless applications. This action was taken after assessing our long term business prospects associated with continued investment in the development of wireless local loop systems. The repositioning charge included the impact of workforce reductions (approximately 27 employees) and asset impairment charges related to wireless local loop development equipment. The components of the repositioning charge included severance and other benefit costs of $417,000, all of which are scheduled to be paid in 1999, and asset impairment charges of $796,000 for fixed assets associated with wireless local loop activities.

8. INVENTORIES:

	(in thousands)	
	September 30, 1999	December 31, 1998
Component parts and work-in-progress	$1,638	$2,958
Finished goods	1,797	2,144
	$3,435	$5,102

Inventories are stated net of valuation reserves of $13.9 million as of September 30, 1999 and $13.7 million as of December 31, 1998. Although we have been winding down our UltraPhone(R) product business, we still have been continuing to market our UltraPhone products, including spare parts and enhancements, in niche markets. We are currently in the process of filling a 5,000 line order for UltraPhone systems for a customer in Namibia.

9. INCOME TAXES:

The income tax provision for the three months ended September 30, 1999 consists of alternative minimum taxes of $68,000 and foreign withholding taxes of $629,000. For the three months ended September 30, 1998, we had a provision for state taxes of $14,000. For the nine months ended September 30, 1999, the tax provision includes foreign withholding taxes of $ 2.2 million and an alternative minimum tax of $600,000. For the same period in 1998 we had a net state tax provision of $42,000 and a foreign withholding tax provision of $4.9 million. At December 31, 1998, we had net operating loss carryforwards of approximately $96.7 million. Since realization of the tax benefits associated with these carryforwards is not assured, a valuation allowance of 100% of the potential tax benefit is recorded as of September 30, 1999.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto, contained elsewhere in this document.

InterDigital Communications Corporation (collectively with its subsidiaries referred to as InterDigital, the Company, we, us and our) specializes in the design and development of advanced technology solutions for the wireless industry. Earlier this year, we initiated a change in strategy from sales and development of wireless local loop products to technology development for advanced wireless applications such as Internet access and high data rates for third generation (3G) applications. In this regard, we continued our development project with Nokia which is focused on high data rates and wide bandwidth technology, and initiated the development of 3G commercial "system on a chip" technology utilizing Frequency Division Duplex (FDD) technology. The new FDD system on a chip technology is being designed so that it can be embedded into advanced wireless products for 3G applications, including mobile phones, personal digital assistants and other devices. We plan to market our FDD and TDD system on a chip capabilities and technical content to communications equipment manufacturers and/or semiconductor companies. The Company will also seek to generate revenues from associated specialized engineering services. We are also continuing to wind down the remaining commercial aspects related to sale and service of both the UltraPhone and TrueLink(TM) product lines.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL REQUIREMENTS

We experienced positive cash flow from operating activities of $32.2 million in the nine months ended September 30, 1999 compared to $18.6 million in the same period in 1998. The positive cash flows in both periods were primarily due to payments received from new licensees.

Net cash used in investing activities was approximately $33.4 million in the first three quarters of 1999 and $29.5 million in the first three quarters of 1998. In both periods, most of the investing activities were associated with the purchase of short term investments.

During the first three quarters of 1999, we used $2.2 million in financing activities, primarily to repurchase stock of the Company.

Our working capital at September 30, 1999 was $80.5 million compared to $54.8 million at December 31, 1998. The $25.7 million increase mainly resulted from the receipt of cash from licensing agreements.

We had cash, cash equivalents and short-term investments of $80.3 million as of September 30, 1999 compared to $52.3 million at December 31, 1998. Inventory levels at September 30, 1999 were $3.4 million, a 33% decrease from $5.1 million as of December 31, 1998, reflecting product sales in niche markets.

We believe that we are capable of supporting our operating requirements during 1999 and 2000 through internally generated and existing funds. Should the need arise to fund new development activities, contingency resolution, external growth activities or other matters, we may seek financing by means of a bank loan or line of credit or through the sale of debt or equity securities. We do not presently maintain bank lines of credit and can give no assurance that we could secure a loan or line of credit, either at all or on acceptable terms. In addition, there can be no assurances that we will be able to sell any such securities, or, if we can, that we can do so on terms acceptable to us.

We believe that our investment in inventories are stated on our September 30, 1999 and December 31, 1998 balance sheets at realizable values based on expected selling price and order volumes. Property and equipment are currently being utilized in the Company's on-going business activities, and we believe that no further write-downs are required at this time due to lack of use or technological obsolescence. With respect to other assets, we believe that the value of our patents is at least equal to the value included in the September 30, 1999 and the December 31, 1998 balance sheets.

Results of Operations - Third Quarter of 1999 Compared to the Third Quarter of 1998

Revenues. Revenues in the third quarter of 1999 totaled $10.8 million, compared with $4.8 million in the same quarter of 1998. The increase was principally due to growth in specialized engineering services, higher recurring royalties from existing patent licensees and the recognition of revenue associated with new licensing agreements with Japan Radio Company, Ltd. ("JRC") and Shintom Company, Ltd. ("Shintom"). Recurring royalties from existing licensees in the third quarter of 1999 totaled nearly $3 million.

Cost of Product. Cost of product for the third quarter of 1999 decreased to $1.0 million from $3.0 million in the third quarter of 1998, primarily due to a decrease in product revenues.

Other Operating Expenses. Other operating expenses include sales and marketing expenses, general and administrative expenses, patent administration and licensing, and product development expenses.

Sales and marketing expenses decreased 15% to $745,000 during the third quarter of 1999 as compared to $878,000 during the third quarter of 1998. The decrease is primarily due to a decrease in activity levels, and reduced commission expenses associated with lower product revenues in the third quarter of 1999.

General and administrative expenses for the third quarter of 1999 increased 37% to $1.7 million from $1.2 million for the third quarter of 1998. The increase is primarily due to higher personnel costs and the timing of certain other strategic spending.

Patents administration and licensing activities expense decreased 88% to $216,000 for the third quarter of 1999 as compared to $1.8 million during the same period in 1998. The net decrease is due primarily to the recovery of certain litigation costs associated with patent administration activities.

Development expenses for the third quarter of 1999 increased 5% to $4.7 million as compared to $4.5 million during the third quarter of 1998. The increase is due to the ramp-up of technology development for Nokia and other internal initiatives.

Interest Income and Expense. Interest income for the third quarter of 1999 increased to $1.0 million from $651,000 in the third quarter of 1998 due to higher average invested cash balances in the third quarter of 1999. Interest expense for the three month period ended September 30, 1999 was $77,000 as compared to $75,000 for the three month period ended September 30, 1998 due to lower outstanding debt in the period.

RESULTS OF OPERATIONS

Results of Operations - Nine Months Ended September 30, 1999 Compared to Nine Months Ended September 30, 1998

Revenues. Total revenues for the nine months ended September 30, 1999 decreased 5% to $58.3 million from $61.4 million for the nine months ended September 30, 1998, primarily due to a decrease in product sales. Licensing and strategic partner revenues for the nine months ended September 30, 1999 included $38.9 million from Nokia, $11.3 million from new licenses with Robert Bosch GMBH, JRC and Shintom, $2.3 million related to the Alcatel and Samsung agreements, and $3.8 million from recurring royalty licensing revenue. Licensing and strategic partner revenues for the nine months ended September 30, 1998 included $48.1 million in new licenses from Sharp Corporation, Kyocera Corporation and Toshiba Corporation, $6.5 million related to the Alcatel and Samsung agreements, and $0.4 million of recurring royalty licensing revenue.

Cost of Product. The cost of product revenues for the nine months ended September 30, 1999 decreased 62% to $4.0 million from $10.6 million for the nine months ended September 30, 1998 due to decreased product sales and the absence of changes in inventory reserves which negatively impacted the first nine months of 1998 results.

Operating Expenses. Other operating expenses include sales and marketing expenses, general and administrative expenses, patent administration and licensing, and product development expenses.

Sales and marketing expenses decreased 18% to $2.4 million during the nine months ended September 30, 1999 compared to $2.9 million during the nine months ended September 30, 1998. The decrease is primarily due to decreased personnel, travel and commissions expenses, commensurate with the decreased UltraPhone product revenues and decreased activity levels.

General and administrative expenses for the nine months ended September 30, 1999 increased 25% to $5.1 million from $4.1 million for the nine months ended September 30, 1998. The increase is primarily due to higher personnel costs and the timing of certain other strategic spending.

Patents administration and licensing expenses decreased 47% in the nine months ended September 30, 1999 to $4.5 million compared to $8.6 million in the first nine months of 1998. We have incurred less costs such as commissions and other expenses related to our activities supporting our licensing strategy to offer non-exclusive, royalty bearing patent, technology and know-how and trademark licenses, and have recovered certain expenses related to an on-going patent litigation.

Development expenses increased 27% for the nine months ended September 30, 1999 to $15.4 million from $12.2 million for the nine months ended September 30, 1998. The increase over the prior year period is due primarily to increased staff and activity levels devoted to the development of advanced wireless applications.

Repositioning of Operations. In the second quarter of 1999, we recorded a pre-tax repositioning charge of $1.2 million in connection with a change in our strategy from sales and development of wireless local loop products to technology development for advanced wireless applications. This action was taken after assessing our long term business prospects associated with continued investment in the development of wireless local loop systems. The repositioning charge included the impacts of workforce reductions (approximately 27 employees) and asset impairment charges related to wireless local loop development equipment. The components of the repositioning charge included severance and other benefit costs of $417,000, all of which are scheduled to be paid in 1999, and asset impairment charges of $796,000 for fixed assets associated with wireless local loop activities.

As part of the winding down of the UltraPhone business, we entered into a contract during the third quarter of 1999 to sell equipment supporting 5,000 lines for a customer in Namibia. In November, 1999, a prospective purchaser in another country filed an action against us seeking, among other things, a preliminary injunction to enjoin us from shipping any equipment in fulfillment of the Namibia contract. If this prospective purchaser is successful in obtaining a preliminary injunction against us, we could be precluded from consummating the Namibia sale in accordance with our contractual requirements and we could be liable for damages for breach of the Namibia contract, among other things. Moreover, this could occur without the prospective purchaser ultimately purchasing the inventory in issue.

Income and Expense. Interest income for the nine months ended September 30, 1999 was $2.8 million as compared to $1.7 million for the same period in 1998 as a result of higher than average invested cash in 1999 as compared to 1998. Interest expenses for the nine month period ended September 30, 1999 was $250,000 as compared to $274,000 for the nine month period ended September 30, 1998 due to lower overall debt in the first nine months of 1999 as compared to the same period in 1998.

Year 2000

Many currently installed computer systems in many companies are not capable of distinguishing 21st century dates from 20th century dates. As a result, beginning on January 1, 2000, both IT (Information Technology) and non-IT systems used by many organizations in a wide variety of industries (including technology, transportation, utilities, finance and telecommunications) will produce erroneous results or fail unless they have been modified or upgraded to process date information correctly. Significant uncertainty exists concerning the scope and magnitude of problems associated with the century change. We recognize the need to ensure that our operations will not be adversely affected by Year 2000 system failures. In this regard, we have been implementing a Year 2000 compliance program, consisting of auditing, assessing, remediating, testing, and contingency planning, to ensure that our IT and non-IT systems will function properly beyond 1999. The program is designed to cover both systems operated by us as well as systems operated by third parties that we consider to be material to our operations. We have established a Committee consisting of members of management from various disciplines to implement this program and have engaged a consultant to assist the Committee.

As part of our Year 2000 compliance program, we have engaged in a comprehensive assessment of the potential overall impact of the impending century change on our business, financial condition and operating results. Our compliance program is focused on systems and third parties which our management views as High Risk, leaving compliance efforts relating to other systems and third parties to be remediated on a resource permitting basis. We believe that we will have the ability to allocate adequate resources to address all systems categorized as High Risk under our Year 2000 compliance program and expect any Year 2000 remediation applicable to our own High Risk systems to be completed on a timely basis. We have conducted a thorough audit of our systems and have been testing and upgrading certain systems for Year 2000 compatibility. We have determined over 80% of our systems designated as High Risk to be in an acceptable state of Year 2000 readiness. We anticipate a determination of acceptable readiness of our remaining High Risk systems prior to the end of 1999. However, there can be no assurance that all of our mission critical systems will be identified, correctly assessed or remediated on a timely basis or successfully.

In addition, we have contacted certain third parties upon whom we rely to ensure that those third parties have assessed the Year 2000 issues on their own systems and are taking steps to ensure that their systems are Year 2000 compatible. Most of these third parties have responded to us that they have Year 2000 projects in process, but have not guaranteed their Year 2000 readiness. A few of these third parties have not responded to our information requests. There can be no assurance that the products or systems of third parties upon which we rely will be identified, correctly assessed or remediated on a timely basis or successfully.

With respect to our products, we have conducted a series of tests on the UltraPhone 110 and 110A, all of which were completed successfully, revealing no date-related failures. However, our testing of the UltraPhone 100 system demonstrated that the operating system used in Alcyon-based UltraPhone 100 systems is not compliant. We have offered an upgrade to affected customers at such customers' cost to address this problem. In all other respects, the tests run on the UltraPhone 100 were completed successfully, revealing no date-related failures.

Failure to achieve timely and successful Year 2000 compliance could cause delays or difficulties in development efforts or result in a cessation of business. There can be no assurance that we will be able to achieve Year 2000 compliance, either successfully or on a timely basis. Moreover, our products and components may be integrated into larger systems that we cannot adequately evaluate for Year 2000 compliance. We may face claims based on Year 2000 problems in delaying other companies in their operations or development efforts, in other companies' products, or issues arising from the integration of multiple products within an overall system. Our business, financial condition, or results of operations could be materially adversely affected by the failure of our systems, our customers' systems or the systems of third parties upon whom we rely to properly operate or manage dates associated with the impending century change.

We are at work on the completion of contingency plans to address potential problems with our internal systems and third party interactions, as well as mobilization plans designed to reduce the impact of Year 2000 failures and facilitate business resumption in the event of interruptions caused by Year 2000 failures. These plans include 1999 actions designed to mitigate failures, century rollover assessment procedures, procedures and plans for dealing with a major disruption of internal business systems, procedures and plans for dealing with a business shutdown and identification of alternative vendors of materials and services. Contingency planning is intended to cover all systems and third parties designated as High Risk as well as most systems and many third parties not designated as High Risk. Contingency and mobilization planning will continue through the end of 1999. The potential ramifications of a Year 2000 type failure are potentially far-reaching and largely unknown. We cannot assure you that a contingency plan or a mobilization plan in effect at the time of a system failure or business interruption will adequately address the immediate or long term effects of a failure or interruption, either at all or in a timely manner, or that such a failure or interruption would not have a material adverse impact on our operations or financial results in spite of careful planning. For example, replacement of certain development tools could require design and customization prior to implementation. With very limited exception, we do not intend to acquire secondary systems prior to January 1, 2000 as part of contingency planning.

To date, we have not incurred any material costs directly associated with our Year 2000 compliance efforts. We have incurred the compensation expense associated with salaried employees who have devoted some of their time to its Year 2000 assessment, the cost of our remediation efforts and the cost of our consultant. We do expect to expend additional resources on remediation efforts out of general corporate funds, but at this time do not expect the total cost of Year 2000 remediation efforts to be material to our business, financial condition and operating results. During the months prior to the century change, we will continue to remediate and/or test our remaining High Risk systems which are still not in an acceptable state of compliance, as well as certain systems provided to us by third parties, to the extent reasonably practicable to determine whether they are Year 2000 compliant. Despite this assessment, we may not identify, assess and/or correct all significant Year 2000 problems on a timely basis. Year 2000 compliance efforts may involve significantly more time and expense than expected, and unremediated problems could affect our business, financial condition and operating results.

The preceding Year 2000 disclosure is designated a "Year 2000 Readiness Disclosure" under the Year 2000 Information and Readiness Disclosure Act.

STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The foregoing Management's Discussion and Analysis contains forward looking statements reflecting, among other things, our current beliefs and expectations as to product operations and Year 2000 compliance. Words such as "plan", "believe" and "expect", variations of such words, and words with similar meaning or connotations are intended to identify such forward looking statements.

Such statements are subject to risks and uncertainties. We caution the readers that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such forward looking statement. For example, our plans to shift our strategic emphasis to 3G technology and products and to market our FDD system on a chip capabilities and technology content and the ability to generate revenues from assoicated specialized engineering services could be affected by shifts in our strategy, the ability to generate sufficient revenues to support our development activities (which could itself be affected by numerous factors including, without limitation, the ability to secure new and enforce existing license agreements and the ability to enter into new strategic relationships), unanticipated development costs, difficulties or delays in engineering projects, failure to successfully enter into additional strategic relationships, inability to hire or retain adequate personnel, Nokia's exercise of its rights to terminate the development project for convenience, and the failure of the 3G market to materialize in the manner or timeframe anticipated. Year 2000 compliance could be affected by the failure of the Company or third parties to successfully identify, assess or remediate Year 2000 problems on a timely basis or successfully, as well as on the successful development and implementation of our contingency and mobilization plans. In addition, factors affecting one forward looking statement may affect other forward looking statements and other factors may exist that are not listed above or that are not fully known to us at this time. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in quantitative and qualitative market risk from the disclosure included in the December 31, 1998 Form 10-K.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1998 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999, InterDigital is a party to a lawsuit involving Ericsson Inc. During the third quarter 1999, Ericsson filed a Motion to file a Fifth Amended Complaint to add claims for breach of contract and fraud. This Motion has not yet been decided by the Court.

In addition to the litigation described above, the Company is a party to certain legal actions described in Item 2 "Management's Discussion and Analysis" herein, associated with patent enforcement and licensing activities and arising out of the other in the ordinary course of its business. Based on current information, Management believes that the outcomes of these other matters will not have a material impact on our financial position or results of operations.

Item 6. Exhibits and Reports on Form 8-K.

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

```
Exhibit 10.25   Separation and Confidentiality Agreement dated
                September 23, 1999 by and between InterDigital and
                William A. Doyle.


Exhibit 27      Financial Data Schedule
```

(b) The following is a list of Current Reports on Form 8-K filed during the third quarter of 1999:

None.

SIGNATURES

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

INTERDIGITAL COMMUNICATIONS CORPORATION

Date: November 11, 1999	*/s/ Howard E. Goldberg* -------------------------------- *Howard E. Goldberg , Interim President*
Date: November 11, 1999	*/s/ R. J. Fagan* -------------------------------- *Richard J. Fagan, Executive Vice President and Chief Financial Officer*

SEPARATION AND CONFIDENTIALITY AGREEMENT

THIS SEPARATION AND CONFIDENTIALITY AGREEMENT is made effective as of the 23rd day of September 1999 by and between WILLIAM A. DOYLE, an individual ("Executive"), and INTERDIGITAL COMMUNICATIONS CORPORATION, a business corporation existing under the laws of the Commonwealth of Pennsylvania, together with each and every one of its predecessors, successors (by merger or otherwise), parents, subsidiaries, successors, assigns, directors, officers and employees (hereinafter collectively referred to as the "Company").

W I T N E S S E T H:

WHEREAS, Executive has been employed by the Company in the capacity of President, is a member of the Board of Directors of the Company, and holds various positions in executive management and on the boards of the Company's subsidiaries; and

WHEREAS, during his tenure as President of the Company, Executive and Company entered into an Employment Agreement dated November 20, 1996 (the "Employment Agreement") which provided for certain obligations and benefits upon the termination of Executive's employment; and

WHEREAS, Executive intends to submit his resignation from his positions as a director, officer and employee of the Company, and the Company intends to accept such resignation; and

WHEREAS, Executive and the Company also desire to settle fully and finally all differences between them, including, but in no way limited to, any differences arising out of any aspect of Executive's employment with the Company and/or out of his separation from that employment.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, Executive and the Company acting of their own free will and intending to be legally and irrevocably bound hereby, agree as follows:

1. Prior Agreements. All agreements and understandings between Executive and the Company, whether oral or written, which were in effect at any time prior to the execution and delivery of this Agreement excluding (i) any agreement or obligation of the Company to indemnify Executive as an officer or director of the Company, (ii) the obligation of Company to reimburse Executive for reasonable Company business expenses incurred prior to September 23, 1999, (iii) any agreement under which Executive holds options, and (iv) Sections 6, 7, 8c, and 8d of the Employment Agreement (all such agreements and understandings other than those

described in clause (i), (ii), (iii) and (iv) of this Section 1 being herein referred to as "Prior Agreements") are hereby terminated and of no further force and effect. Neither Executive nor the Company shall have any further rights or obligations under any such Prior Agreements.

2. Employment Termination. Executive acknowledges and agrees that, effective as of September 23, 1999, he shall not render any further services to the Company in the capacity of employee, officer or director of the Company, and that, as of this date, has effectively resigned from any and all positions that he heretofore held with the Company, its subsidiaries and affiliates. Contemporaneously with the execution and delivery of this Agreement, Executive shall execute and deliver to the Company a formal resignation from his positions as President and member of the Board of Directors and similar resignations with respect to each and every subsidiary of the Corporation for which he served as an officer and/or director. Executive further acknowledges and agrees that, effective as of September 23, 1999, he shall no longer be authorized to represent, to incur any expenses or liabilities or to take any other action on behalf of the Company. In addition, Executive acknowledges and agrees that the Company shall not have any obligation, contractual or otherwise, to rehire, reemploy or recall him in the future and/or to pay or to make available to him any additional compensation or benefits after that date except as required by law or as specifically provided herein.

3. Employment Agreement. Company waives its rights under Sections 8a and 8b of the Employment Agreement. Executive and Company waive any prior notice requirements applicable to Executive's resignation. Executive reaffirms his obligations under Sections 6 and 7 of the Employment Agreement.

4. Consideration. In consideration for the general release described in Section 8 hereunder and for all other agreements by Executive contained in this Agreement, the Company shall provide Executive with the following benefits and compensation provided Executive does not revoke this Agreement pursuant to Section 8 herein:

(a) Salary Continuation. Company shall pay to Executive all accrued but unpaid (as of September 23, 1999) base salary and vacation. In addition, Company shall pay to Executive severance in an amount equal to Executive's current base salary (i.e., $275,000 per annum) for the period of thirteen (13) months. All such amounts shall be payable in accordance with Company's normal payroll practices.

(b) Executive Bonuses. Company shall pay Executive on the earlier of March 31, 2000 or the date the Company pays bonuses to executives and employees for 1999, Executive's full bonus applicable to the 1999 calendar year as if Executive had fully served during such term as President. Such bonus shall be determined in accordance with the 1999 Employee Bonus Plan to be adopted by the Company's Board of Directors. In determining such bonus, Executive shall (i) be assigned an annual target incentive bonus of no less than ten percentage points above the annual incentive target bonus for Executive Vice Presidents, (ii) be deemed to have achieved an individual performance appraisal rating of no less than "3" (equating to an achievement of 80% of the target bonus associated with the individual goal) and (iii) to have a base salary of $275,000. With regard to the Executive, the entire bonus shall be paid in cash notwithstanding the option of the Company under the Plan to pay a portion of such bonus in non-cash consideration. Notwithstanding the foregoing, Executive's minimum bonus shall be $90,000.

(c) Medical Benefit Continuation.

(i) It is the intention of the parties hereto that Executive's status as an active participant under the Company's basic group medical and dental insurance will continue insofar as permitted by the contracts with the Company's group insurance providers and by applicable law through September 22, 2000. Any required employee contribution to the medical or dental plan premium will be deducted from Executive's salary continuation payments.

(ii) In the event that the Company determines that the continued inclusion of Executive as an active participant in its basic group insurance plans is not permitted by its providers, the Company shall so advise Executive by written notice. Furthermore, in such event, as part of the severance package made available to Executive hereunder, the Company agrees to bear the cost of continuing Executive's group medical benefits under COBRA (except for amounts which would be contributory by Executive if he were still employed by the Company) through September 22, 2000 provided that Executive elects COBRA coverage and that he satisfies the statutory eligibility criteria.

(iii) The Company's obligation to continue medical and dental coverage will cease if Executive is eligible to participate in a comparable medical plan with a new employer. In this case, Executive agrees immediately to notify the Company by written notice to Gary Isaacs, Vice President of Human Resources of the Company.

(d) Stock Options. As of the date hereof, Executive holds the options set forth on the table below. Notwithstanding any vesting schedules applicable to such options, all such options shall be fully vested. In addition, notwithstanding termination of Executive's employment with the Company, the Company represents and agrees that the termination dates of these options shall be extended, as reflected on the table below, subject to the change of control provisions in the applicable stock option plan under which the stock options were granted.

Options Outstanding	Option Exercise Price	Current Expiration Date	Early Termination Date	New Termination Date
30,000	$4.0000	12/31/2000	12/31/2000	12/31/2000
60,000	$5.2500	8/24/2002	8/24/2002	8/24/2002
5,000	$9.2500	12/27/2002	12/27/2002	12/27/2002
20,000	$4.3750	3/22/2004	3/22/2004	3/22/2004
200,000	$5.4375	9/21/2007	9/21/2007	9/21/2007
10,000	$5.8750	2/20/2001	12/23/1999	2/20/2001
33,334	$3.0000	12/10/2004	3/23/2000	9/22/2001
40,000	$7.6875	10/5/2006	3/23/2000	9/22/2001

(e) Computer Equipment. Executive may retain, and the Company hereby conveys all right and title to Executive, for the laptop computer at his home and the Palm Pilot previously provided to him by the Company.

(f) Subscription. Company shall maintain Executive's Wall Street Journal subscription on his behalf through the end of the subscription period. Company shall arrange for delivery of this subscription to Executive's home address.

(g) Voice Mail, Email, Cell Phone and Card Access. William Merritt, General Counsel to the Company, will screen Executive's email and forward to him any personal messages through the end of 1999. In addition, the Company will maintain an active voice mail for Executive through the end of 1999. Executive may retain, and the Company hereby conveys all right and title to the cellular phone provided to Executive by Company, and Company agrees to reimburse Executive for all termination or early cancellation charges incurred by Executive as a result of any change to or cancellation of the AT&T cellular plan in which the Executive is currently subscribed. Executive shall retain his office keys and Executive's card access to the building will be maintained so that Executive can retrieve his personal belongings until September 27, 1999.

(h) Outplacement. Company will pay for Executive to receive six (6) months of outplacement service, such outplacement service to be commensurate with the type of position held by the Executive in the Company. Further, Executive may extend the outplacement, at his option and at Company's expense, on a month to month basis for an additional three (3) months and for such further time as may be mutually agreed to (Company's agreement not to be unreasonably withheld).

(h) Miscellaneous Benefits. (i) Executive's (but not Company's) contributions to the 401(k) Savings Plan will continue if Company is permitted to do so by law and under the terms of the Plan. Otherwise, Executives payroll deductions will cease effective September 23, 1999.

(ii) If Executive is a participant in Flexible Reimbursement Account, he has the option to continue participation in the plan through deductions from salary continuation or cancel his deductions effective September 23, 1999. If Executive wishes to cancel this deduction, he should complete a Flexible Reimbursement Account change form and return to Mr. Isaacs, Vice President of Human Resources to effect this change.

(iii) Executives life and disability insurance shall terminate on September 23, 1999. Executive should contact Mr. Isaacs for information about converting insurance policies to an individual policy.

(iv) Executive may be eligible to file for unemployment benefits immediately. Executive's salary continuance and vacation day pay should not reduce the unemployment compensation. There is a one week waiting period for eligibility. Executive should contact his state unemployment office and sign up as soon as possible.

5. Confidentiality.

(a) Executive agrees that he will not disclose or use for his direct or indirect benefit or the direct or indirect benefit of any third party, any Confidential Information (as hereinafter defined) of the Company. In general, "Confidential Information" means any and all confidential or confidential and proprietary information of the Company, whether any information relating to computer codes or instructions (including source and object code listings, logic algorithms, subroutines, modules or other subparts of computer programs and related documentation, including program notation); computer processing systems and techniques; layouts; flowcharts; specifications; know-how; any associated user or other manuals or other like textual materials (including any other data and materials used in performing Executive's duties); all computer inputs and outputs (regardless of the media on which stored or located); hardware and software configurations; designs; interfaces; research; processes; inventions; products; methods; marketing sales and distribution data, methods, plans and efforts; the Company's relationship with actual and prospective customers, contractors and suppliers; sales, business, alliance and strategic plans; alliance agreements; license agreements; budgets; any other materials prepared by Executive or other employees in the course of, relating to or arising out of their employment, or prepared by any other contractor for the Company or its customers. For purposes hereof, the term "Confidential Information" shall not include materials or information that (i) were possessed by Executive before his employment by the Company, (ii) have been disclosed or made available to the general public by the Company or by a third party who is not bound by a confidentiality agreement with the Company and who is not otherwise prohibited from disclosing the materials or information to the general public, or (iii) are generally available or known within the Company's industry.

(b) Executive agrees that he will, effective the date of his employment termination: (i) discontinue all use of Confidential Information; (ii) return to the Company all material furnished by the Company that contains Confidential Information; (iii) erase or destroy any Confidential Information contained in computer memory or data storage apparatus under the ownership or control of Executive; and (iv) remove Confidential Information from any software under the ownership or control of Executive that incorporates or uses Confidential Information in whole or in part.

(c) Executive agrees to return to the Company on the effective date of his employment termination, any documents, records, notebooks, files, correspondence, reports, memorandum, personal property owned by the Company, or any other documents and material containing Confidential Information. Executive represents that he has returned all door and file keys, card key passes, computer access cards, software, credit cards and other physical property of any kind owned by the Company that Executive received in connection with his employment, except as otherwise provided by 4(e) and 4(g) herein. Executive further agrees that he will not make, retain, remove or distribute any copies of any of the foregoing.

6. Confidentiality of Terms. Executive agrees that the terms of this Agreement shall remain completely confidential, and he will not hereafter disclose any information concerning this Agreement to anyone except: (a) his spouse and family; (b) his personal attorneys, if any; (c) his personal financial and/or tax advisors; (d) taxing authorities; (e) as may be appropriate to prosecute or defend legal proceedings to enforce this Agreement; and (f) as otherwise may be required by law or court order. Executive further understands that such information may be disclosed to the aforementioned individuals only on the condition that such individuals in turn agree to keep such information completely confidential, and not disclose it to others, except as may otherwise be required by law or court order. After his resignation and in response to any inquiries by employees of the Company or third parties concerning any of the terms of this Agreement, Executive agrees (i) to state only that he resigned his employment or to state information publicly disclosed by the Company, whether in press releases, public filings or otherwise, or (ii) if information publicly disclosed by the Company, whether in press releases, public filings or otherwise, concerning this Agreement is inaccurate in any material respect, Executive may respond to the inquiry with accurate corrective information so long as Executive has previously notified the Company of the material inaccuracy and requested the Company to issue a corrective disclosure and the Company has failed to issue such a corrective disclosure within five days of Executive's notification and request. Nothing herein shall prohibit Executive from disclosing to third parties the provisions of Sections 5 and 6 of this Agreement.

7. Nondisparagement. Neither Executive nor the Company will make to any person outside the employment of that party any tortiously defamatory or disparaging statement with regard to the other party or the other party's business.

8. Waiver and Release of Claims. (a) In consideration of the foregoing, except as set forth in Section 8(c) hereof, Executive completely releases, relinquishes, waives and discharges the Company from all claims, liabilities, demands and causes of action, known or unknown, filed or contingent, which he may have or claim to have against the Company as of the date of the signing of this Agreement arising out of or in any way related to his employment with the Company or the termination of that employment. Executive agrees that he has executed this Agreement and this release on his own behalf, and also on behalf of his heirs, agents, representatives, successors and assigns. This release includes, but is not limited to, a release of any rights or claims he may have under:

(i) the Age Discrimination in Employment Act, which prohibits age discrimination in employment;

(ii) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, which prohibits discrimination in employment based on race, color, national origin, religion or sex;

(iii) the Americans with Disabilities Act which prohibits discrimination on the basis of a covered disability;

(iv) the Employer Retirement and Income Security Act, which prohibits discrimination on the basis of entitlement to certain benefits;

(v) any other federal, state or local laws or regulations prohibiting employment discrimination;

(vi) breach of any express or implied contract claims;

(vii) wrongful termination or any other tort claims, including claims for attorney's fees, whether based on common law, or otherwise.

(viii) all claims to acquire any other rights or entitlements of stock, warrants, options, or other securities of the Company or any related entity, other than pursuant to the exercise of stock options currently held by Executive or acquired or to be acquired by Executive otherwise than from the Company, subject to the limitations set out in Paragraph 4(d) of this Agreement.

(b) In executing this Agreement and the general release contained in this Section 8 above, Executive acknowledges the following:

(i) Executive has read all of the terms of this Agreement, and has had an opportunity to discuss it with individuals of his own choice who are not associated with the Company. Executive has been advised by the Company to consult with an attorney of his own choosing.

(ii) Executive has been given the opportunity to take a period of at least twenty-one (21) days within which to consider this Agreement. If Executive chooses to sign this Agreement before that date, he has done so knowingly and voluntarily.

(iii) Executive understands that he has the right to change his mind and cancel this Agreement within seven (7) days following the date that he signed it. This Agreement will not be effective until the end of this period, without revocation.

(iv) Executive understands the terms of this Agreement, including the fact that he has permanently and irrevocably severed his employment relationship with the Company and that this Agreement releases forever the Company from any legal action rising from his employment relationship and the termination of his employment relationship with the Company. Executive signs this Agreement of his own free will in exchange for the consideration to be given to him, as listed above, which he acknowledges as adequate and satisfactory. Neither the Company, nor its agents, representatives or employees, have made any representations to Executive concerning the terms of effects for this Agreement, other than those contained in this Agreement. Executive also acknowledges that the parties have complied with the requirements of the Older Workers Benefit Protection Act of 1990.

(v) Executive understands, however, that by signing this release, he does not waive rights to: (i) claims arising under any applicable worker's compensation laws; (ii) any claims which the law states may not be waived; and (iii) his vested rights under the regular employment benefit plans of the Company, in effect as of the date this Agreement; (iv) his vested rights under the Company's stock option plans and agreements; and (v) his rights to obtain indemnification under the Company's Articles of Incorporation, By-laws, and applicable Pennsylvania law.

(b) In consideration of the foregoing, except as set forth in Section 8(c) hereof, the Company in turn completely releases, relinquishes, waives and discharges Executive and Executive's agents, representatives and heirs from all claims, liabilities, demands and causes of action, known or unknown, filed or contingent, which it may have or claim to have against Executive as of the date of the signing of this Agreement arising out of or in any way related to Executive's employment or directorship with the Company or the termination of that employment or directorship. The Company agrees that it has executed this Agreement and this release on its own behalf, and on behalf of its subsidiaries, successors and assigns.

(c) Executive and the Company specifically acknowledge and hereby agree that the provisions of this general release extend to all of the aforementioned actions, whether presently matured or not matured, known or unknown, suspected or unsuspected by Executive and by the Company, and further agree that this constitutes an essential, material term of this Agreement. Notwithstanding the foregoing, Executive and the Company expressly agree that the releases set forth in this Section 8 shall not apply to any and all suits, causes of action, claims, demands, charges, complaints, obligations or any actions of any sort whatsoever, whether in law or equity, directly or indirectly, relating to or in any way arising out of any aspect of this Agreement and any other agreements and instruments related to the transactions contemplated herein.

9. No Admission. This Agreement shall not in any way be construed as an admission by either Executive or the Company that either has acted wrongfully with respect to the other party or that any action taken by Executive or the Company with respect to the other at any time prior to the execution of this Agreement has been unwarranted, unjustified, discriminatory, or otherwise unlawful. Rather, it is understood and agreed that this Agreement constitutes a good faith settlement of any and all claims between the parties, and, except as set forth in Section 8(c) hereof, Executive and the Company hereby specifically disclaim any liability to or wrongful acts against the other party on the part of itself, its directors, officers, employees, agents and/or other representatives including legal counsel of any kind.

10. Indemnification. To the extent permitted by law, the Company agrees to defend, indemnify and hold Executive harmless against any threatened or pending actions or proceedings, whether brought by a third party or as a derivative action, by reason of the fact that Executive was an officer or representative of the Company acting within the scope of his employment.

11. Cooperation. (a) Executive agrees to cooperate and provide assistance to Company as reasonably necessary in connection with his resignation and the change-over resulting therefrom.

(b) Executive understands that he will not in the future voluntarily assist any individual or entity in preparing, commencing or prosecuting any action or proceeding against the Company, its directors, officers, employees, or affiliates, including but not limited to, any administrative agency claims, charges or complaints and/or lawsuits against the Company, its directors, officers, employees or affiliates, or to voluntarily participate or cooperate in any such action or proceeding, except as such waiver is specifically prohibited by statute. Executive also agrees that he will cooperate with and assist (including by testifying if requested by the Company) the Company in its defense of any such action or proceeding, as well as any other actions or proceedings currently pending or threatened against the Company or hereafter initiated against the Company. In this regard, Company shall reimburse Executive for lost work time. In addition, assist time (other than time spent testifying) shall not exceed one and one-half (1-1/2) days for each day of anticipated testimony time. This Agreement shall not preclude Executive from testifying in such an action or proceeding if he is compelled to do so pursuant to a subpoena or other court order. However, Executive expressly agrees that he will provide written notice addressed to the attention of William Merritt, Senior Vice President, General Counsel & Secretary, InterDigital Communications Corporation, 781 Third Avenue, King of Prussia, Pennsylvania 19406-1409 (Fax No. 610-878-7844) if he should receive, by service or otherwise, a notice, subpoena or other court order or any other written request seeking or requiring him to testify or otherwise participate in or assist in any action or proceeding against the Company, such notice to be so provided within twenty-four (24) hours of Executive becoming personally aware of the delivery to Executive or anyone acting on his behalf of such notice, subpoena, order or request.

12. Entire Agreement. This Agreement constitutes the entire understanding between Executive and the Company and supersede all other agreements, whether written or oral, with respect to the transactions contemplated herein. This Agreement may not be amended or modified by either party unless such amendment or modification is memorialized in a writing signed by each of the parties hereto.

13. Waiver. Any waiver by either party of any breach of any term or condition of this Agreement shall not operate as a waiver of any other breach of such term or condition or of any other term or condition, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof or constitute or be deemed a waiver or release of any other rights, in law or in equity.

14. Governing Law. All issues concerning this Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflict of law provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the Commonwealth of Pennsylvania. The parties hereto agree that any action to enforce this Agreement may be properly brought in any court within the Commonwealth of Pennsylvania or in the United States District Court for the Eastern District of Pennsylvania, and the parties hereto agree that the courts of the Commonwealth of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania shall have jurisdiction with respect to the subject matter hereof and the person of the parties hereto.

15. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

16. Further Assurances. From time to time after the execution of this Agreement, each of the parties hereto hereby agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper and advisable under applicable laws, rules and regulations to consummate and make effective the transactions contemplated by this Agreement, including using its best efforts to obtain all necessary waivers, consents and approvals. In case at any time after the execution of this Agreement further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each of the parties shall take all such necessary action.

17. Assignment. This Agreement may not be assigned by Executive or the Company without the express written consent of the other; except, that this Agreement may be assigned by the Company to the purchaser of substantially all of the Company's assets or by operation of law (including, without limitation, pursuant to a merger or consolidation of the Company) without consent.

18. Enforcement. All remedies at law and equity shall be available for the enforcement of this Agreement.

19. Opportunity to Review and Right to Revoke. Executive hereby acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, that he has had an opportunity to seek the advice of counsel and that he is voluntarily entering into this Agreement with full knowledge of its respective provisions and effects.

20. Contractual Effect. The parties understand and acknowledge that the

terms of this Agreement are contractual and not a mere recital. Consequently, they expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, and that it shall be binding upon the respective parties as well as their heirs, executors, successors, administrators and assigns.

21. Tax Withholding. Executive and the Company acknowledge and agree that the Company will withhold all applicable withholding taxes as required in accordance with applicable law in respect of amounts being paid or otherwise provided by the Company to Executive hereunder.

IN WITNESS WHEREOF, Executive and the Company each acknowledge that they are acting of their own free will, that they have had a sufficient opportunity to read and review the terms of this Agreement, they have each received the advice of their respective counsel with respect hereto, and that they have voluntarily caused the execution of this Agreement and by reference herein as of the day and year set forth below.

Witness:

---------------------------------- ----------------------------

WILLIAM A. DOYLE

Date: --------------------

INTERDIGITAL COMMUNICATIONS CORPORATION:

By: ------------------------------ Attest: ----------------------------

Title: ---------------------------

Date: ---------------------------

ARTICLE 5

EXHIBIT 27 INTERDIGITAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES Financial Data Schedule (Unaudited)

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	SEP 30 1999
CASH	16,669
SECURITIES	63,659
RECEIVABLES	6,171
ALLOWANCES	74
INVENTORY	3,435
CURRENT ASSETS	93,140
PP&E	24,588
DEPRECIATION	16,951
TOTAL ASSETS	114,844
CURRENT LIABILITIES	12,614
BONDS	2,667
PREFERRED MANDATORY	0
PREFERRED	10
COMMON	486
OTHER SE	99,067
TOTAL LIABILITY AND EQUITY	114,844
SALES	2,022
TOTAL REVENUES	58,307
CGS	4,002
TOTAL COSTS	32,817
OTHER EXPENSES	1,213
LOSS PROVISION	0
INTEREST EXPENSE	250
INCOME PRETAX	28,170
INCOME TAX	2,822
INCOME CONTINUING	25,348
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	25,348
EPS BASIC	.52
EPS DILUTED	.52

End of Filing

Powered By EDGAR Online

© 2005 | EDGAR Online, Inc.