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DELTA REPORT

10-Q

INTERDIGITAL, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1493
CHANGES	205
DELETIONS	587
ADDITIONS	701

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 2024

OR

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

For the transition period from___________to__________

Commission File Number 1-33579

INTERDIGITAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727
(Address of Principal Executive Offices and Zip Code)
(302) 281-3600
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	IDCC	Nasdaq Stock Market LLC

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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	**25,703,156 25,235,496**
Title of Class	Outstanding at October 31, 2023 April 30, 2024

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

PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	SEPTEMBER 30, 2023	DECEMBER 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 518,483	$ 693,479
Short-term investments	565,436	508,298
Accounts receivable	69,572	53,182
Prepaid and other current assets	104,198	89,716
Total current assets	1,257,689	1,344,675
PROPERTY AND EQUIPMENT, NET	11,181	11,338
PATENTS, NET	328,073	353,999
DEFERRED TAX ASSETS	92,065	94,373
OTHER NON-CURRENT ASSETS, NET	137,473	95,720
Total non-current assets	568,792	555,430
TOTAL ASSETS	$ 1,826,481	$ 1,900,105

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 125,774	$ —
Accounts payable	10,544	9,997
Accrued compensation and related expenses	29,981	38,400
Deferred revenue	167,615	189,059
Dividends payable	10,348	10,384
Other accrued expenses	101,185	23,506
Total current liabilities	445,447	271,346
LONG-TERM DEBT	485,476	607,066
LONG-TERM DEFERRED REVENUE	255,091	237,580
OTHER LONG-TERM LIABILITIES	52,685	53,600
TOTAL LIABILITIES	1,238,699	1,169,592
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, 69,431 and 71,923 shares issued and 25,975 and 29,668 shares outstanding	694	719
Additional paid-in capital	734,627	717,102
Retained earnings	1,433,658	1,492,046
Accumulated other comprehensive loss	(2,146)	(916)
	2,166,833	2,208,951
Treasury stock, 43,456 and 42,255 shares of common stock held at cost	1,583,403	1,484,056
Total InterDigital, Inc. shareholders' equity	583,430	724,895
Noncontrolling interest	4,352	5,618
Total equity	587,782	730,513
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,826,481	$ 1,900,105

	MARCH 31, 2024	DECEMBER 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 440,242	$ 437,076
Short-term investments	544,393	569,280
Accounts receivable	145,629	117,292
Prepaid and other current assets	85,172	43,976
Total current assets	1,215,436	1,167,624
Property and equipment, net	11,084	11,566
Patents, net	307,132	313,001
Deferred tax assets	117,309	128,967
Other non-current assets, net	156,060	149,656
Total assets	$ 1,807,021	$ 1,770,814
Liabilities and Shareholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 579,369	$ 578,752
Accounts payable	12,726	7,846
Accrued compensation and related expenses	23,437	32,665
Deferred revenue	155,966	153,597
Dividends payable	10,155	10,226
Other accrued expenses	122,166	98,042
Total current liabilities	903,819	881,128

Long-term debt	28,029	29,019
Long-term deferred revenue	193,955	223,866
Other long-term liabilities	56,927	55,252
Total liabilities	1,182,730	1,189,265
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, 69,638 and 69,507 shares issued and 25,434 and 25,580 shares outstanding	696	694
Additional paid-in capital	744,073	742,981
Retained earnings	1,533,232	1,462,070
Accumulated other comprehensive loss	(1,142)	(647)
Treasury stock, 44,204 and 43,927 shares of common stock held at cost	(1,652,568)	(1,623,549)
Total shareholders' equity	624,291	581,549
Total liabilities and shareholders' equity	$ 1,807,021	$ 1,770,814

The accompanying notes are an integral part of these statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
REVENUES	$ 140,106	$ 114,764	$ 444,070	$ 340,739
Research and portfolio development	50,253	50,116	149,560	139,470
Licensing	21,522	18,393	59,534	51,249
General and administrative	14,678	14,418	38,686	34,818
Restructuring activities	—	—	—	3,280
Total Operating expenses	86,453	82,927	247,780	228,817
Income from operations	53,653	31,837	196,290	111,922
INTEREST EXPENSE	(12,683)	(7,659)	(36,911)	(19,446)
OTHER INCOME (EXPENSE), NET	14,725	912	42,303	(15,109)
Income before income taxes	55,695	25,090	201,682	77,367
INCOME TAX PROVISION	(8,541)	(3,323)	(29,715)	(17,312)
NET INCOME	$ 47,154	$ 21,767	$ 171,967	$ 60,055
Net loss attributable to noncontrolling interest	(787)	(455)	(3,016)	(1,230)
NET INCOME ATTRIBUTABLE TO INTERDIGITAL, INC.	$ 47,941	$ 22,222	$ 174,983	$ 61,285
NET INCOME PER COMMON SHARE — BASIC	$ 1.82	$ 0.75	$ 6.42	$ 2.03
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — BASIC	26,285	29,659	27,259	30,255
NET INCOME PER COMMON SHARE — DILUTED	$ 1.72	$ 0.74	$ 6.19	$ 2.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — DILUTED	27,812	29,940	28,261	30,638

	For the Three Months Ended March 31,	
	2024	2023

Revenues	$	263,542	$	202,373
Operating expenses:				
Research and portfolio development		49,375		49,429
Licensing		96,589		21,368
General and administrative		13,840		12,315
Total operating expenses		159,804		83,112
Income from operations		103,738		119,261
Interest expense		(11,922)		(12,087)
Other income, net		9,247		13,191
Income before income taxes		101,063		120,365
Income tax provision		(19,411)		(16,845)
Net income	$	81,652	$	103,520
Net loss attributable to noncontrolling interest		—		(1,739)
Net income attributable to InterDigital, Inc.	$	81,652	$	105,259
Net income per common share — Basic	$	3.20	$	3.66
Weighted average number of common shares outstanding — Basic		25,510		28,780
Net income per common share — Diluted	$	2.88	$	3.58
Weighted average number of common shares outstanding — Diluted		28,341		29,372
Cash dividends declared per common share	$	0.40	$	0.35

The accompanying notes are an integral part of these statements.

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

		For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
			2023		2022		2023		2022
Net income	Net income	$	47,154	$	21,767	$	171,967	$	60,055
Unrealized gain (loss) on investments, net of tax			30		(292)		(1,230)		(659)
Net income									
Net income									
Unrealized (loss) gain on investments, net of tax									
Unrealized (loss) gain on investments, net of tax									
Unrealized (loss) gain on investments, net of tax									
Comprehensive income									
Comprehensive income									
Comprehensive income	Comprehensive income	$	47,184	$	21,475	$	170,737	$	59,396
Comprehensive loss attributable to noncontrolling interest	Comprehensive loss attributable to noncontrolling interest		(787)		(455)		(3,016)		(1,230)
Comprehensive loss attributable to noncontrolling interest									

Comprehensive loss attributable to noncontrolling interest				
Total comprehensive income attributable to InterDigital, Inc.	$ 47,971	$ 21,930	$ 173,753	$ 60,626
Total comprehensive income attributable to InterDigital, Inc.				
Total comprehensive income attributable to InterDigital, Inc.				

The accompanying notes are an integral part of these statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Non-Controlling Interest	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
BALANCE, DECEMBER 31, 2021	**71,720**	**$ 717**	**$ 713,599**	**$ 1,441,105**	**$ (571)**	**41,031**	**$ (1,409,611)**	**$ 7,678**	**$ 752,917**
Balance, December 31, 2022									
Balance, December 31, 2022									
Balance, December 31, 2022									
Net income attributable to InterDigital, Inc.	—	—	—	17,994	—	—	—	—	17,994
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(290)	(290)
Noncontrolling interest distribution	—	—	—	—	—	—	—	(1,928)	(1,928)
Noncontrolling interest contributions	—	—	—	—	—	—	—	1,500	1,500
Non-controlling interest contributions									
Non-controlling interest contributions									
Non-controlling interest contributions									
Net change in unrealized loss on short-term investments	—	—	—	—	(310)	—	—	—	(310)

Dividends declared ($0.35 per share)	Dividends declared ($0.35 per share)	—	—	158	(10,961)	—	—	—	—	(10,803)
Exercise of common stock options	Exercise of common stock options	24	—	1,226	—	—	—	—	—	1,226
Issuance of common stock, net	Issuance of common stock, net	139	1	(5,027)	—	—	—	—	—	(5,026)
Amortization of unearned compensation		—	—	5,386	—	—	—	—	—	5,386
Share-based compensation										
Repurchase of common stock										
Balance, March 31, 2023										
BALANCE, MARCH 31, 2022		**71,883**	**$ 718**	**$ 715,342**	**$ 1,448,138**	**$ (881)**	**41,031**	**$ (1,409,611)**	**$ 6,960**	**$ 760,666**
Net income attributable to InterDigital, Inc.		—	—	—	21,069	—	—	—	—	21,069
Net loss attributable to noncontrolling interest		—	—	—	—	—	—	—	(485)	(485)
Net change in unrealized loss on short-term investments		—	—	—	—	(57)	—	—	—	(57)
Dividends declared ($0.35 per share)		—	—	153	(10,533)	—	—	—	—	(10,380)
Issuance of common stock, net		29	1	(708)	—	—	—	—	—	(707)
Amortization of unearned compensation		—	—	3,977	—	—	—	—	—	3,977
Repurchase of common stock		—	—	—	—	—	1,224	(74,445)	—	(74,445)
Net convertible note hedge transactions, net of tax		—	—	(54,257)	—	—	—	—	—	(54,257)
Net warrant transactions		—	—	39,863	—	—	—	—	—	39,863
BALANCE, JUNE 30, 2022		**71,912**	**$ 719**	**$ 704,370**	**$ 1,458,674**	**$ (938)**	**42,255**	**$ (1,484,056)**	**$ 6,475**	**$ 685,244**
Net income attributable to InterDigital, Inc.		—	—	—	22,222	—	—	—	—	22,222
Net loss attributable to noncontrolling interest		—	—	—	—	—	—	—	(455)	(455)
Net change in unrealized loss on short-term investments		—	—	—	—	(292)	—	—	—	(292)
Dividends declared ($0.35 per share)		—	—	179	(10,561)	—	—	—	—	(10,382)
Issuance of common stock, net		6	—	(388)	—	—	—	—	—	(388)
Amortization of unearned compensation		—	—	5,846	—	—	—	—	—	5,846
BALANCE, SEPTEMBER 30, 2022		**71,918**	**$ 719**	**$ 710,007**	**$ 1,470,335**	**$ (1,230)**	**42,255**	**$ (1,484,056)**	**$ 6,020**	**$ 701,795**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other	Treasury Stock	Non-Controlling Interest	Total Shareholders'

	Shares	Amount			Comprehensive Loss	Shares	Amount		Equity
BALANCE, DECEMBER 31, 2022	**71,923**	**$ 719**	**$ 717,102**	**$ 1,492,046**	**$ (916)**	**42,255**	**$ (1,484,056)**	**$ 5,618**	**$ 730,513**
Net income attributable to InterDigital, Inc.	—	—	—	105,259	—	—	—	—	105,259
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(1,739)	(1,739)
Noncontrolling interest contributions	—	—	—	—	—	—	—	1,750	1,750
Net change in unrealized loss on short-term investments	—	—	—	—	579	—	—	—	579
Dividends declared ($0.35 per share)	—	—	259	(9,708)	—	—	—	—	(9,449)
Exercise of common stock options	13	—	687	—	—	—	—	—	687
Issuance of common stock, net	132	1	(6,709)	—	—	—	—	—	(6,708)
Amortization of unearned compensation	—	—	7,790	—	—	—	—	—	7,790
Repurchase of common stock	(2,739)	(27)	—	(203,354)	—	—	—	—	(203,381)
BALANCE, MARCH 31, 2023	**69,329**	**$ 693**	**$ 719,129**	**$ 1,384,243**	**$ (337)**	**42,255**	**$ (1,484,056)**	**$ 5,629**	**$ 625,301**
Net income attributable to InterDigital, Inc.	—	—	—	21,783	—	—	—	—	21,783
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(490)	(490)
Net change in unrealized loss on short-term investments	—	—	—	—	(1,839)	—	—	—	(1,839)
Dividends declared ($0.35 per share)	—	—	360	(9,633)	—	—	—	—	(9,273)
Exercise of common stock options	1	—	12	—	—	—	—	—	12
Issuance of common stock, net	42	—	(1,389)	—	—	—	—	—	(1,389)
Amortization of unearned compensation	—	—	8,740	—	—	—	—	—	8,740
Repurchase of common stock	—	—	—	—	—	548	(42,489)	—	(42,489)
BALANCE, JUNE 30, 2023	**69,372**	**$ 693**	**$ 726,852**	**$ 1,396,393**	**$ (2,176)**	**42,803**	**$ (1,526,545)**	**$ 5,139**	**$ 600,356**
Net income attributable to InterDigital, Inc.	—	—	—	47,941	—	—	—	—	47,941
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(787)	(787)
Net change in unrealized loss on short-term investments	—	—	—	—	30	—	—	—	30
Dividends declared ($0.40 per share)	—	—	328	(10,676)	—	—	—	—	(10,348)
Issuance of common stock, net	59	1	(2,888)	—	—	—	—	—	(2,887)
Amortization of unearned compensation	—	—	10,335	—	—	—	—	—	10,335
Repurchase of common stock	—	—	—	—	—	653	(56,858)	—	(56,858)
BALANCE, SEPTEMBER 30, 2023	**69,431**	**$ 694**	**$ 734,627**	**$ 1,433,658**	**$ (2,146)**	**43,456**	**$ (1,583,403)**	**$ 4,352**	**$ 587,782**

	Common Stock				Accumulated Other	Treasury Stock			Total
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Comprehensive Loss	Shares	Amount	Non-Controlling Interest	Shareholders' Equity
Balance, December 31, 2023	**69,507**	**$ 694**	**$ 742,981**	**$ 1,462,070**	**$ (647)**	**43,927**	**$ (1,623,549)**	**$ —**	**$ 581,549**
Net income attributable to InterDigital, Inc.	—	—	—	81,652	—	—	—	—	81,652
Net change in unrealized loss on short-term investments	—	—	—	—	(495)	—	—	—	(495)
Dividends declared ($0.40 per share)	—	—	343	(10,490)	—	—	—	—	(10,147)
Issuance of common stock, net	131	2	(8,637)	—	—	—	—	—	(8,635)
Share-based compensation	—	—	9,386	—	—	—	—	—	9,386
Repurchase of common stock	—	—	—	—	—	277	(29,019)	—	(29,019)
Balance, March 31, 2024	**69,638**	**$ 696**	**$ 744,073**	**$ 1,533,232**	**$ (1,142)**	**44,204**	**$ (1,652,568)**	**$ —**	**$ 624,291**

The accompanying notes are an integral part of these statements.

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

For the Three Months Ended March 31,		For the Three Months Ended March 31,	
		2024	2023
Cash flows from operating activities:	**Cash flows from operating activities:**		
Net income			
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization			
Non-cash interest income, net			
Non-cash change in investments			
Change in deferred revenue			
Change in deferred revenue			
Change in deferred revenue			
Deferred income taxes			
Deferred income taxes			
Deferred income taxes			
Share-based compensation			
Share-based compensation			
Share-based compensation			

	For the Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$171,967	$ 60,055
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	58,698	59,149
Non-cash interest (income) expense, net	(9,800)	3,742
Non-cash change in fair-value	(9,370)	(1,404)
Change in deferred revenue	(3,933)	146,334
Loss on extinguishment of debt	—	11,190
Deferred income taxes	2,635	13,158
Share-based compensation	26,865	15,209
Other		

Impairment of assets		2,500	2,427
Other	Other	116	—
Increase in assets:			
Other			
(Increase) in assets:			
Receivables			
Receivables			
Receivables	Receivables	(16,390)	(371,930)
Deferred charges and other assets	Deferred charges and other assets	(54,384)	(12,848)
Increase in liabilities:			
Increase (decrease) in liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	881	3,485
Accrued compensation and other expenses	Accrued compensation and other expenses	67,533	964
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	237,318	(70,469)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash provided by (used in) operating activities			
Net cash provided by (used in) operating activities			
Cash flows from investing activities:	**Cash flows from investing activities:**		
Purchases of short-term investments	Purchases of short-term investments	(671,612)	(274,189)
Sales of short-term investments	Sales of short-term investments	627,906	182,129
Purchases of property and equipment	Purchases of property and equipment	(3,167)	(872)
Capitalized patent costs	Capitalized patent costs	(27,992)	(30,267)
Capitalized patent costs			
Capitalized patent costs			
Long-term investments	Long-term investments	567	—
Net cash used in investing activities		(74,298)	(123,199)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible senior notes		—	460,000
Purchase of convertible bond hedge		—	(80,500)

Proceeds from issuance of warrants	—	43,700
Long-term investments		
Long-term investments		
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Cash flows from financing activities:		
Payments on long-term debt		
Payments on long-term debt	—	(282,499)
Proceeds from hedge unwind	—	11,851
Payment for warrant unwind	—	(3,837)
Payments on long-term debt		
Payments on long-term debt		
Payments of debt issuance costs		
Payments of debt issuance costs		
Payments of debt issuance costs		
Payments of debt issuance costs	(100)	(9,522)
Repurchase of common stock		
Repurchase of common stock	(302,728)	(74,445)
Net proceeds from exercise of stock options		
Net proceeds from exercise of stock options	699	1,226
Non-controlling interest contribution		
Non-controlling interest contribution	1,750	1,500
Taxes withheld upon restricted stock unit vestings		
Taxes withheld upon restricted stock unit vestings	(10,984)	(6,121)
Taxes withheld upon restricted stock unit vestings		
Taxes withheld upon restricted stock unit vestings		
Dividends paid		
Dividends paid	(29,106)	(31,924)
Net cash (used in) provided by financing activities	(340,469)	29,429
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(177,449)	(164,239)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	703,161	713,224
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$525,712	$548,985
Net cash used in financing activities		
Net increase (decrease) in cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash, beginning of period		

Cash, cash equivalents and restricted cash, end of period

Refer to Note 1, "*Basis of Presentation,*" for additional supplemental cash flow information. Additionally, refer to Note 6, 3, "*Cash, Concentration of Credit Risk and Fair Value of Financial Instruments*" for a reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets.

The accompanying notes are an integral part of these statements.

INTERDIGITAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 March 31, 2024
(unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited, condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position of InterDigital, Inc. (individually and/or collectively with its subsidiaries referred to as “InterDigital,” the “Company,” “we,” “us” or “our,” unless otherwise indicated) as of September 30, 2023 March 31, 2024, the results of our operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and our cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, accordingly, do not include all of the detailed schedules, information and notes necessary to state fairly the financial condition, results of operations and cash flows in conformity with United States generally accepted accounting principles (“GAAP”). The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP for year-end financial statements. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 (our “2022 “2023 Form 10-K”) as filed with the Securities and Exchange Commission (“SEC”) on February 15, 2023 February 15, 2024. Definitions of capitalized terms not defined herein appear within our 2022 2023 Form 10-K. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. We have one reportable segment.

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

Change in Accounting Policies

There have been no material changes or updates to our existing accounting policies from the disclosures included in our 2022 2023 Form 10-K, except as indicated below in "*New Accounting Guidance*".

Reclassifications

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

During 2022, the Company made reclassifications between the operating expenses lines on the consolidated income statement in order to more clearly reflect the Company's investments to create and protect the value of our innovations. The Company grouped research and portfolio related costs within the line "Research and portfolio development", previously referred to as "Development", which resulted in reclassifying certain portfolio related costs out of the "Licensing" line, previously referred to as "Patent administration and licensing", and into "Research and portfolio development." The impact of this reclassification was $28.3 million and $83.0 million for the three and nine months ended September 30, 2022, respectively. Additionally, the previous "Selling, general, and administrative" line is now referred to as "General and administrative".

Supplemental Cash Flow Information

The following table presents additional supplemental cash flow information for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Nine months ended September 30,	
SUPPLEMENTAL CASH FLOW INFORMATION:	**2023**	**2022**
Interest paid	$ 9,312	$ 3,938
Income taxes paid, including foreign withholding taxes	30,117	4,585
Non-cash investing and financing activities:		
Dividend payable	10,348	10,382
Accrued debt issuance costs	—	390
Right-of-use assets obtained in exchange of operating lease liabilities	93	6,228
Non-cash acquisition of patents	—	30,100
Non-cash distribution of patents	—	1,928

Accrued capitalized patent costs and property and equipment purchases	334	3,227
Unsettled repurchase of common stock	1,853	—

	For the Three Months Ended March 31,	
Supplemental cash flow information:	**2024**	**2023**
Income taxes paid, including foreign withholding taxes	$ 9,335	$ 4,942
Non-cash investing and financing activities:		
Dividend payable	10,155	9,449
Right-of-use assets obtained in exchange of operating lease liabilities	2,189	—
Accrued capitalized patent costs and property and equipment purchases	(1,358)	(1,274)

New Accounting Guidance

No new accounting pronouncement*Accounting Standards Update: Improvements to Reportable Segment Disclosures*

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The amendments in the ASU require disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. ASU 2023-07 is effective during for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption allowed. We are currently evaluating the nine months ended September 30, 2023 has or is expected to have a material impact of adoption on our condensed consolidated interim financial statements. disclosures.

Accounting Standards Update: Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in the ASU enhance income tax disclosures, primarily through standardization, disaggregation of rate reconciliation categories, and income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption allowed. We are currently evaluating the impact of adoption on our financial disclosures.

2. REVENUE

Disaggregated Revenue

The following table presents the disaggregation of our revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	For the Three Months Ended March 31,														
		Three months ended September 30,													
		2023	**2022**	**Total Increase/(Decrease)**		**2024**			**2023**			**Total Increase/(Decrease)**			
Recurring revenues:	Recurring revenues:														
Smartphone															
Smartphone															
Smartphone	Smartphone	$ 88,376	$ 87,141	$ 1,235	1 %	$ 74,029		$	$87,431	$		$(13,402)	(15)		(15)
CE, IoT/Auto	CE, IoT/Auto	15,659	13,905	1,754	13 %	CE, IoT/Auto	22,116	14,086		14,086	8,030		8,030	57	
Other	Other	441	—	441	100 %	Other	719	56		56	663		663	1,184	
Total recurring revenues	Total recurring revenues	104,476	101,046	3,430	3 %	Total recurring revenues	96,864	101,573		101,573	(4,709)		(4,709)	(5)	
Catch-up revenues a	Catch-up revenues a	35,630	13,718	21,912	160 %	Catch-up revenues a	166,678	100,800		100,800	65,878		65,878	65	
Total revenues	Total revenues	$140,106	$114,764	$ 25,342	22 %	Total revenues	$263,542	$		$202,373	$	$61,169		30	

Nine months ended September 30,	

	2023		2022		Total Increase/(Decrease)	
Recurring revenues:						
Smartphone	$	260,882	$	262,323	$ (1,441)	(1)%
CE, IoT/Auto		43,177		37,040	6,137	17 %
Other		1,063		911	152	17 %
Total recurring revenues		305,122		300,274	4,848	2 %
Catch-up revenues [a]		138,948		40,465	98,483	243 %
Total revenues	$	444,070	$	340,739	$ 103,331	30 %

(a) Catch-up revenues are comprised of past patent royalties and revenues from static fixed-fee agreements.

During the nine three months ended September 30, 2023 March 31, 2024, we recognized $145.7 million $49.9 million of revenue that had been included in deferred revenue as of the beginning of the period. As of September 30, 2023 March 31, 2024, we had contract assets of $46.1 million and $43.7 $120.4 million included within "*Accounts receivable*" in the condensed consolidated balance sheet. As of December 31, 2023, we had contract assets of $94.6 million included within "*Accounts receivable*" and "*Other non-current assets, net*" in the condensed consolidated balance sheet, respectively. As of December 31, 2022, we had contract assets of $32.9 million and $2.5 million included within "*Accounts receivable*" and "*Other non-current assets, net*" in the condensed consolidated balance sheet, respectively. sheet.

Contracted Revenue

Based on contracts signed and committed as of September 30, 2023 March 31, 2024, we expect to recognize the following revenue from dynamic fixed-fee royalty payments over the term of such contracts (in thousands):

		Revenue (a)
Remainder of 2023		$ 92,458
2024		309,264
Revenue (a)		**Revenue (a)**
Remainder of 2024		
2025	**2025**	296,060
2026	**2026**	227,395
2027	**2027**	225,034
2028 and Thereafter		472,696
2028 Thereafter		
Total Revenue	**Total Revenue**	$1,622,907

(a) This table includes estimated revenue related to our Samsung arbitration and Lenovo UK proceedings. arbitration. In accordance with ASC 606, these estimates are limited to the amount of revenue we expect to recognize only to the extent it is probable that a subsequent change in the estimate would not result in a significant revenue reversal.

3. INCOME TAXES CASH, CONCENTRATION OF CREDIT RISK AND FAIR VALUE OF FINANCIAL INSTRUMENTS

In Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash currently consists of money market and demand accounts. The following table provides a reconciliation of total cash, cash equivalents and restricted cash as of March 31, 2024, December 31, 2023 and March 31, 2023 to the nine months ended September 30, 2023 captions within the condensed consolidated balance sheets and 2022, condensed consolidated statements of cash flows (in thousands):

	March 31, 2024		December 31, 2023		March 31, 2023	
Cash and cash equivalents	$	440,242	$	437,076	$	430,625
Restricted cash included within prepaid and other current assets		20,948		5,885		12,085
Total cash, cash equivalents and restricted cash	$	461,190	$	442,961	$	442,710

Concentration of Credit Risk and Fair Value of Financial Instruments

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

Our accounts receivable and contract assets are derived principally from patent license and technology solutions agreements. Four licensees comprised 85% and 84% of our accounts receivable balance, as of March 31, 2024 and December 31, 2023, respectively. We perform ongoing credit evaluations of our licensees, who generally include large, multinational, wireless telecommunications equipment manufacturers. We believe that the Company had an book values of our financial instruments approximate their fair values.

Fair Value Measurements

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

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

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

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

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

Recurring Fair Value Measurements

Our financial assets are generally included within short-term investments on our condensed consolidated balance sheets, unless otherwise indicated. Our financial assets and liabilities that are accounted for at fair value on a recurring basis are presented in the tables below as of March 31, 2024 and December 31, 2023 (in thousands):

	Fair Value as of March 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market and demand accounts (a)	$ 435,695	$ —	$ —	$ 435,695
Commercial paper (b)	—	136,406	—	136,406
U.S. government securities (c)	—	251,166	—	251,166
Corporate bonds, asset backed and other securities (d)	—	182,316	—	182,316
Total	$ 435,695	$ 569,888	$ —	$ 1,005,583

	Fair Value as of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market and demand accounts (a)	$ 430,707	$ —	$ —	$ 430,707
Commercial paper (b)	—	174,991	—	174,991
U.S. government securities (c)	—	256,850	—	256,850
Corporate bonds, asset backed and other securities (d)	—	149,693	—	149,693
Total	$ 430,707	$ 581,534	$ —	$ 1,012,241

(a) Primarily included within cash and cash equivalents.

(b) As of March 31, 2024 and December 31, 2023, $5.8 million and $5.7 million of commercial paper was included within cash and cash equivalents, respectively.

(c) As of March 31, 2024 and December 31, 2023, $11.8 million and $0.0 million of U.S. government securities was included within cash and cash equivalents, respectively.

(d) As of March 31, 2024 and December 31, 2023, $7.9 million and $6.5 million of corporate bonds, asset backed and other securities was included within cash and cash equivalents, respectively.

Non-Recurring Fair Value Measurements

Patents

During first quarter 2023, we incurred a one-time impairment of $2.5 million on our patents held for sale. We determined the fair value based upon evaluation of market conditions.

Fair Value of Long-Term Debt

Convertible Notes

The principal amount, carrying value and related estimated annual effective tax fair value of the Company's Convertible Notes reported as of March 31, 2024 and December 31, 2023 was as follows (in thousands). The aggregate fair value of the principal amount of the Convertible Notes is a Level 2 fair value measurement.

	March 31, 2024			December 31, 2023		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
2027 Senior Convertible Long-Term Debt	$ 460,000	$ 453,295	$ 658,030	$ 460,000	$ 452,830	$ 677,230
2024 Senior Convertible Long-Term Debt	$ 126,174	$ 126,074	$ 165,364	$ 126,174	$ 125,922	$ 171,130

Technicolor Patent Acquisition Long-term Debt

The carrying value and related estimated fair value of the Technicolor Patent Acquisition long-term debt reported as of March 31, 2024 and December 31, 2023 was as follows (in thousands). The aggregate fair value of the Technicolor Patent Acquisition long-term debt is a Level 3 fair value measurement.

	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Technicolor Patent Acquisition Long-Term Debt	$ 28,029	$ 28,300	$ 29,019	$ 28,859

4. OTHER ASSETS AND LIABILITIES

The amounts included in "*Prepaid and other current assets*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Prepaid assets	$ 32,792	$ 9,353
Tax receivables	21,959	19,835
Restricted cash	20,948	5,885
Other current assets	9,473	8,903
Total Prepaid and other current assets	$ 85,172	$ 43,976

The amounts included in "*Other non-current assets, net*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Tax receivables	$ 79,251	$ 76,740
Long-term investments	33,481	31,895
Goodwill	22,421	22,421
Right-of-use assets	17,328	15,746
Other non-current assets	3,579	2,854
Total Other non-current assets, net	$ 156,060	$ 149,656

The amounts included in "*Other accrued expenses*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Customer deposit	$ 76,100	$ 76,100
Accrued legal fees	16,541	10,338
Other accrued expenses	29,525	11,604
Total Other accrued expenses	$ 122,166	$ 98,042

The amounts included in "*Other long-term liabilities*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Deferred compensation liabilities	$ 18,967	$ 18,413
Operating lease liabilities	18,547	17,385
Other long-term liabilities	19,413	19,454

Total Other long-term liabilities	$	56,927	$	55,252

5. OBLIGATIONS

2027 Notes, and Related Note Hedge and Warrant Transactions

On May 27, 2022, we issued $460.0 million in aggregate principal amount of 3.50% Senior Convertible Notes due 2027 (the "2027 Notes"). The net proceeds from the issuance of the 2027 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were approximately $450.0 million. The 2027 Notes bear interest at a rate of 14.7% 3.50% per year, payable in cash on June 1 and 22.4% December 1 of each year, commencing on December 1, 2022, respectively. and mature on June 1, 2027, unless earlier redeemed, converted or repurchased.

The change in effective tax rate is due 2027 Notes will be convertible into cash up to an increase in the aggregate principal amount of Foreign Derived Intangible Income deduction benefit available to the Company due to higher taxable income inclusive of timing differences between the recognition of book and tax revenue. Additionally, the effective tax rate in both periods was impacted by losses in certain jurisdictions where the Company presently has recorded a valuation allowance against the related tax benefit. Excluding this valuation allowance, our effective tax rate for the nine months ended September 30, 2023 and 2022 would have been 13.4% and 18.1%, respectively. During the nine months ended September 30, 2023, the Company recorded a discrete net benefit of $2.9 million primarily related to share-based compensation and foreign royalty withholding tax that was previously non-creditable. The prior period included a net discrete tax expense of $2.3 million primarily related to the extinguishment of long-term debt recognized during second quarter of 2022.

The effective tax rate reported in any given year will continue notes to be influenced by a variety converted and in respect of factors, including timing differences between the recognition of book and tax revenue, the level of pre-tax income or loss, the foreign vs. domestic classification remainder, if any, of the Company's customers, obligation in excess of the aggregate principal amount of the notes being converted, pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination thereof, at the Company's election, at an initial conversion rate of 12.9041 shares of Common Stock per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $77.49 per share). From the period January 1, 2024 through June 30, 2024, the holders of the 2027 Notes have the right, but not the obligation, to convert any portion of the principal amount of the 2027 Notes. As such, the 2027 are included in "*Current portion of long-term debt*" in our condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023.

The 2027 Notes are the Company's senior unsecured obligations and rank equally in right of payment with any of the Company's current and any discrete items future senior unsecured indebtedness, including its 2.00% Senior Convertible Notes due 2024 (the "2024 Notes" and together with the 2027 Notes, the "Convertible Notes"). The 2027 Notes are effectively subordinated to all of the Company's future secured indebtedness, if any, to the extent of the value of the related collateral, and the 2027 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of the Company's subsidiaries.

On May 24 and May 25, 2022, in connection with the offering of the 2027 Notes, we entered into convertible note hedge transactions that may occur.

During the nine months ended September 30, 2023 and 2022, the Company paid cover, subject to customary anti-dilution adjustments, approximately $8.4 million and $3.7 million, respectively, in foreign source creditable withholding tax.

4.NET INCOME PER SHARE

Basic Earnings Per Share ("EPS") is calculated by dividing net income or loss available to common shareholders by the weighted-average number 5.9 million shares of common stock, in the aggregate, at a strike price that initially corresponds to the initial conversion price of the 2027 Notes, subject to adjustment, and are exercisable upon any conversion of the 2027 Notes. Also on May 24 and May 25, 2022, we entered into privately negotiated warrant transactions, whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 5.9 million shares outstanding for of common stock. As of March 31, 2024, the period. Diluted EPS reflects warrants under the potential dilution that could occur if options or other securities with features that could result 2027 Warrant Transactions had a weighted average strike price of $106.31 per share, subject to adjustment.

2024 Notes, and Related Note Hedge and Warrant Transactions

On June 3, 2019, we issued $400.0 million in aggregate principal amount of 2024 Notes. The net proceeds from the issuance of common stock the 2024 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were exercised or converted to common stock or resulting from unvested outstanding restricted stock units ("RSUs") approximately $391.6 million. The following tables reconcile 2024 Notes bear interest at a rate of 2.00% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2019, and mature on June 1, 2024, unless earlier redeemed, converted or repurchased.

Commencing on March 1, 2024, the numerator and 2024 Notes became convertible at any time prior to 5:00 p.m., New York City time, on the denominator second scheduled trading day immediately preceding the maturity date of the basic 2024 Notes. The 2024 Notes are convertible into cash and diluted net income per share computation (in thousands, except for per share data):

	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
Net income applicable to InterDigital, Inc.	$	47,941	$	22,222	$	174,983	$	61,285
Weighted-average shares outstanding:								
Basic		26,285		29,659		27,259		30,255
Dilutive effect of stock options, RSUs, convertible securities and warrants		1,527		281		1,002		383
Diluted		27,812		29,940		28,261		30,638
Earnings per share:								
Basic	$	1.82	$	0.75	$	6.42	$	2.03

Dilutive effect of stock options, RSUs, convertible securities and warrants	(0.10)	(0.01)	(0.23)	(0.03)
Diluted	$ 1.72	$ 0.74	$ 6.19	$ 2.00

Shares of common stock issuable upon the exercise or conversion of certain securities have been excluded from our computation of EPS because the strike price or conversion rate, as applicable, of such securities was greater than the average market price shares of our common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of 2024 Notes and as a result, any remaining amounts in shares of our common stock, at an initial conversion rate of 12.3018 shares of our common stock per $1,000 principal amount of 2024 Notes (which is equivalent to an initial conversion price of approximately $81.29 per share).

The 2024 Notes are senior unsecured obligations of the effect Company and rank equally in right of such exercise or conversion would have been anti-dilutive. Set forth below payment with any of our current and any future senior unsecured indebtedness. The 2024 Notes are effectively subordinated to all of our future secured indebtedness, if any, to the securities extent of the value of the related collateral, and the weighted average number 2024 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of our subsidiaries.

On May 29 and May 31, 2019, in connection with the offering of the 2024 Notes, we entered into convertible note hedge transactions (collectively, the "2024 Note Hedge Transactions") that cover, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock, underlying such securities in the aggregate, at a strike price that were excluded from our computation of EPS for initially corresponds to the periods presented (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Restricted stock units and stock options	1	537	142	493
Warrants	7,488	7,488	7,488	6,096
Total	7,489	8,025	7,630	6,589

Convertible Notes and Warrants

Refer to Note 7, "*Obligations*," for information about the Company's convertible notes and warrants and related conversion and strike prices. During periods in which the average market price of the Company's common stock is above the applicable initial conversion price of the Company's convertible notes, or above 2024 Notes, subject to adjustment, and are exercisable upon any conversion of the 2024 Notes. On May 29 and May 31, 2019, we also entered into privately negotiated warrant transactions (collectively, the "2024 Warrant Transactions" and, together with the 2024 Note Hedge Transactions, the "2024 Call Spread Transactions"), whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock at an initial strike price of approximately $109.43 per share, subject to adjustment.

During second quarter 2022, we repurchased $273.8 million in aggregate principal amount of the Company's outstanding warrants, 2024 Notes in privately negotiated transactions concurrently with the impact offering of conversion or exercise, as applicable, would be dilutive and such dilutive effect is reflected in diluted EPS. the 2027 Notes. As a result in periods where the average market price of the Company's common stock is above partial repurchase of the conversion price or strike price, 2024 Notes, $126.2 million in aggregate principal amount of the 2024 Notes remained outstanding as applicable, under of March 31, 2024. Additionally, in connection with the if-converted method, partial repurchase of the 2024 Notes, the Company calculates the number of shares issuable under entered into partial unwind agreements that amend the terms of the convertible notes 2024 Note Hedge Transactions to reduce the number of options corresponding to the principal amount of the repurchased 2024 Notes. The unwind agreements also reduce the number of warrants exercisable under the 2024 Warrant Transactions. As a result of the partial unwind transactions, approximately 1.6 million shares of common stock in the aggregate were covered under each of the 2024 Note Hedge Transactions and the 2024 Warrant Transactions as of March 31, 2024. As of March 31, 2024, the warrants under the 2024 Warrant Transactions had a strike price of approximately $109.43 per share, as adjusted.

The following table reflects the carrying value of our Convertible Notes long-term debt as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
3.50% Senior Convertible Notes due 2027	$ 460,000	$ 460,000
2.00% Senior Convertible Notes due 2024	126,174	126,174
Less: Deferred financing costs	(6,805)	(7,422)
Net carrying amount of the Convertible Notes	579,369	578,752
Less: Current portion of long-term debt	(579,369)	(578,752)
Long-term net carrying amount of the Convertible Notes	$ —	$ —

The following table presents the amount of interest cost recognized, which is included within "*Interest expense*" in our condensed consolidated statements of income, for the three months ended March 31, 2024 and 2023 relating to the contractual interest coupon and the amortization of deferred financing costs of the Convertible Notes (in thousands):

	For the Three Months Ended March 31,					
	2024			2023		
	2027 Notes	2024 Notes	Total	2027 Notes	2024 Notes	Total

Contractual coupon interest	$ 4,025	$ 631	$ 4,656	$ 4,025	$ 631	$ 4,656
Amortization of deferred financing costs	465	151	616	431	142	573
Total	$ 4,490	$ 782	$ 5,272	$ 4,456	$ 773	$ 5,229

Technicolor Patent Acquisition Long-Term Debt

On July 30, 2018, we completed our acquisition of the patent licensing business of Technicolor SA ("Technicolor"), a worldwide technology leader in the media and entertainment sector (the "Technicolor Patent Acquisition"). In conjunction with the Technicolor Patent Acquisition, we assumed Technicolor's rights and obligations under a joint licensing program with Sony relating to digital televisions and standalone computer display monitors, which commenced in 2015 and is referred to as the "Madison Arrangement." An affiliate of CPPIB Credit Investments Inc. ("CPPIB Credit"), a wholly owned subsidiary of Canada Pension Plan Investment Board, is a third-party investor in the Madison Arrangement. CPPIB Credit has made certain payments to Technicolor and Sony and has agreed to contribute cash to fund certain capital reserve obligations under the arrangement in exchange for a percentage of future revenues, specifically through September 11, 2030 in regard to the Technicolor patents.

Upon our assumption of Technicolor's rights and obligations under the Madison Arrangement, our relationship with CPPIB Credit meets the criteria in ASC 470-10-25 - *Sales of Future Revenues or Various Other Measures of Income* ("ASC 470"), which relates to cash received from an investor in exchange for a specified percentage or amount of revenue or other measure of income of a particular product line, business segment, trademark, patent, or contractual right for a defined period. Under this guidance, we recognized the fair value of our contingent obligation to CPPIB Credit, as of the acquisition date, as long-term debt in our condensed consolidated balance sheet. This initial fair value measurement was based on the average perspective of a market price participant and included significant unobservable inputs which are classified as Level 3 inputs within the fair value hierarchy. The fair value of the stock long-term debt as of March 31, 2024 and December 31, 2023 is disclosed within Note 3, "*Cash, Concentration of Credit Risk and Fair Value of Financial Instruments.*" Our repayment obligations are contingent upon future royalty revenues generated from the Madison Arrangement and there are no minimum or maximum payments under the arrangement.

Under ASC 470, amounts recorded as debt are amortized under the interest method. At each reporting period, we will review the discounted expected future cash flows over the life of the obligation. The Company made an accounting policy election to utilize the catch-up method when there is a change in the estimated future cash flows, whereby we will adjust the carrying amount of the debt to the present value of the revised estimated future cash flows, discounted at the original effective interest rate, with a corresponding adjustment recognized as interest expense within "*Interest Expense*" in the condensed consolidated statements of income. The effective interest rate as of the acquisition date was approximately 14.5%. This rate represents the discount rate that equates the estimated future cash flows with the fair value of the debt as of the acquisition date and is used to compute the amount of interest to be recognized each period based on the estimated life of the future revenue streams. During the three months ended March 31, 2024 and 2023, we recognized $0.6 million and $0.3 million of interest expense related to this debt. This was included within "*Interest Expense*" in the condensed consolidated statements of income. Any future payments made to CPPIB Credit, or additional proceeds received from CPPIB Credit, will decrease or increase the long-term debt balance accordingly. We made a $1.6 million payment to CPPIB Credit during the period, three months ended March 31, 2024.

Technicolor Contingent Consideration

As part of the Technicolor Patent Acquisition, we entered into a revenue-sharing arrangement with Technicolor that created a contingent consideration liability. Under the revenue-sharing arrangement, Technicolor receives 42.5% of future cash receipts from new licensing efforts from the Madison Arrangement only, subject to certain conditions and includes that number in hurdles. As of March 31, 2024, the total diluted shares outstanding for contingent consideration liability from the period. revenue-sharing arrangement was deemed not probable and is therefore not reflected within the consolidated financial statements.

5. 6. LITIGATION AND LEGAL PROCEEDINGS

ARBITRATIONS AND COURT PROCEEDINGS

Lenovo

UK Proceedings

On August 27, 2019, the Company and certain of its subsidiaries filed a claim in the UK High Court against Lenovo Group Limited and certain of its subsidiaries. The claim, as amended, alleges infringement of five of the Company's patents relating to 3G and/or 4G/LTE standards: European Patent (UK) Nos. 2,363,008; 2,421,318; 2,485,558; 2,557,714; and 3,355,537. The Company sought, among other relief, injunctive relief to prevent further infringement of the asserted patents or, in the alternative, a determination of the terms of a FRAND license.

On July 29, 2021, the UK High Court issued its decision regarding the first technical trial finding European Patent (UK) No. 2,485,558 valid, infringed, and essential to Release 8 of LTE. Lenovo appealed this decision, and on January 19, 2023, the UK Court of Appeal upheld the UK High Court's findings that Lenovo is infringing on InterDigital's valid and essential patent. On January 6, 2022, the UK High Court issued its decision regarding the second technical trial finding European Patent (UK) No. 3,355,537 invalid, but essential and infringed but for the finding of invalidity. The Company appealed this decision as legally erroneous, and on February 9, 2023, the UK Court of Appeal allowed the appeal, finding that Lenovo is infringing on InterDigital's valid and essential patent. On January 31, 2023, the UK High Court issued its decision regarding the third technical trial finding European Patent (UK) No. 2,421,318 valid, essential, and infringed. On March 7, 2023, the UK High Court issued an order staying all deadlines with respect to the fourth and fifth technical trials. On March 16, 2023, the UK High Court issued its order regarding judgement judgment in the trial to determine how much Lenovo must pay for a license to the Company's portfolio of cellular assets, awarding the Company a lump sum of $138.7 million for such license through December 31, 2023. A form of order hearing took place in May 2023 regarding the license terms, interest, costs, and permission to appeal. On June 27, 2023, the court issued an order awarding the Company an additional $46.2 million, thus increasing the total award to $184.9 million, which was paid on July 11, 2023. The court also found that the Company should pay a portion of Lenovo's costs and granted both parties permission to appeal on certain grounds. Both parties filed Appellant's Notices and the appeals were docketed on July 31, 2023. On September 19, 2023, the Court of Appeal granted the Company permission to appeal on all its requested grounds. The appeal is scheduled to be heard on June 10, 2024.

On September 24, 2023, Lenovo filed a new claim in the UK High Court against the Company. The claim alleges invalidity of two of the Company's patents relating to 4G/LTE standards: European Patent (UK) Nos. 2,557,714 and 2,557,715. Lenovo sought, among other relief, a declaration that the patents at issue are invalid, not essential, and not infringed, revocation of the patents at issue, and a declaration that, upon expiration of the current license in 2023, Lenovo is licensed under terms to be determined by the UK High Court through 2028 or, in the alternative, a determination of the terms of a FRAND license. On October 19, 2023, Lenovo filed a request for an order that the Company indicate whether it is prepared to give an unconditional undertaking to enter into a global license on terms set by the UK Court, or failing that, a declaration that the Defendants are unwilling licensors; a hearing was held on December 12, 2023 where Lenovo agreed to stay its application. On November 22, 2023, the Company filed a jurisdiction challenge. A hearing on the jurisdiction challenge took place on April 24-25, 2024, and on April 25, 2024 the jurisdiction challenge was denied. On November 28, 2023, Lenovo filed an application seeking an expedited FRAND trial and an interim license until a FRAND decision is issued in the UK. A hearing on the interim license was held on February 26-27, 2024; on March 21, 2024 the UK High Court denied Lenovo's request for the interim license. A hearing on Lenovo's request for an expedited FRAND trial will be scheduled now that the interim license and jurisdiction challenge issues are resolved.

District of Delaware Patent Proceedings

On August 28, 2019, the Company and certain of its subsidiaries filed a complaint in the United States District Court for the District of Delaware (the "Delaware District Court") against Lenovo Holding Company, Inc. and certain of its subsidiaries alleging that Lenovo infringes eight of the Company's U.S. patents-U.S. Patent Nos. 8,085,665; 8,199,726; 8,427,954; 8,619,747; 8,675,612; 8,797,873; 9,203,580; and 9,456,449-by making, using, offering for sale, and/or selling Lenovo wireless devices with 3G and/or 4G LTE capabilities. As relief, InterDigital is seeking: (a) a declaration that the Company is not in breach of its relevant FRAND commitments with respect to Lenovo; (b) to the extent Lenovo does not agree to negotiate a worldwide patent license, does not agree to enter into binding international arbitration to set the terms of a FRAND license, and does not agree to be bound by the terms to be set by the UK High Court in the separately filed UK proceedings described above, an injunction prohibiting Lenovo from continued infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) attorneys' fees and costs.

On September 16, 2020, the Delaware District Court entered a schedule for the case, setting a patent jury trial. On March 8, 2021, the Delaware District Court held a claim construction hearing, and the court issued its order on May 10, 2021, construing various disputed terms. On March 24, 2021, the Delaware District Court consolidated the antitrust proceeding discussed below with this patent proceeding. On April 25, 2022, the parties filed a stipulation to stay only the claims relating to U.S. Patent No. 8,199,726. The stipulation was granted. On January 13, 2023, Lenovo filed a motion to sever and stay the Company's patent infringement claims, requesting that its Sherman Act and breach of FRAND claims proceed to trial. On June 30, 2023, the parties submitted an update to the Court requesting that the entire case be stayed, and on July 18, 2023, the court ordered that the case be stayed pending resolution of all appeals in the UK proceedings.

District of Delaware Antitrust Proceedings

On April 9, 2020, Lenovo (United States) Inc. and Motorola Mobility LLC filed a complaint in the Delaware District Court against the Company and certain of its subsidiaries. The complaint alleges that the Company defendants have violated Sections 1 and 2 of the Sherman Act in connection with, among other things, their licensing of 3G and 4G standards essential patents ("SEPs"). The complaint further alleges that the Company defendants have violated their commitment to the ETSI with respect to the licensing of 3G and 4G SEPs on FRAND terms and conditions. The complaint seeks, among other things (i) rulings that the Company defendants have violated Sections 1 and 2 of the Sherman Act and are liable for breach of their ETSI FRAND commitments, (ii) a judgment that the plaintiffs are entitled to a license with respect to the Company's 3G and 4G SEPs on FRAND terms and conditions, and (iii) injunctions against any demand for allegedly excessive royalties or enforcement of the Company defendants' 3G and 4G U.S. SEPs against the plaintiffs or their customers via patent infringement proceedings.

On June 22, 2020, the Company filed a motion to dismiss Lenovo's Sherman Act claims with prejudice, and to dismiss Lenovo's breach of contract claim with leave to re-file as a counterclaim in the Company's legal proceeding against Lenovo in the Delaware District Court discussed above.

On March 24, 2021, the Delaware District Court ruled on the Company's motion to dismiss. The Delaware District Court dismissed the Sherman Act Section 1 claim without prejudice, denied the motion to dismiss the Sherman Act Section 2 claim, and consolidated the Section 2 and breach of contract claims with Company's Delaware patent proceeding discussed above. Accordingly, these claims have been stayed pending resolution of all appeals in the UK proceedings.

International Trade Commission and Companion District Court Proceedings

On September 1, 2023, the Company and certain of its subsidiaries filed a complaint in the United States International Trade Commission (the "International Trade Commission") against Lenovo Group Ltd. and certain of its subsidiaries alleging that Lenovo infringes five of the Company's U.S. patents (U.S. Patent Nos. 10,250,877, 8,674,859, 9,674,556, 9,173,054, and 8,737,933) by making, using, offering for sale, and/or selling certain electronic devices, including smartphones, computers, tablet computers, and components thereof that infringe certain claims of the asserted patents. As relief, the Company is seeking: (a) a limited exclusion order against Lenovo barring from entry into the United States all of Lenovo's products that infringe the asserted patents; (b) cease and desist orders prohibiting Lenovo from importing, selling, offering for sale, marketing, advertising, and distributing, infringing products; and (c) a bond during the 60-day Presidential review period. On October 5, 2023, the International Trade Commission instituted the requested investigation. The hearing has beenis scheduled for May 8-14, August 14-20, 2024. The Initial Determination is expected to be issued by October 11, 2024 January 13, 2025, and the Final Determination is expected to be issued by February 11, 2025 May 13, 2025.

On September 1, 2023, the Company and certain of its subsidiaries filed a complaint in the United States District Court for the Eastern District of North Carolina (the "North Carolina District Court") against Lenovo Group Ltd. and certain of its subsidiaries alleging that Lenovo infringes five of the Company's U.S. patents (U.S. Patent Nos. 10,250,877, 8,674,859, 9,674,556, 9,173,054, and 8,737,933) by making, using, offering for sale, and/or selling Lenovo smartphones, computers (including both laptop and desktop), and tablet computers that utilize the Company's patented technology. As relief, the Company is seeking: (a) a finding that Lenovo is liable for infringement of the asserted patents; (b) an injunction against further infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) costs. Lenovo filed its answer and counterclaims and motion to dismiss a portion of the complaint on October 10, 2023, which remains pending. On October 31, 2023, the Company filed its answer to Lenovo's counterclaims, an amended complaint, as well as a motion to dismiss certain of Lenovo's counterclaims, which was denied on March 25, 2024. On February 23, 2024, Lenovo filed a Motion for Judgment on the Pleadings, alleging three of the asserted patents are invalid; that motion is pending.

China Proceedings

On April 10, 2020, Lenovo (Beijing) Ltd. and certain of its affiliates filed a complaint against the Company and certain of its subsidiaries in the Beijing Intellectual Property Court (the "Beijing IP Court") seeking a determination of the FRAND royalty rates payable for the Company's Chinese 3G, 4G and 5G SEPs. On February 20, 2021, the Company filed an application challenging the jurisdiction of the Beijing IP Court to take up Lenovo's complaint. On November 15, 2021, the Beijing IP Court denied the jurisdictional challenge, and the Company filed an appeal with the Supreme People's Court of the People's Republic of China (the "SPC") on December 14, 2021. That appeal was denied by the SPC on September 5, 2022, and the case was sent back to the Beijing IP Court. On November 9, 2022, the Company filed a petition to stay the case. On June 12, 2023, the Beijing IP Court decided not to dismiss or stay the case at this time.

case. On December 5, 2023, Lenovo filed a request to withdraw the proceedings, and on December 29, 2023, the Beijing IP Court granted Lenovo's request.

On November 26, 2021, the Company was informed that Lenovo had purportedly filed an additional complaint against the Company in the Wuhan Intermediate People's Court (the "Wuhan Court") seeking a determination of a global FRAND royalty rate for the period from 2024 to 2029 for the Company's 3G, 4G, and 5G SEPs. On April 16, 2022, the Company filed an application challenging, among other things, process of service and the jurisdiction of the Wuhan Court. The application was denied on August 7, 2023. The Company filed an appeal before the SPC on September 4, 2023. On December 19, 2023, Lenovo filed a request to withdraw the proceedings, and on January 15, 2024, the Beijing IP Court granted Lenovo's request.

Germany Proceedings

On March 25, 2022, March 28, 2022, and April 6, 2022, the Company and certain of its subsidiaries filed patent infringement claims in the Munich and Mannheim Regional Courts against Lenovo and certain of its affiliates, alleging infringement of European Patent Nos. 2,449,782; 2,452,498; 3,624,447 and 3,267,684 relating to HEVC standards. The Company sought, among other relief, injunctive relief to prevent further infringement of the asserted patents. On September 21, 2023, the parties entered into a patent license agreement regarding the Company's HEVC portfolio. On October 4, 2023, the Company filed motions to withdraw the litigations involving European Patent Nos. 2,449,782; 2,452,498; 3,624,447 and 3,267,684; the litigations were withdrawn on October 9, 2023. On September 22, 2023,September 22, 2023, the Company filed a complaint with the Munich Regional Court against Lenovo and certain of its affiliates, alleging infringement of European Patent No. 2,127,420, relating to cellular 4G/LTE and/or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents. A hearing regarding European Patent No. 2,127,420 was held on April 18, 2024; judgment is expected on or around May 2, 2024.

Oppo, OnePlus and realme

UK Proceedings

On December 20, 2021, the Company filed a patent infringement claim in the UK High Court against Guangdong Oppo Mobile Telecommunications Corp., Ltd. ("Oppo") and certain of its affiliates, OnePlus Technology (Shenzhen) Co., Ltd. ("OnePlus") and certain of its affiliates, and realme Mobile Telecommunications (Shenzhen) Co., Ltd. ("realme") and certain of its affiliates, alleging infringement of European Patent (UK) Nos. 2,127,420; 2,421,318; 2,485,558; and 3,355,537 relating to cellular 3G, 4G/LTE or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents.

On March 24, 2023, the parties agreed to stay all technical trials on the basis that European Patent No. 2,485,558 is valid and essential based on the result of Technical Trial A in the Lenovo UK proceedings.proceedings. The FRAND trial to determine the royalties to be paid under the license with Oppo was held from March 1 - April 16, 2024; judgment is scheduled to commence on February 26, 2024. pending.

India Fair Value Measurements

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

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

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

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

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

Recurring Fair Value Measurements

Our financial assets are generally included within short-term investments on our condensed consolidated balance sheets, unless otherwise indicated. Our financial assets and liabilities that are accounted for at fair value on a recurring basis are presented in the tables below as of March 31, 2024 and December 31, 2023 (in thousands):

	Fair Value as of March 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market and demand accounts (a)	$ 435,695	$ —	$ —	$ 435,695
Commercial paper (b)	—	136,406	—	136,406
U.S. government securities (c)	—	251,166	—	251,166
Corporate bonds, asset backed and other securities (d)	—	182,316	—	182,316
Total	$ 435,695	$ 569,888	$ —	$ 1,005,583

	Fair Value as of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market and demand accounts (a)	$ 430,707	$ —	$ —	$ 430,707
Commercial paper (b)	—	174,991	—	174,991
U.S. government securities (c)	—	256,850	—	256,850
Corporate bonds, asset backed and other securities (d)	—	149,693	—	149,693
Total	$ 430,707	$ 581,534	$ —	$ 1,012,241

(a) Primarily included within cash and cash equivalents.

(b) As of March 31, 2024 and December 31, 2023, $5.8 million and $5.7 million of commercial paper was included within cash and cash equivalents, respectively.

(c) As of March 31, 2024 and December 31, 2023, $11.8 million and $0.0 million of U.S. government securities was included within cash and cash equivalents, respectively.

(d) As of March 31, 2024 and December 31, 2023, $7.9 million and $6.5 million of corporate bonds, asset backed and other securities was included within cash and cash equivalents, respectively.

Non-Recurring Fair Value Measurements

Patents

During first quarter 2023, we incurred a one-time impairment of $2.5 million on our patents held for sale. We determined the fair value based upon evaluation of market conditions.

Fair Value of Long-Term Debt

Convertible Notes

The principal amount, carrying value and related estimated fair value of the Company's Convertible Notes reported as of March 31, 2024 and December 31, 2023 was as follows (in thousands). The aggregate fair value of the principal amount of the Convertible Notes is a Level 2 fair value measurement.

	March 31, 2024			December 31, 2023		
	Principal Amount	**Carrying Value**	**Fair Value**	**Principal Amount**	**Carrying Value**	**Fair Value**
2027 Senior Convertible Long-Term Debt	$ 460,000	$ 453,295	$ 658,030	$ 460,000	$ 452,830	$ 677,230
2024 Senior Convertible Long-Term Debt	$ 126,174	$ 126,074	$ 165,364	$ 126,174	$ 125,922	$ 171,130

Technicolor Patent Acquisition Long-term Debt

The carrying value and related estimated fair value of the Technicolor Patent Acquisition long-term debt reported as of March 31, 2024 and December 31, 2023 was as follows (in thousands). The aggregate fair value of the Technicolor Patent Acquisition long-term debt is a Level 3 fair value measurement.

	March 31, 2024	December 31, 2023

	Carrying Value	Fair Value	Carrying Value	Fair Value
Technicolor Patent Acquisition Long-Term Debt	$ 28,029	$ 28,300	$ 29,019	$ 28,859

4. OTHER ASSETS AND LIABILITIES

The amounts included in "*Prepaid and other current assets*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Prepaid assets	$ 32,792	$ 9,353
Tax receivables	21,959	19,835
Restricted cash	20,948	5,885
Other current assets	9,473	8,903
Total Prepaid and other current assets	$ 85,172	$ 43,976

The amounts included in "*Other non-current assets, net*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Tax receivables	$ 79,251	$ 76,740
Long-term investments	33,481	31,895
Goodwill	22,421	22,421
Right-of-use assets	17,328	15,746
Other non-current assets	3,579	2,854
Total Other non-current assets, net	$ 156,060	$ 149,656

The amounts included in "*Other accrued expenses*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Customer deposit	$ 76,100	$ 76,100
Accrued legal fees	16,541	10,338
Other accrued expenses	29,525	11,604
Total Other accrued expenses	$ 122,166	$ 98,042

The amounts included in "*Other long-term liabilities*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Deferred compensation liabilities	$ 18,967	$ 18,413
Operating lease liabilities	18,547	17,385
Other long-term liabilities	19,413	19,454
Total Other long-term liabilities	$ 56,927	$ 55,252

5. OBLIGATIONS

2027 Notes, and Related Note Hedge and Warrant Transactions

On May 27, 2022, we issued $460.0 million in aggregate principal amount of 3.50% Senior Convertible Notes due 2027 (the "2027 Notes"). The net proceeds from the issuance of the 2027 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were approximately $450.0 million. The 2027 Notes bear interest at a rate of 3.50% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2022, and mature on June 1, 2027, unless earlier redeemed, converted or repurchased.

The 2027 Notes will be convertible into cash up to the aggregate principal amount of the notes to be converted and in respect of the remainder, if any, of the Company's obligation in excess of the aggregate principal amount of the notes being converted, pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination thereof, at the Company's election, at an initial conversion rate of 12.9041 shares of Common Stock per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $77.49 per share). From the period January 1, 2024 through June 30, 2024, the holders of the 2027 Notes have the right, but not the obligation, to convert any portion of the principal amount of the 2027 Notes. As such, the 2027 are included in "*Current portion of long-term debt*" in our condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023.

The 2027 Notes are the Company's senior unsecured obligations and rank equally in right of payment with any of the Company's current and any future senior unsecured indebtedness, including its 2.00% Senior Convertible Notes due 2024 (the "2024 Notes" and together with the 2027 Notes, the "Convertible Notes"). The 2027 Notes are effectively subordinated to all of the Company's future secured indebtedness, if any, to the extent of the value of the related collateral, and the 2027 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of the Company's subsidiaries.

On May 24 and May 25, 2022, in connection with the offering of the 2027 Notes, we entered into convertible note hedge transactions that cover, subject to customary anti-dilution adjustments, approximately 5.9 million shares of common stock, in the aggregate, at a strike price that initially corresponds to the initial conversion price of the 2027 Notes, subject to adjustment, and are exercisable upon any conversion of the 2027 Notes. Also on May 24 and May 25, 2022, we entered into privately negotiated warrant transactions, whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 5.9 million shares of common stock. As of March 31, 2024, the warrants under the 2027 Warrant Transactions had a weighted average strike price of $106.31 per share, subject to adjustment.

2024 Notes, and Related Note Hedge and Warrant Transactions

On June 3, 2019, we issued $400.0 million in aggregate principal amount of 2024 Notes. The net proceeds from the issuance of the 2024 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were approximately $391.6 million. The 2024 Notes bear interest at a rate of 2.00% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2019, and mature on June 1, 2024, unless earlier redeemed, converted or repurchased.

Commencing on March 1, 2024, the 2024 Notes became convertible at any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date of the 2024 Notes. The 2024 Notes are convertible into cash and shares of our common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of 2024 Notes and any remaining amounts in shares of our common stock, at an initial conversion rate of 12.3018 shares of our common stock per $1,000 principal amount of 2024 Notes (which is equivalent to an initial conversion price of approximately $81.29 per share).

The 2024 Notes are senior unsecured obligations of the Company and rank equally in right of payment with any of our current and any future senior unsecured indebtedness. The 2024 Notes are effectively subordinated to all of our future secured indebtedness, if any, to the extent of the value of the related collateral, and the 2024 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of our subsidiaries.

On May 29 and May 31, 2019, in connection with the offering of the 2024 Notes, we entered into convertible note hedge transactions (collectively, the "2024 Note Hedge Transactions") that cover, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock, in the aggregate, at a strike price that initially corresponds to the initial conversion price of the 2024 Notes, subject to adjustment, and are exercisable upon any conversion of the 2024 Notes. On May 29 and May 31, 2019, we also entered into privately negotiated warrant transactions (collectively, the "2024 Warrant Transactions" and, together with the 2024 Note Hedge Transactions, the "2024 Call Spread Transactions"), whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock at an initial strike price of approximately $109.43 per share, subject to adjustment.

During second quarter 2022, we repurchased $273.8 million in aggregate principal amount of the 2024 Notes in privately negotiated transactions concurrently with the offering of the 2027 Notes. As a result of the partial repurchase of the 2024 Notes, $126.2 million in aggregate principal amount of the 2024 Notes remained outstanding as of March 31, 2024. Additionally, in connection with the partial repurchase of the 2024 Notes, the Company entered into partial unwind agreements that amend the terms of the 2024 Note Hedge Transactions to reduce the number of options corresponding to the principal amount of the repurchased 2024 Notes. The unwind agreements also reduce the number of warrants exercisable under the 2024 Warrant Transactions. As a result of the partial unwind transactions, approximately 1.6 million shares of common stock in the aggregate were covered under each of the 2024 Note Hedge Transactions and the 2024 Warrant Transactions as of March 31, 2024. As of March 31, 2024, the warrants under the 2024 Warrant Transactions had a strike price of approximately $109.43 per share, as adjusted.

The following table reflects the carrying value of our Convertible Notes long-term debt as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
3.50% Senior Convertible Notes due 2027	$ 460,000	$ 460,000
2.00% Senior Convertible Notes due 2024	126,174	126,174
Less: Deferred financing costs	(6,805)	(7,422)
Net carrying amount of the Convertible Notes	579,369	578,752
Less: Current portion of long-term debt	(579,369)	(578,752)
Long-term net carrying amount of the Convertible Notes	$ —	$ —

The following table presents the amount of interest cost recognized, which is included within "*Interest expense*" in our condensed consolidated statements of income, for the three months ended March 31, 2024 and 2023 relating to the contractual interest coupon and the amortization of deferred financing costs of the Convertible Notes (in thousands):

	For the Three Months Ended March 31,					
	2024			2023		
	2027 Notes	2024 Notes	Total	2027 Notes	2024 Notes	Total
Contractual coupon interest	$ 4,025	$ 631	$ 4,656	$ 4,025	$ 631	$ 4,656
Amortization of deferred financing costs	465	151	616	431	142	573
Total	$ 4,490	$ 782	$ 5,272	$ 4,456	$ 773	$ 5,229

Technicolor Patent Acquisition Long-Term Debt

On July 30, 2018, we completed our acquisition of the patent licensing business of Technicolor SA ("Technicolor"), a worldwide technology leader in the media and entertainment sector (the "Technicolor Patent Acquisition"). In conjunction with the Technicolor Patent Acquisition, we assumed Technicolor's rights and obligations under a joint licensing program with Sony relating to digital televisions and standalone computer display monitors, which commenced in 2015 and is referred to as the "Madison Arrangement." An affiliate of CPPIB Credit Investments Inc. ("CPPIB Credit"), a wholly owned subsidiary of Canada Pension Plan Investment Board, is a third-party investor in the Madison Arrangement. CPPIB Credit has made certain payments to Technicolor and Sony and has agreed to contribute cash to fund certain capital reserve obligations under the arrangement in exchange for a percentage of future revenues, specifically through September 11, 2030 in regard to the Technicolor patents.

Upon our assumption of Technicolor's rights and obligations under the Madison Arrangement, our relationship with CPPIB Credit meets the criteria in ASC 470-10-25 - *Sales of Future Revenues or Various Other Measures of Income* ("ASC 470"), which relates to cash received from an investor in exchange for a specified percentage or amount of revenue or other measure of income of a particular product line, business segment, trademark, patent, or contractual right for a defined period. Under this guidance, we recognized the fair value of our contingent obligation to CPPIB Credit, as of the acquisition date, as long-term debt in our condensed consolidated balance sheet. This initial fair value measurement was based on the perspective of a market participant and included significant unobservable inputs which are classified as Level 3 inputs within the fair value hierarchy. The fair value of the long-term debt as of March 31, 2024 and December 31, 2023 is disclosed within Note 3, "*Cash, Concentration of Credit Risk and Fair Value of Financial Instruments.*" Our repayment obligations are contingent upon future royalty revenues generated from the Madison Arrangement and there are no minimum or maximum payments under the arrangement.

Under ASC 470, amounts recorded as debt are amortized under the interest method. At each reporting period, we will review the discounted expected future cash flows over the life of the obligation. The Company made an accounting policy election to utilize the catch-up method when there is a change in the estimated future cash flows, whereby we will adjust the carrying amount of the debt to the present value of the revised estimated future cash flows, discounted at the original effective interest rate, with a corresponding adjustment recognized as interest expense within "*Interest Expense*" in the condensed consolidated statements of income. The effective interest rate as of the acquisition date was approximately 14.5%. This rate represents the discount rate that equates the estimated future cash flows with the fair value of the debt as of the acquisition date and is used to compute the amount of interest to be recognized each period based on the estimated life of the future revenue streams. During the three months ended March 31, 2024 and 2023, we recognized $0.6 million and $0.3 million of interest expense related to this debt. This was included within "*Interest Expense*" in the condensed consolidated statements of income. Any future payments made to CPPIB Credit, or additional proceeds received from CPPIB Credit, will decrease or increase the long-term debt balance accordingly. We made a $1.6 million payment to CPPIB Credit during the three months ended March 31, 2024.

Technicolor Contingent Consideration

As part of the Technicolor Patent Acquisition, we entered into a revenue-sharing arrangement with Technicolor that created a contingent consideration liability. Under the revenue-sharing arrangement, Technicolor receives 42.5% of future cash receipts from new licensing efforts from the Madison Arrangement only, subject to certain conditions and hurdles. As of March 31, 2024, the contingent consideration liability from the revenue-sharing arrangement was deemed not probable and is therefore not reflected within the consolidated financial statements.

6. LITIGATION AND LEGAL PROCEEDINGS

ARBITRATIONS AND COURT PROCEEDINGS

Lenovo

UK Proceedings

On December 20, 2021 August 27, 2019, the Company and December 22, 2021 certain of its subsidiaries filed a claim in the UK High Court against Lenovo Group Limited and certain of its subsidiaries. The claim, as amended, alleges infringement of five of the Company's patents relating to 3G and/or 4G/LTE standards: European Patent (UK) Nos. 2,363,008; 2,421,318; 2,485,558; 2,557,714; and 3,355,537. The Company sought, among other relief, injunctive relief to prevent further infringement of the asserted patents or, in the alternative, a determination of the terms of a FRAND license.

On July 29, 2021, the UK High Court issued its decision regarding the first technical trial finding European Patent (UK) No. 2,485,558 valid, infringed, and essential to Release 8 of LTE. Lenovo appealed this decision, and on January 19, 2023, the UK Court of Appeal upheld the UK High Court's findings that Lenovo is infringing on InterDigital's valid and essential patent. On January 6, 2022, the UK High Court issued its decision regarding the second technical trial finding European Patent (UK) No. 3,355,537 invalid, but essential and infringed but for the finding of invalidity. The Company appealed this decision as legally erroneous, and on February 9, 2023, the UK Court of Appeal allowed the appeal, finding that Lenovo is infringing on InterDigital's valid and essential patent. On January 31, 2023, the UK High Court issued its decision regarding the third technical trial finding European Patent (UK) No. 2,421,318 valid, essential, and infringed. On March 7, 2023, the UK High Court issued an order staying all deadlines with respect to the fourth and fifth technical trials. On March 16, 2023, the UK High Court issued its order regarding judgment in the trial to determine how much Lenovo must pay for a license to the Company's portfolio of cellular assets, awarding the Company a lump sum of $138.7 million for such license through December 31, 2023. On June 27, 2023, the court issued an order awarding the Company an additional $46.2 million, thus increasing the total award to $184.9 million, which was paid on July 11, 2023. The court also found that the Company should pay a portion of Lenovo's costs and granted both parties permission to appeal on certain grounds. Both parties filed Appellant's Notices and the appeals were docketed on July 31, 2023. On September 19, 2023, the Court of Appeal granted the Company permission to appeal on all its requested grounds. The appeal is scheduled to be heard on June 10, 2024.

On September 24, 2023, Lenovo filed a new claim in the UK High Court against the Company. The claim alleges invalidity of two of the Company's patents relating to 4G/LTE standards: European Patent (UK) Nos. 2,557,714 and 2,557,715. Lenovo sought, among other relief, a declaration that the patents at issue are invalid, not essential, and not infringed, revocation of the patents at issue, and a declaration that, upon expiration of the current license in 2023, Lenovo is licensed under terms to be determined by the UK

High Court through 2028 or, in the alternative, a determination of the terms of a FRAND license. On October 19, 2023, Lenovo filed a request for an order that the Company indicate whether it is prepared to give an unconditional undertaking to enter into a global license on terms set by the UK Court, or failing that, a declaration that the Defendants are unwilling licensors; a hearing was held on December 12, 2023 where Lenovo agreed to stay its application. On November 22, 2023, the Company filed a jurisdiction challenge. A hearing on the jurisdiction challenge took place on April 24-25, 2024, and on April 25, 2024 the jurisdiction challenge was denied. On November 28, 2023, Lenovo filed an application seeking an expedited FRAND trial and an interim license until a FRAND decision is issued in the UK. A hearing on the interim license was held on February 26-27, 2024; on March 21, 2024 the UK High Court denied Lenovo's request for the interim license. A hearing on Lenovo's request for an expedited FRAND trial will be scheduled now that the interim license and jurisdiction challenge issues are resolved.

District of Delaware Patent Proceedings

On August 28, 2019, the Company and certain of its subsidiaries filed a complaint in the United States District Court for the District of Delaware (the "Delaware District Court") against Lenovo Holding Company, Inc. and certain of its subsidiaries alleging that Lenovo infringes eight of the Company's U.S. patents-U.S. Patent Nos. 8,085,665; 8,199,726; 8,427,954; 8,619,747; 8,675,612; 8,797,873; 9,203,580; and 9,456,449-by making, using, offering for sale, and/or selling Lenovo wireless devices with 3G and/or 4G LTE capabilities. As relief, InterDigital is seeking: (a) a declaration that the Company is not in breach of its relevant FRAND commitments with respect to Lenovo; (b) to the extent Lenovo does not agree to negotiate a worldwide patent license, does not agree to enter into binding international arbitration to set the terms of a FRAND license, and does not agree to be bound by the terms to be set by the UK High Court in the separately filed UK proceedings described above, an injunction prohibiting Lenovo from continued infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) attorneys' fees and costs.

On September 16, 2020, the Delaware District Court entered a schedule for the case, setting a patent jury trial. On March 8, 2021, the Delaware District Court held a claim construction hearing, and the court issued its order on May 10, 2021, construing various disputed terms. On March 24, 2021, the Delaware District Court consolidated the antitrust proceeding discussed below with this patent proceeding. On April 25, 2022, the parties filed a stipulation to stay only the claims relating to U.S. Patent No. 8,199,726. The stipulation was granted. On January 13, 2023, Lenovo filed a motion to sever and stay the Company's patent infringement claims, requesting that its Sherman Act and breach of FRAND claims proceed to trial. On June 30, 2023, the parties submitted an update to the Court requesting that the entire case be stayed, and on July 18, 2023, the court ordered that the case be stayed pending resolution of all appeals in the UK proceedings.

District of Delaware Antitrust Proceedings

On April 9, 2020, Lenovo (United States) Inc. and Motorola Mobility LLC filed a complaint in the Delaware District Court against the Company and certain of its subsidiaries. The complaint alleges that the Company defendants have violated Sections 1 and 2 of the Sherman Act in connection with, among other things, their licensing of 3G and 4G standards essential patents ("SEPs"). The complaint further alleges that the Company defendants have violated their commitment to the ETSI with respect to the licensing of 3G and 4G SEPs on FRAND terms and conditions. The complaint seeks, among other things (i) rulings that the Company defendants have violated Sections 1 and 2 of the Sherman Act and are liable for breach of their ETSI FRAND commitments, (ii) a judgment that the plaintiffs are entitled to a license with respect to the Company's 3G and 4G SEPs on FRAND terms and conditions, and (iii) injunctions against any demand for allegedly excessive royalties or enforcement of the Company defendants' 3G and 4G U.S. SEPs against the plaintiffs or their customers via patent infringement proceedings.

On June 22, 2020, the Company filed a motion to dismiss Lenovo's Sherman Act claims with prejudice, and to dismiss Lenovo's breach of contract claim with leave to re-file as a counterclaim in the Company's legal proceeding against Lenovo in the Delaware District Court discussed above.

On March 24, 2021, the Delaware District Court ruled on the Company's motion to dismiss. The Delaware District Court dismissed the Sherman Act Section 1 claim without prejudice, denied the motion to dismiss the Sherman Act Section 2 claim, and consolidated the Section 2 and breach of contract claims with Company's Delaware patent proceeding discussed above. Accordingly, these claims have been stayed pending resolution of all appeals in the UK proceedings.

International Trade Commission and Companion District Court Proceedings

On September 1, 2023, the Company and certain of its subsidiaries filed a complaint in the United States International Trade Commission (the "International Trade Commission") against Lenovo Group Ltd. and certain of its subsidiaries alleging that Lenovo infringes five of the Company's U.S. patents (U.S. Patent Nos. 10,250,877, 8,674,859, 9,674,556, 9,173,054, and 8,737,933) by making, using, offering for sale, and/or selling certain electronic devices, including smartphones, computers, tablet computers, and components thereof that infringe certain claims of the asserted patents. As relief, the Company is seeking: (a) a limited exclusion order against Lenovo barring from entry into the United States all of Lenovo's products that infringe the asserted patents; (b) cease and desist orders prohibiting Lenovo from importing, selling, offering for sale, marketing, advertising, and distributing, infringing products; and (c) a bond during the 60-day Presidential review period. On October 5, 2023, the International Trade Commission instituted the requested investigation. The hearing is scheduled for August 14-20, 2024. The Initial Determination is expected to be issued by January 13, 2025, and the Final Determination is expected to be issued by May 13, 2025.

On September 1, 2023, the Company and certain of its subsidiaries filed a complaint in the United States District Court for the Eastern District of North Carolina (the "North Carolina District Court") against Lenovo Group Ltd. and certain of its subsidiaries alleging that Lenovo infringes five of the Company's U.S. patents (U.S. Patent Nos. 10,250,877, 8,674,859, 9,674,556, 9,173,054, and 8,737,933) by making, using, offering for sale, and/or selling Lenovo smartphones, computers (including both laptop and desktop), and tablet computers that utilize the Company's patented technology. As relief, the Company is seeking: (a) a finding that Lenovo is liable for infringement of the asserted patents; (b) an injunction against further infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) costs. Lenovo filed its answer and counterclaims and motion to dismiss a portion of the complaint on October 10, 2023, which remains pending. On October 31, 2023, the Company filed its answer to Lenovo's counterclaims, an amended complaint, as well as a motion to dismiss certain of Lenovo's counterclaims, which was denied on March 25, 2024. On February 23, 2024, Lenovo filed a Motion for Judgment on the Pleadings, alleging three of the asserted patents are invalid; that motion is pending.

China Proceedings

On April 10, 2020, Lenovo (Beijing) Ltd. and certain of its affiliates filed a complaint against the Company and certain of its subsidiaries in the Beijing Intellectual Property Court (the "Beijing IP Court") seeking a determination of the FRAND royalty rates payable for the Company's Chinese 3G, 4G and 5G SEPs. On February 20, 2021, the Company filed an application challenging the jurisdiction of the Beijing IP Court to take up Lenovo's complaint. On November 15, 2021, the Beijing IP Court denied the jurisdictional challenge, and the Company filed an appeal with the Supreme People's Court of the People's Republic of China (the "SPC") on December 14, 2021. That appeal was denied by the SPC on September 5, 2022, and the case was sent back to the Beijing IP Court. On November 9, 2022, the Company filed a petition to stay the case. On June 12, 2023, the Beijing IP Court decided not to dismiss or stay the case. On December 5, 2023, Lenovo filed a request to withdraw the proceedings, and on December 29, 2023, the Beijing IP Court granted Lenovo's request.

On November 26, 2021, the Company was informed that Lenovo had purportedly filed an additional complaint against the Company in the Wuhan Intermediate People's Court (the "Wuhan Court") seeking a determination of a global FRAND royalty rate for the period from 2024 to 2029 for the Company's 3G, 4G, and 5G SEPs. On April 16, 2022, the Company filed an application challenging, among other things, process of service and the jurisdiction of the Wuhan Court. The application was denied on August 7, 2023. The Company filed an appeal before the SPC on September 4, 2023. On December 19, 2023, Lenovo filed a request to withdraw the proceedings, and on January 15, 2024, the Beijing IP Court granted Lenovo's request.

Germany Proceedings

On March 25, 2022, March 28, 2022, and April 6, 2022, the Company and certain of its subsidiaries filed patent infringement claims in the Delhi High Court in New Delhi, India Munich and Mannheim Regional Courts against Oppo Lenovo and certain of its affiliates, OnePlus and certain of its affiliates, and realme Mobile Telecommunication (India) Private Limited, alleging infringement of Indian European Patent Nos. 262910, 295912, 313036, 320182, 319673, 242248, 299448, 2,449,782; 2,452,498; 3,624,447 and 308108 3,267,684 relating to cellular 3G, 4G/LTE, and/or 5G, and HEVC standards. The Company is seeking, sought, among other relief, injunctive relief to prevent further infringement of the asserted patents.

Germany Proceedings

On December 20, 2021 September 21, 2023, the parties entered into a subsidiary of patent license agreement regarding the Company's HEVC portfolio. On October 4, 2023, the Company filed three patent infringement claims, two in motions to withdraw the litigations involving European Patent Nos. 2,449,782; 2,452,498; 3,624,447 and 3,267,684; the litigations were withdrawn on October 9, 2023. OnSeptember 22, 2023, the Company filed a complaint with the Munich Regional Court and one in the Mannheim Regional Court, against Oppo Lenovo and certain of its affiliates OnePlus and certain of its affiliates, and realme and certain of its affiliates,, alleging infringement of European Patent Nos. 2,485,558; 2,127,420; and 2,421,318 No. 2,127,420, relating to cellular 3G, 4G/LTE and/or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents. The Munich Regional Court held a A hearing on December 14, 2022 regarding European Patent No. 2,421,318, with a second hearing scheduled for December 6, 2023. The Munich Regional Court held a hearing on March 2, 2023 regarding European Patent No. 2,127,420 with a second hearing scheduled for November 23, 2023 was held on April 18, 2024; judgment is expected on or around May 2, 2024. On March 10, 2023, the Munich Regional Court entered a stay of the proceedings regarding European Patent No. 2,485,558.

China

Oppo, OnePlus and realme

UK Proceedings

On January 19, 2022, the Company was informed that Oppo had purportedly filed a complaint against the Company in the Guangzhou Intellectual Property Court (the "Guangzhou IP Court") seeking a determination of a global FRAND royalty rate for the Company's 3G, 4G, 5G, 802.11 and HEVC SEPs. On May 20, 2022 December 20, 2021, the Company filed an application challenging, among other things, process of service and the jurisdiction of the Guangzhou IP Court. On January 12, 2023, the Guangzhou IP Court denied the application. On February 28, 2023, the Company filed an appeal to the decision. The Supreme People's Court denied the appeal on September 7, 2023. An initial evidentiary hearing was held on October 13, 2023.

Spain Proceedings

On March 1, 2022, a subsidiary of the Company filed patent infringement claims claim in the Barcelona Commercial Courts UK High Court against Guangdong Oppo Mobile Telecommunications Corp., Ltd. ("Oppo") and certain of its affiliates, OnePlus Technology (Shenzhen) Co., Ltd. ("OnePlus") and certain of its affiliates, and realme Mobile Telecommunications (Shenzhen) Co., Ltd. ("realme") and certain of its affiliates. The Company filed its amended complaint on April 25, 2022, affiliates, alleging infringement of European Patent (UK) Nos. 3,355,537; 2,127,420; 2,421,318; 2,485,558; 2,421,318; and 2,557,715 3,355,537 relating to cellular 3G, 4G/LTE and/or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents.

Samsung

On March 24, 2023, the parties agreed to stay all technical trials on the basis that European Patent No. 2,485,558 is valid and essential based on the result of Technical Trial A in the Lenovo UK proceedings. The Company reached an agreement with Samsung Electronics Co. Ltd. ("Samsung") to enter into binding arbitration FRAND trial to determine the final terms of a renewed patent royalties to be paid under the license agreement to certain of the Company's patents, which will be effective with Oppo was held from January 1, 2023. The Company and Samsung have also agreed not to initiate certain claims against the other during the arbitration. On March 31, 2023, the Company filed a request for arbitration with the International Chamber of Commerce.

On July 21, 2023, the International Chamber of Commerce confirmed the full tribunal for the arbitration. The hearing has been scheduled for Summer of 2024 with an expected resolution in late 2024.

OTHER

We are party to certain other disputes and legal actions in the ordinary course of business, including arbitrations and legal proceedings with licensees regarding the terms oftheiragreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a material adverse effect on our financial condition, results of operations or cash flows. None of the preceding matters have met the requirements for accrual or disclosure of a potential range as of September 30, 2023, except as noted above. March 1 - April 16, 2024; judgment is pending.

6.CASH, CONCENTRATION OF CREDIT RISK AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash currently consists of money market and demand accounts. The following table provides a reconciliation of total cash, cash equivalents and restricted cash as of September 30, 2023, December 31, 2022 and September 30, 2022 to the captions within the condensed consolidated balance sheets and condensed consolidated statements of cash flows (in thousands):

	September 30, 2023	December 31, 2022	September 30, 2022
Cash and cash equivalents	$ 518,483	$ 693,479	$ 539,651
Restricted cash included within prepaid and other current assets	7,229	9,682	8,253
Restricted cash included within other non-current assets	—	—	1,081
Total cash, cash equivalents and restricted cash	$ 525,712	$ 703,161	$ 548,985

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, such as United States government instruments.

Our accounts receivable and contract assets are derived principally from patent license and technology solutions agreements. Four licensees comprised 71% and 76% of our net accounts receivable balance as of September 30, 2023 and December 31, 2022, respectively. We perform ongoing credit evaluations of our licensees, who generally include large, multinational, wireless telecommunications equipment manufacturers. We believe that the book values of our financial instruments approximate their fair values.

Fair Value Measurements

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

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

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

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

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

Recurring Fair Value Measurements

Our financial assets are generally included within short-term investments on our condensed consolidated balance sheets, unless otherwise indicated. Our financial assets and liabilities that are accounted for at fair value on a recurring basis are presented in the tables below as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

		Fair Value as of September 30, 2023					Fair Value as of March 31, 2024			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Assets:	Assets:					Assets:				
Money market and demand accounts (a)	Money market and demand accounts (a)	$515,488	$ —	$ —	$ 515,488					
Commercial paper (b)	Commercial paper (b)	—	203,241	—	203,241					
U.S. government securities(c)	U.S. government securities(c)	—	214,181	—	214,181					

Corporate bonds, asset backed and other securities (d)	Corporate bonds, asset backed and other securities (d)	—	156,385	—	156,385
Total	Total	$515,488	$573,807	$ —	$1,089,295

		Fair Value as of December 31, 2022				Fair Value as of December 31, 2023			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:	**Assets:**					**Assets:**			
Money market and demand accounts (a)	Money market and demand accounts (a)	$643,825	$ —	$ —	$ 643,825				
Commercial paper (b)	Commercial paper (b)	—	209,956	—	209,956				
U.S. government securities(c)	U.S. government securities(c)	—	243,840	—	243,840				
Corporate bonds, asset backed and other securities (d)	Corporate bonds, asset backed and other securities (d)	—	113,838	—	113,838				
Total	Total	$643,825	$567,634	$ —	$1,211,459				

(a) Primarily included within cash and cash equivalents.

(b) As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $0.0 $5.8 million and $26.7 $5.7 million of commercial paper was included within cash and cash equivalents, respectively.

(c) As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $0.0 $11.8 million and $15.7 $0.0 million of U.S. government securities was included within cash and cash equivalents, respectively.

(d) As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $8.4 $7.9 million and $16.9 $6.5 million of corporate bonds, asset backed and other securities was included within cash and cash equivalents, respectively.

Non-Recurring Fair Value Measurements

Patents

During first quarter 2023, we incurred a one-time impairment of $2.5 million $2.5 million on our patents held for sale. We determined the fair value based upon evaluation of market conditions.

During fourth quarter 2021, we renewed our multi-year, worldwide, non-exclusive patent license agreement with Sony Corporation of America ("Sony"). A portion of the consideration for the agreement was in the form of patents, which we received in March 2022. We have determined the fair value of the patents for determining the transaction price for revenue recognition purposes, which was estimated to be $30.1 million utilizing the income and market approaches. The value is amortized as a non-cash expense over the patents' estimated useful lives.

Investment in Other Entities

During third quarter 2023, we recognized a $6.1 million gain resulting from observable price changes of our long-term strategic investments, which was included within "*Other income (expense), net*" in the condensed consolidated statement of income.

During second quarter 2023, we recognized a $3.1 million gain resulting from fair value changes of one of our long-term strategic investments, which was included within "*Other income (expense), net*" in the condensed consolidated statement of income.

During second quarter 2022, we recognized a $1.6 million gain resulting from observable price changes of our long-term strategic investments, which were included within "*Other income (expense), net*" in the condensed consolidated statement of income.

Fair Value of Long-Term Debt

Convertible Notes

The principal amount, carrying value and related estimated fair value of the Company's Convertible Notes reported as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was as follows (in thousands). The aggregate fair value of the principal amount of the Convertible Notes is a Level 2 fair value measurement.

	September 30, 2023			December 31, 2022		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
2027 Senior Convertible Long-Term Debt	$460,000	$452,377	$541,328	$460,000	$451,062	$441,485
2024 Senior Convertible Long-Term Debt	$126,174	$125,774	$134,060	$126,174	$125,342	$119,941

	March 31, 2024			December 31, 2023		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
2027 Senior Convertible Long-Term Debt						
2024 Senior Convertible Long-Term Debt						

Technicolor Patent Acquisition Long-term Debt

The carrying value and related estimated fair value of the Technicolor Patent Acquisition long-term debt reported as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was as follows (in thousands). The aggregate fair value of the Technicolor Patent Acquisition long-term debt is a Level 3 fair value measurement.

	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Technicolor Patent Acquisition Long-Term Debt	$ 33,099	$ 29,753	$ 30,662	$ 28,048

	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Technicolor Patent Acquisition Long-Term Debt	$ 28,029	$ 28,300	$ 29,019	$ 28,859

7. 4. OTHER ASSETS AND LIABILITIES

The amounts included in "*Prepaid and other current assets*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Prepaid assets	$ 32,792	$ 9,353
Tax receivables	21,959	19,835
Restricted cash	20,948	5,885
Other current assets	9,473	8,903
Total Prepaid and other current assets	$ 85,172	$ 43,976

The amounts included in "*Other non-current assets, net*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
Tax receivables	$ 79,251	$ 76,740
Long-term investments	33,481	31,895
Goodwill	22,421	22,421
Right-of-use assets	17,328	15,746

Other non-current assets		3,579		2,854
Total Other non-current assets, net	$	156,060	$	149,656

The amounts included in "*Other accrued expenses*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024		December 31, 2023	
Customer deposit	$	76,100	$	76,100
Accrued legal fees		16,541		10,338
Other accrued expenses		29,525		11,604
Total Other accrued expenses	$	122,166	$	98,042

The amounts included in "*Other long-term liabilities*" in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024		December 31, 2023	
Deferred compensation liabilities	$	18,967	$	18,413
Operating lease liabilities		18,547		17,385
Other long-term liabilities		19,413		19,454
Total Other long-term liabilities	$	56,927	$	55,252

5. OBLIGATIONS

2027 Notes, and Related Note Hedge and Warrant Transactions

On May 27, 2022, we issued $460.0 million in aggregate principal amount of 3.50% Senior Convertible Notes due 2027 (the "2027 Notes"). The net proceeds from the issuance of the 2027 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were approximately $450.0 million. The 2027 Notes bear interest at a rate of 3.50% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2022, and mature on June 1, 2027, unless earlier redeemed, converted or repurchased.

The 2027 Notes will be convertible into cash up to the aggregate principal amount of the notes to be converted and in respect of the remainder, if any, of the Company's obligation in excess of the aggregate principal amount of the notes being converted, pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination thereof, at the Company's election, at an initial conversion rate of 12.9041 shares of Common Stock per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $77.49 per share).

From the period January 1, 2024 through June 30, 2024, the holders of the 2027 Notes have the right, but not the obligation, to convert any portion of the principal amount of the 2027 Notes. As such, the 2027 are included in "*Current portion of long-term debt*" in our condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023.

The 2027 Notes are the Company's senior unsecured obligations and rank equally in right of payment with any of the Company's current and any future senior unsecured indebtedness, including its 2.00% Senior Convertible Notes due 2024 (the "2024 Notes" and together with the 2027 Notes, the "Convertible Notes"). The 2027 Notes are effectively subordinated to all of the Company's future secured indebtedness, if any, to the extent of the value of the related collateral, and the 2027 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of the Company's subsidiaries.

On May 24 and May 25, 2022, in connection with the offering of the 2027 Notes, we entered into convertible note hedge transactions that cover, subject to customary anti-dilution adjustments, approximately 5.9 million shares of common stock, in the aggregate, at a strike price that initially corresponds to the initial conversion price of the 2027 Notes, subject to adjustment, and are exercisable upon any conversion of the 2027 Notes. Also on May 24 and May 25, 2022, we entered into privately negotiated warrant transactions, whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 5.9 million shares of common stock at an initial stock. As of March 31, 2024, the warrants under the 2027 Warrant Transactions had a weighted average strike price of $106.37 $106.31 per share, subject to adjustment.

2024 Notes, and Related Note Hedge and Warrant Transactions

On June 3, 2019, we issued $400.0 million in aggregate principal amount of 2024 Notes. The net proceeds from the issuance of the 2024 Notes, after deducting the initial purchasers' transaction fees and offering expenses, were approximately $391.6 million. The 2024 Notes bear interest at a rate of 2.00% per year, payable in cash on June 1 and December 1 of each year, commencing on December 1, 2019, and mature on June 1, 2024, unless earlier redeemed, converted or repurchased.

Commencing on March 1, 2024, the 2024 Notes became convertible at any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date of the 2024 Notes. The 2024 Notes are convertible into cash and shares of our common stock, with a specified dollar amount of $1,000 per $1,000 principal amount of 2024 Notes and any remaining amounts in shares of our common stock, at an initial conversion rate of 12.3018 shares of our common stock per $1,000 principal amount of 2024 Notes (which is equivalent to an initial conversion price of approximately $81.29 per share).

The 2024 Notes are senior unsecured obligations of the Company and rank equally in right of payment with any of our current and any future senior unsecured indebtedness. The 2024 Notes are effectively subordinated to all of our future secured indebtedness, if any, to the extent of the value of the related collateral, and the 2024 Notes are structurally subordinated to indebtedness and other liabilities, including trade payables, of our subsidiaries.

On May 29 and May 31, 2019, in connection with the offering of the 2024 Notes, we entered into convertible note hedge transactions (collectively, the "2024 Note Hedge Transactions") that cover, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock, in the aggregate, at a strike price that initially corresponds to the initial conversion price of the 2024 Notes, subject to adjustment, and are exercisable upon any conversion of the 2024 Notes. On May 29 and May 31, 2019, we also entered into privately negotiated warrant transactions (collectively, the "2024 Warrant Transactions" and, together with the 2024 Note Hedge Transactions, the "2024 Call Spread Transactions"), whereby we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 4.9 million shares of common stock at an initial strike price of approximately $109.43 per share, subject to adjustment.

During second quarter 2022, the Company we repurchased $273.8 million in aggregate principal amount of the 2024 Notes in privately negotiated transactions concurrently with the offering of the 2027 Notes. As a result of the partial repurchase of the 2024 Notes, $126.2 million in aggregate principal amount of the 2024 Notes remained outstanding as of September 30, 2023 March 31, 2024. Additionally, in connection with the partial repurchase of the 2024 Notes, the Company entered into partial unwind agreements that amend the terms of the 2024 Note Hedge Transactions to reduce the number of options corresponding to the principal amount of the repurchased 2024 Notes. The unwind agreements also reduced reduce the number of warrants exercisable under the 2024 Warrant Transactions. Approximately As a result of the partial unwind transactions, approximately 1.6 million shares of common stock in the aggregate were covered under each of the 2024 Note Hedge Transactions and the 2024 Warrant Transactions as of September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, the warrants under the 2024 Warrant Transactions had a strike price of approximately $109.43 per share, as adjusted.

The following table reflects the carrying value of our Convertible Notes long-term debt as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
3.50% Senior Convertible Notes due 2027	3.50% Senior Convertible Notes due 2027	$ 460,000	$ 460,000		
2.00% Senior Convertible Notes due 2024	2.00% Senior Convertible Notes due 2024	126,174	126,174		
Less: Deferred financing costs	Less: Deferred financing costs	(8,023)	(9,770)		
Net carrying amount of the Convertible Notes	Net carrying amount of the Convertible Notes	578,151	576,404		
Less: Current portion of long-term debt	Less: Current portion of long-term debt	(125,774)	—		
Long-term net carrying amount of the Convertible Notes	Long-term net carrying amount of the Convertible Notes	$ 452,377	$ 576,404		

The following table presents the amount of interest cost recognized, which is included within "*Interest expense*" in our condensed consolidated statements of income, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 relating to the contractual interest coupon and the amortization of deferred financing costs of the Convertible Notes (in thousands):

	Three months ended September 30,

	2023			2022		
	2027 Notes	2024 Notes	Total	2027 Notes	2024 Notes	Total
Contractual coupon interest	$4,025	$631	$4,656	$4,025	$631	$4,656
Amortization of deferred financing costs	448	147	595	422	138	560
Total	$4,473	$778	$5,251	$4,447	$769	$5,216

	For the Three Months Ended March 31,					
	2024			2023		
	2027 Notes	2024 Notes	Total	2027 Notes	2024 Notes	Total
Contractual coupon interest						
Amortization of deferred financing costs						
Total						

	Nine months ended September 30,					
	2023			2022		
	2027 Notes	2024 Notes	Total	2027 Notes	2024 Notes	Total
Contractual coupon interest	$ 12,075	$ 1,893	$ 13,968	$ 5,501	$ 4,129	$ 9,630
Amortization of deferred financing costs	1,315	433	1,748	564	880	1,444
Total	$ 13,390	$ 2,326	$ 15,716	$ 6,065	$ 5,009	$ 11,074

Technicolor Patent Acquisition Long-Term Debt

On July 30, 2018, we completed our acquisition of the patent licensing business of Technicolor SA ("Technicolor"), a worldwide technology leader in the media and entertainment sector (the "Technicolor Patent Acquisition"). In conjunction with the Technicolor Patent Acquisition, we assumed Technicolor's rights and obligations under a joint licensing program with Sony relating to digital televisions and standalone computer display monitors, which commenced in 2015 and is referred to as the "Madison Arrangement." An affiliate of CPPIB Credit Investments Inc. ("CPPIB Credit"), a wholly owned subsidiary of Canada Pension Plan Investment Board, is a third-party investor in the Madison Arrangement. CPPIB Credit has made certain payments to Technicolor and Sony and has agreed to contribute cash to fund certain capital reserve obligations under the arrangement in exchange for a percentage of future revenues, specifically through September 11, 2030 in regard to the Technicolor patents.

Upon our assumption of Technicolor's rights and obligations under the Madison Arrangement, our relationship with CPPIB Credit meets the criteria in ASC 470-10-25 - *Sales of Future Revenues or Various Other Measures of Income* ("ASC 470"), which relates to cash received from an investor in exchange for a specified percentage or amount of revenue or other measure of income of a particular product line, business segment, trademark, patent, or contractual right for a defined period. Under this guidance, we recognized the fair value of our contingent obligation to CPPIB Credit, as of the acquisition date, as long-term debt in our condensed consolidated balance sheet. This initial fair value measurement was based on the perspective of a market participant and included significant unobservable inputs which are classified as Level 3 inputs within the fair value hierarchy. The fair value of the long-term debt as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is disclosed within Note 6, 3, "*Cash, Concentration of Credit Risk and Fair Value of Financial Instruments.*" Our repayment obligations are contingent upon future royalty revenues generated from the Madison Arrangement and there are no minimum or maximum payments under the arrangement.

Under ASC 470, amounts recorded as debt are amortized under the interest method. At each reporting period, we will review the discounted expected future cash flows over the life of the obligation. The Company made an accounting policy election to utilize the catch-up method when there is a change in the estimated future cash flows, whereby we will adjust the carrying amount of the debt to the present value of the revised estimated future cash flows, discounted at the original effective interest rate, with a corresponding adjustment recognized as interest expense within "*Interest Expense*" in the condensed consolidated statements of income. The effective interest rate as of the acquisition date was approximately 14.5%. This rate represents the discount rate that equates the estimated future cash flows with the fair value of the debt as of the acquisition date and is used to compute the amount of interest to be recognized each period based on the estimated life of the future revenue streams. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, we recognized $1.1 million $0.6 million and $2.5 million, respectively, $0.3 million of interest expense related to this debt, compared to $1.0 million and $2.9 million during the three and nine months ended September 30, 2022, respectively. debt. This was included within "*Interest Expense*" in the condensed consolidated statements of income. Any future payments made to CPPIB Credit, or additional proceeds received from CPPIB Credit, will decrease or increase the long-term debt balance accordingly. We made a $1.6 million payment to CPPIB Credit during the three months ended March 31, 2024.

Technicolor Contingent Consideration

As part of the Technicolor Patent Acquisition, we entered into a revenue-sharing arrangement with Technicolor that created a contingent consideration liability. Under the revenue-sharing arrangement, Technicolor receives 42.5% of future cash receipts from new licensing efforts from the Madison Arrangement only, subject to certain conditions and hurdles. As of September 30, 2023 March 31, 2024, the contingent consideration liability from the revenue-sharing arrangement was deemed not probable and is therefore not reflected within the consolidated financial statements.

8. 6. VARIABLE INTEREST ENTITIES LITIGATION AND LEGAL PROCEEDINGS

ARBITRATIONS AND COURT PROCEEDINGS

Lenovo

UK Proceedings

On August 27, 2019, the Company and certain of its subsidiaries filed a claim in the UK High Court against Lenovo Group Limited and certain of its subsidiaries. The claim, as amended, alleges infringement of five of the Company's patents relating to 3G and/or 4G/LTE standards: European Patent (UK) Nos. 2,363,008; 2,421,318; 2,485,558; 2,557,714; and 3,355,537. The Company sought, among other relief, injunctive relief to prevent further infringement of the asserted patents or, in the alternative, a determination of the terms of a FRAND license.

On July 29, 2021, the UK High Court issued its decision regarding the first technical trial finding European Patent (UK) No. 2,485,558 valid, infringed, and essential to Release 8 of LTE. Lenovo appealed this decision, and on January 19, 2023, the UK Court of Appeal upheld the UK High Court's findings that Lenovo is infringing on InterDigital's valid and essential patent. On January 6, 2022, the UK High Court issued its decision regarding the second technical trial finding European Patent (UK) No. 3,355,537 invalid, but essential and infringed but for the finding of invalidity. The Company appealed this decision as legally erroneous, and on February 9, 2023, the UK Court of Appeal allowed the appeal, finding that Lenovo is infringing on InterDigital's valid and essential patent. On January 31, 2023, the UK High Court issued its decision regarding the third technical trial finding European Patent (UK) No. 2,421,318 valid, essential, and infringed. On March 7, 2023, the UK High Court issued an order staying all deadlines with respect to the fourth and fifth technical trials. On March 16, 2023, the UK High Court issued its order regarding judgment in the trial to determine how much Lenovo must pay for a license to the Company's portfolio of cellular assets, awarding the Company a lump sum of $138.7 million for such license through December 31, 2023. On June 27, 2023, the court issued an order awarding the Company an additional $46.2 million, thus increasing the total award to $184.9 million, which was paid on July 11, 2023. The court also found that the Company should pay a portion of Lenovo's costs and granted both parties permission to appeal on certain grounds. Both parties filed Appellant's Notices and the appeals were docketed on July 31, 2023. On September 19, 2023, the Court of Appeal granted the Company permission to appeal on all its requested grounds. The appeal is scheduled to be heard on June 10, 2024.

On September 24, 2023, Lenovo filed a new claim in the UK High Court against the Company. The claim alleges invalidity of two of the Company's patents relating to 4G/LTE standards: European Patent (UK) Nos. 2,557,714 and 2,557,715. Lenovo sought, among other relief, a declaration that the patents at issue are invalid, not essential, and not infringed, revocation of the patents at issue, and a declaration that, upon expiration of the current license in 2023, Lenovo is licensed under terms to be determined by the UK High Court through 2028 or, in the alternative, a determination of the terms of a FRAND license. On October 19, 2023, Lenovo filed a request for an order that the Company indicate whether it is prepared to give an unconditional undertaking to enter into a global license on terms set by the UK Court, or failing that, a declaration that the Defendants are unwilling licensors; a hearing was held on December 12, 2023 where Lenovo agreed to stay its application. On November 22, 2023, the Company filed a jurisdiction challenge. A hearing on the jurisdiction challenge took place on April 24-25, 2024, and on April 25, 2024 the jurisdiction challenge was denied. On November 28, 2023, Lenovo filed an application seeking an expedited FRAND trial and an interim license until a FRAND decision is issued in the UK. A hearing on the interim license was held on February 26-27, 2024; on March 21, 2024 the UK High Court denied Lenovo's request for the interim license. A hearing on Lenovo's request for an expedited FRAND trial will be scheduled now that the interim license and jurisdiction challenge issues are resolved.

District of Delaware Patent Proceedings

On August 28, 2019, the Company and certain of its subsidiaries filed a complaint in the United States District Court for the District of Delaware (the "Delaware District Court") against Lenovo Holding Company, Inc. and certain of its subsidiaries alleging that Lenovo infringes eight of the Company's U.S. patents-U.S. Patent Nos. 8,085,665; 8,199,726; 8,427,954; 8,619,747; 8,675,612; 8,797,873; 9,203,580; and 9,456,449-by making, using, offering for sale, and/or selling Lenovo wireless devices with 3G and/or 4G LTE capabilities. As further relief, InterDigital is seeking: (a) a declaration that the Company is not in breach of its relevant FRAND commitments with respect to Lenovo; (b) to the extent Lenovo does not agree to negotiate a worldwide patent license, does not agree to enter into binding international arbitration to set the terms of a FRAND license, and does not agree to be bound by the terms to be set by the UK High Court in the separately filed UK proceedings described above, an injunction prohibiting Lenovo from continued infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) attorneys' fees and costs.

On September 16, 2020, the Delaware District Court entered a schedule for the case, setting a patent jury trial. On March 8, 2021, the Delaware District Court held a claim construction hearing, and the court issued its order on May 10, 2021, construing various disputed terms. On March 24, 2021, the Delaware District Court consolidated the antitrust proceeding discussed below we are the primary beneficiary of one variable interest entity. As of September 30, 2023 with this patent proceeding. On April 25, 2022, the book value parties filed a stipulation to stay only the claims relating to U.S. Patent No. 8,199,726. The stipulation was granted. On January 13, 2023, Lenovo filed a motion to sever and stay the Company's patent infringement claims, requesting that its Sherman Act and breach of FRAND claims proceed to trial. On June 30, 2023, the parties submitted an update to the Court requesting that the entire case be stayed, and on July 18, 2023, the court ordered that the case be stayed pending resolution of all appeals in the UK proceedings.

District of Delaware Antitrust Proceedings

On April 9, 2020, Lenovo (United States) Inc. and Motorola Mobility LLC filed a complaint in the Delaware District Court against the Company and certain of its subsidiaries. The complaint alleges that the Company defendants have violated Sections 1 and 2 of the assets Sherman Act in connection with, among other things, their licensing of 3G and liabilities associated 4G standards essential patents ("SEPs"). The complaint further alleges that the Company defendants have violated their commitment to the ETSI with this variable interest entity included in our condensed consolidated balance sheet were $11.4 million respect to the licensing of 3G and $0.7 million, respectively. Assets included $2.5 million 4G SEPs on FRAND terms and conditions. The complaint seeks, among other things (i) rulings that the Company defendants have violated Sections 1 and 2 of cash the Sherman Act and cash equivalents, $0.1 million are liable for breach of prepaid their ETSI FRAND commitments, (ii) a judgment that the plaintiffs are entitled to a license with respect to the Company's 3G and other current assets, 4G SEPs on FRAND terms and $8.8 million conditions, and (iii) injunctions against any demand for allegedly excessive royalties or enforcement of patents, net. As of December 31, 2022 the Company defendants' 3G and 4G U.S. SEPs against the plaintiffs or their customers via patent infringement proceedings.

On June 22, 2020, the book value Company filed a motion to dismiss Lenovo's Sherman Act claims with prejudice, and to dismiss Lenovo's breach of contract claim with leave to re-file as a counterclaim in the Company's legal proceeding against Lenovo in the Delaware District Court discussed above.

On March 24, 2021, the Delaware District Court ruled on the Company's motion to dismiss. The Delaware District Court dismissed the Sherman Act Section 1 claim without prejudice, denied the motion to dismiss the Sherman Act Section 2 claim, and consolidated the Section 2 and breach of contract claims with Company's Delaware patent proceeding discussed above. Accordingly, these claims have been stayed pending resolution of all appeals in the UK proceedings.

International Trade Commission and Companion District Court Proceedings

On September 1, 2023, the Company and certain of its subsidiaries filed a complaint in the United States International Trade Commission (the "International Trade Commission") against Lenovo Group Ltd. and certain of its subsidiaries alleging that Lenovo infringes five of the assets Company's U.S. patents (U.S. Patent Nos. 10,250,877, 8,674,859, 9,674,556, 9,173,054, and liabilities associated 8,737,933) by making, using, offering for sale, and/or selling certain electronic devices, including smartphones, computers, tablet computers, and components thereof that infringe certain claims of the asserted patents. As relief, the Company is seeking: (a) a limited exclusion order against Lenovo barring from entry into the United States all of Lenovo's products that infringe the asserted patents; (b) cease and desist orders prohibiting Lenovo from importing, selling, offering for sale, marketing, advertising, and distributing, infringing products; and (c) a bond during the 60-day Presidential review period. On October 5, 2023, the International Trade Commission instituted the requested investigation. The hearing is scheduled for August 14-20, 2024. The Initial Determination is expected to be issued by January 13, 2025, and the Final Determination is expected to be issued by May 13, 2025.

On September 1, 2023, the Company and certain of its subsidiaries filed a complaint in the United States District Court for the Eastern District of North Carolina (the "North Carolina District Court") against Lenovo Group Ltd. and certain of its subsidiaries alleging that Lenovo infringes five of the Company's U.S. patents (U.S. Patent Nos. 10,250,877, 8,674,859, 9,674,556, 9,173,054, and 8,737,933) by making, using, offering for sale, and/or selling Lenovo smartphones, computers (including both laptop and desktop), and tablet computers that utilize the Company's patented technology. As relief, the Company is seeking: (a) a finding that Lenovo is liable for infringement of the asserted patents; (b) an injunction against further infringement; (c) damages, including enhanced damages for willful infringement and supplemental damages; and (d) costs. Lenovo filed its answer and counterclaims and motion to dismiss a portion of the complaint on October 10, 2023, which remains pending. On October 31, 2023, the Company filed its answer to Lenovo's counterclaims, an amended complaint, as well as a motion to dismiss certain of Lenovo's counterclaims, which was denied on March 25, 2024. On February 23, 2024, Lenovo filed a Motion for Judgment on the Pleadings, alleging three of the asserted patents are invalid; that motion is pending.

China Proceedings

On April 10, 2020, Lenovo (Beijing) Ltd. and certain of its affiliates filed a complaint against the Company and certain of its subsidiaries in the Beijing Intellectual Property Court (the "Beijing IP Court") seeking a determination of the FRAND royalty rates payable for the Company's Chinese 3G, 4G and 5G SEPs. On February 20, 2021, the Company filed an application challenging the jurisdiction of the Beijing IP Court to take up Lenovo's complaint. On November 15, 2021, the Beijing IP Court denied the jurisdictional challenge, and the Company filed an appeal with the Supreme People's Court of the People's Republic of China (the "SPC") on December 14, 2021. That appeal was denied by the SPC on September 5, 2022, and the case was sent back to the Beijing IP Court. On November 9, 2022, the Company filed a petition to stay the case. On June 12, 2023, the Beijing IP Court decided not to dismiss or stay the case. On December 5, 2023, Lenovo filed a request to withdraw the proceedings, and on December 29, 2023, the Beijing IP Court granted Lenovo's request.

On November 26, 2021, the Company was informed that Lenovo had purportedly filed an additional complaint against the Company in the Wuhan Intermediate People's Court (the "Wuhan Court") seeking a determination of a global FRAND royalty rate for the period from 2024 to 2029 for the Company's 3G, 4G, and 5G SEPs. On April 16, 2022, the Company filed an application challenging, among other things, process of service and the jurisdiction of the Wuhan Court. The application was denied on August 7, 2023. The Company filed an appeal before the SPC on September 4, 2023. On December 19, 2023, Lenovo filed a request to withdraw the proceedings, and on January 15, 2024, the Beijing IP Court granted Lenovo's request.

Germany Proceedings

On March 25, 2022, March 28, 2022, and April 6, 2022, the Company and certain of its subsidiaries filed patent infringement claims in the Munich and Mannheim Regional Courts against Lenovo and certain of its affiliates, alleging infringement of European Patent Nos. 2,449,782; 2,452,498; 3,624,447 and 3,267,684 relating to HEVC standards. The Company sought, among other relief, injunctive relief to prevent further infringement of the asserted patents. On September 21, 2023, the parties entered into a patent license agreement regarding the Company's HEVC portfolio. On October 4, 2023, the Company filed motions to withdraw the litigations involving European Patent Nos. 2,449,782; 2,452,498; 3,624,447 and 3,267,684; the litigations were withdrawn on October 9, 2023. OnSeptember 22, 2023, the Company filed a complaint with the Munich Regional Court against Lenovo and certain of its affiliates, alleging infringement of European Patent No. 2,127,420, relating to cellular 4G/LTE and/or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents. A hearing regarding European Patent No. 2,127,420 was held on April 18, 2024; judgment is expected on or around May 2, 2024.

Oppo, OnePlus and realme

UK Proceedings

On December 20, 2021, the Company filed a patent infringement claim in the UK High Court against Guangdong Oppo Mobile Telecommunications Corp., Ltd. ("Oppo") and certain of its affiliates, OnePlus Technology (Shenzhen) Co., Ltd. ("OnePlus") and certain of its affiliates, and realme Mobile Telecommunications (Shenzhen) Co., Ltd. ("realme") and certain of its affiliates, alleging infringement of European Patent (UK) Nos. 2,127,420; 2,421,318; 2,485,558; and 3,355,537 relating to cellular 3G, 4G/LTE or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents.

On March 24, 2023, the parties agreed to stay all technical trials on the basis that European Patent No. 2,485,558 is valid and essential based on the result of Technical Trial A in the Lenovo UK proceedings. The FRAND trial to determine the royalties to be paid under the license with Oppo was held from March 1 - April 16, 2024; judgment is pending.

India Proceedings

On December 20, 2021 and December 22, 2021, the Company and certain of its subsidiaries filed patent infringement claims in the Delhi High Court in New Delhi, India against Oppo and certain of its affiliates, OnePlus and certain of its affiliates, and realme Mobile Telecommunication (India) Private Limited, alleging infringement of Indian Patent Nos. 262910, 295912, 313036, 320182, 319673, 242248, 299448, and 308108 relating to cellular 3G, 4G/LTE, and/or 5G, and HEVC standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents. On February 21, 2024, the Delhi High Court granted the Company's application for pro tem security. Oppo appealed the judgment on March 13, 2024, and the appeal is pending.

Germany Proceedings

On December 20, 2021, a subsidiary of the Company filed three patent infringement claims, two in the Munich Regional Court and one in the Mannheim Regional Court, against Oppo and certain of its affiliates, OnePlus and certain of its affiliates, and realme and certain of its affiliates, alleging infringement of European Patent Nos. 2,485,558; 2,127,420; and 2,421,318 relating to cellular 3G, 4G/LTE and/or 5G standards. The Company is seeking, among other relief, injunctive relief to prevent further infringement of the asserted patents. The Munich Regional Court held a hearing on March 2, 2023 regarding European Patent No. 2,127,420, and a second hearing was held on November 23, 2023. On December 21, 2023, the Munich Regional Court issued a decision finding infringement and issuing an injunction against Oppo. Oppo filed an appeal of this variable interest entity included decision on January 22, 2024, which is pending. On March 10, 2023, the Munich Regional Court entered a stay of the proceedings regarding European Patent No. 2,485,558. On November 30, 2023, the Munich Regional Court entered a stay of proceedings regarding European Patent No. 2,421,318.

China Proceedings

On January 19, 2022, the Company was informed that Oppo had purportedly filed a complaint against the Company in our condensed consolidated balance sheet were $17.5 million the Guangzhou Intellectual Property Court (the "Guangzhou IP Court") seeking a determination of a global FRAND royalty rate for the Company's 3G, 4G, 5G, 802.11 and $1.8 million HEVC SEPs. On May 20, 2022, respectively. Assets included $4.4 million the Company filed an application challenging, among other things, process of cash service and cash equivalents, $4.0 million the jurisdiction of accounts receivable the Guangzhou IP Court. On January 12, 2023, the Guangzhou IP Court denied the application. On February 28, 2023, the Company filed an appeal to the decision. The Supreme People's Court denied the appeal on September 7, 2023. An initial evidentiary hearing was held on October 13, 2023.

Spain Proceedings

On March 1, 2022, a subsidiary of the Company filed patent infringement claims in the Barcelona Commercial Courts against Oppo and prepaid certain of its affiliates, OnePlus and certain of its affiliates, and realme and certain of its affiliates. The Company filed its amended complaint on April 25, 2022, alleging infringement of European Patent Nos. 3,355,537; 2,485,558; 2,421,318; and 2,557,715 relating to cellular 3G, 4G/LTE and/or 5G standards. The Company is seeking, among other current assets, relief, injunctive relief to prevent further infringement of the asserted patents. Oppo filed its reply, invalidity counterclaims, and $9.1 million defenses on July 31. 2023. The Company filed its response to Oppo's counterclaims on December 20, 2023.

Samsung

The Company reached an agreement with Samsung Electronics Co. Ltd. ("Samsung") to enter into binding arbitration to determine the final terms of a renewed patent license agreement to certain of the Company's patents, net. which will be effective from January 1, 2023. The Company and Samsung have also agreed not to initiate certain claims against the other during the arbitration. On March 31, 2023, the Company filed a request for arbitration with the International Chamber of Commerce.

Convida WirelessOn July 21, 2023, the International Chamber of Commerce confirmed the full tribunal for the arbitration. The hearing has been scheduled for Summer of 2024 with an expected resolution in late 2024.

Convida Wireless was launched

Tesla

On December 5, 2023, Tesla and certain of its subsidiaries filed a claim in 2013, the UK High Court against the Company and most recently renewed in 2021, Avanci. The claim alleges invalidity of three of the Company's patents relating to combine Sony's consumer electronics expertise with our pioneering IoT expertise to drive IoT communications 5G standards: European Patent (UK) Nos. 3,718,369, 3,566,413, and connectivity. Based on 3,455,985. Tesla sought, among other relief, a declaration that the patents at issue are invalid, not essential, and not infringed, revocation of the patents at issue, a declaration that the terms of the agreement, Avanci 5G Connected Vehicle platform license are not FRAND, and a determination of FRAND terms for a license between Tesla and Avanci covering its Avanci's 5G Connected Vehicle platform. On March 8, 2024, the parties will contribute funding Company filed a jurisdiction challenge; a hearing on the jurisdiction challenge is scheduled to begin on May 20, 2024.

OTHER

We are party to certain other disputes and resources for additional research legal actions in the ordinary course of business, including arbitrations and platform development, which we performed.

Convida Wireless is legal proceedings with licensees regarding the terms of their agreements and the negotiation thereof. We do not currently believe that these matters, even if adversely adjudicated or settled, would have a variable interest entity. Based material adverse effect on our provision financial condition, results of research and platform development services to Convida Wireless, we determined that we were operations or cash flows. None of the primary beneficiary preceding matters have met the requirements for accounting purposes and consolidated Convida Wireless through September 30, 2023. For accrual or disclosure of a potential range as of March 31, 2024, except as noted above.

7.<u>INCOME TAXES</u>

In the three and nine months ended September 30, 2023 March 31, 2024 and 2023, the Company had an estimated effective tax rate of 19.2% and 14.0%, we allocated approximately $0.8 million and $3.0 million, respectively, respectively. The change in effective tax rate is due to a decrease in the amount of Convida Wireless's net loss Foreign Derived Intangible Income deduction benefit available to noncontrolling interests held the Company. In addition, the Company is subject to an increase in the Global Intangible Low-Tax Income inclusion derived from the increase in French revenue. The effective tax rate in the period ending March 31, 2023, was impacted by other parties and losses in certain jurisdictions where the Company recorded a valuation allowance against the related tax benefit. Excluding this valuation allowance, our effective tax rate for the three and nine months ended September 30, 2022, we allocated approximately $0.5 March 31, 2023 would have been 13.8% respectively. During both the three months ended March 31, 2024 and 2023, the Company recorded discrete net benefits of $1.7 million and $1.2 $1.0 million, respectively. respectively, primarily related to share-based compensation.

In October The effective tax rate reported in any given year will continue to be influenced by a variety of factors, including timing differences between the recognition of book and tax revenue, the level of pre-tax income or loss, the foreign vs. domestic classification of the Company's customers, and any discrete items that may occur.

During the three months ended March 31, 2024 and 2023, Convida Wireless appointed the Company paid approximately $9.3 million and $4.4 million, respectively, in foreign source creditable withholding tax.

8.NET INCOME PER SHARE

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

	For the Three Months Ended March 31,	
	2024	**2023**
Net income applicable to InterDigital, Inc.	$ 81,652	$ 105,259
Weighted-average shares outstanding:		
Basic	25,510	28,780
Dilutive effect of stock options, RSUs, and warrants	889	592
Dilutive effect of convertible securities	1,942	—
Diluted	28,341	29,372
Earnings per share:		
Basic	$ 3.20	$ 3.66
Dilutive effect of stock options, RSUs, and warrants	(0.10)	(0.08)
Dilutive effect of convertible securities	(0.22)	—
Diluted	$ 2.88	$ 3.58

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

	For the Three Months Ended March 31,	
	2024	**2023**
Restricted stock units and stock options	—	420
Warrants	7,488	7,488
Total	7,488	7,908

Convertible Notes and Warrants

Refer to Note 5, "*Obligations*," for information about the Company's convertible notes and warrants and related conversion and strike prices. During periods in which the average market price of the Company's common stock is above the applicable conversion price of the Company's convertible notes, or above the strike price of the Company's outstanding warrants, the impact of conversion or exercise, as applicable, would be responsible dilutive and such dilutive effect is reflected in diluted EPS. As a result, in periods where the average market price of the Company's common stock is above the conversion price or strike price, as applicable, under the if-converted method, the Company calculates the number of shares issuable under the terms of the convertible notes and the warrants based on the average market price of the stock during the period, and includes that number in the total diluted shares outstanding for directing the operating activities of Convida, including research and platform development services. Accordingly, we expect to deconsolidate Convida Wireless during fourth quarter 2023. period.

9. OTHER OPERATING INCOME, (EXPENSE), NET

The amounts included in "*Other income, (expense), net*" in the condensed consolidated statements of income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows (in thousands):

	For the Three Months Ended March 31,
	For the Three Months Ended March 31,
	For the Three Months Ended March 31,
	2024
	2024
	2024
Interest and investment income	
Interest and investment income	
Interest and investment income	

	Three months ended September 30,		Nine months ended September 30,	
Other				
	2023	2022	2023	2022
Interest and investment income	$ 11,763	$ 4,421	$ 33,697	$ 4,927
Loss on extinguishment of long-term debt	—	—	—	(11,190)
Other Other	2,962	(3,509)	8,606	(8,846)
Other income (expense), net	$ 14,725	$ 912	$ 42,303	$ (15,109)
Other				
Other income, net				
Other income, net				
Other income, net				

The changes change in Other income, (expense), net for the three and nine months ended September 30, 2023 and 2022 were $13.8 million and $57.4 million, respectively. Interest and investment income increased in both three and nine months ended September 30, 2023 and 2022, due to increased short-term investments made by the Company and market conditions driving higher yields on our short-term investments. The change in the nine months ended September 30, 2023 and 2022 was also due to the $11.2 million loss on extinguishment of the 2024 Notes in second quarter 2022, as described further in Note 7, "*Obligations*".

The changes in Other were primarily due to a foreign currency translation net loss arising from euro translation of our foreign subsidiaries and fair value adjustments of our investments.

10. OTHER ASSETS AND LIABILITIES

The amounts included $2.4 million in "*Prepaid and other current assets*" first quarter 2024, compared to a $0.7 million net gain in the consolidated balance sheet as of September 30, 2023 and December 31, 2022 were as follows (in thousands):

	September 30, 2023	December 31, 2022
Tax receivables	$ 75,934	$ 64,117
Prepaid assets	11,474	9,044
Restricted cash	7,229	9,682
Patents held for sale	—	4,000
Other current assets	9,561	2,873
Total Prepaid and other current assets	$ 104,198	$ 89,716

The amounts included in "*Other non-current assets, net*" in the consolidated balance sheet as of September 30, 2023 and December 31, 2022 were as follows (in thousands):

	September 30, 2023	December 31, 2022

Contract asset	$ 43,720	$ 2,544
Tax receivables	26,688	29,370
Long-term investments	25,556	19,593
Goodwill	22,421	22,421
Right-of-use assets	16,335	18,034
Other non-current assets	2,753	3,758
Total Other non-current assets, net	$ 137,473	$ 95,720

The amounts included in "*Other accrued expenses*" in the consolidated balance sheet as of September 30, 2023 and December 31, 2022 were as follows (in thousands):

	September 30, 2023	December 31, 2022
Customer deposit	$ 76,100	$ —
Accrued legal fees	11,510	12,230
Other accrued expenses	13,575	11,276
Total Other accrued expenses	$ 101,185	$ 23,506

The amounts included in "*Other long-term liabilities*" in the consolidated balance sheet as of September 30, 2023 and December 31, 2022 were as follows (in thousands):

	September 30, 2023	December 31, 2022
Operating lease liabilities	$ 17,941	$ 19,923
Deferred compensation liabilities	16,447	14,078
Other long-term liabilities	18,297	19,599
Total Other long-term liabilities	$ 52,685	$ 53,600

11. RESTRUCTURING ACTIVITIES

During second first quarter 2021, the Company undertook certain actions in order to increase focus on core technologies and markets.

On June 10, 2021, the Company announced that, as a result of a strategic review of its research and innovation priorities, it commenced the process of a collective economic layoff in which it proposed a reduction in force of its research and innovation unit. All notices of termination have been issued to the impacted employees.

During 2021, Chordant ceased operations. The Company implemented a reduction in workforce action in second quarter 2021.

Additionally, in June 2021, a non-controlled subsidiary that we consolidate for financial statement purposes approved a plan to sell certain patents. The proceeds from the sale of these patents contributed to funding the non-controlled subsidiary's operations.

In October 2021, we expanded our restructuring efforts to include general and administrative functions largely centered in the U.S., which resulted in a further reduction in force as well as cuts to our non-labor expenses. These employees were provided notification of termination during fourth quarter 2021.

The Company does not anticipate further restructuring costs at this time, however these charges are estimated based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts incurred for such activities may differ from amounts initially estimated.

As of September 30, 2023 and December 31, 2022, the Company's restructuring liability was $0.2 million and $4.5 million, respectively, and is included in "*Other accrued expenses*" on our condensed consolidated balance sheet. The following table presents the change in our restructuring liability during the period (in thousands):

Balance as of December 31, 2022	$ 4,495
Cash payments	(1,487)
Other	52
Balance as of March 31, 2023	3,060
Cash payments	(1,903)
Other	2
Balance as of June 30, 2023	1,159
Cash payments	(956)
Other	(10)
Balance as of September 30, 2023	$ 193

The restructuring expenses included in "*Restructuring activities*" in the condensed consolidated statements of income for the three and nine months ended September 30, 2023 and 2022 were as follows (in thousands):

	Three months ended September 30,	Nine months ended September 30,

	2023	2022	2023	2022
Asset impairment	$ —	$ —	$ —	$ 2,427
Severance and other benefits	—	—	—	305
Outside services and other associated costs	—	—	—	548
Total	$ —	$ —	$ —	$ 3,280

2023.

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

OVERVIEW

The following discussion should be read in conjunction with the unaudited, condensed consolidated financial statements and notes thereto contained in Part I, Item 1 of this Quarterly Report on Form 10-Q, in addition to our 2022 2023 Form 10-K, other reports filed with the SEC and the *Statement Pursuant to the Private Securities Litigation Reform Act of 1995 — Forward-Looking Statements* below.

Throughout the following discussion and elsewhere in this Form 10-Q, we refer to "recurring revenues" and "catch-up revenues." Catch-up revenues are comprised For variable and dynamic fixed-fee license agreements, "catch-up revenues" primarily represents revenue associated with reporting periods prior to the execution of past patent royalties and revenues from the license agreement, while "recurring revenue" represents revenue associated with reporting periods beginning with the execution of the license agreement. For static agreements. fixed-fee license agreements, we typically classify the associated revenue as catch-up revenues.

Lenovo HEVC Samsung TV Agreement

During third quarter 2023, In January 2024, we signed a multi-year, worldwide, non-exclusive, royalty bearing patent license agreement with Lenovo ("Lenovo Samsung Electronics (the "Samsung TV agreement"). The agreement licenses Samsung's digital TVs and computer display monitors under InterDigital's joint licensing program with Sony and includes licenses to key technologies including ATSC 3.0, as well as licenses under InterDigital's patents including HEVC, PLA"), covering InterDigital's HEVC video patents. The new license resolves all related HEVC litigation. During third quarter 2023, we recognized a total of $40.8 million of revenue from Lenovo, including amounts received under the Lenovo HEVC PLA. VVC and Wi-Fi.

Return of Capital to Shareholders

During the third first quarter 2023, the Company 2024, we returned $66.1 $39.2 million to shareholders, including $9.3 $10.2 million, or $0.35 $0.40 per share, of cash dividends paid declared and $56.9 $29.0 million through the repurchase of 0.7 0.3 million shares of common stock. Additionally, we announced an increase to the quarterly cash dividend from $0.35 to $0.40 per share, beginning with the dividend paid in fourth quarter 2023.

During the period October 1, 2023 April 1, 2024 to October 31, 2023 April 30, 2024, we repurchased an additional 0.3 0.2 million shares for $21.9 $21.1 million, under our share repurchase program. bringing the year to date total to approximately 0.5 million shares of common stock repurchased. As of October 31, 2023 April 30, 2024, there was $79.9 $246.3 million remaining under the share repurchase authorization, which we plan to utilize to periodically repurchase additional common shares. See Part II, Item II - *Unregistered Sales of Equity Securities and Use of Proceeds—Issuer Purchases of Equity Securities* of this Quarterly Report on Form 10-Q.

Cash & Short-term Investments

As of September 30, 2023 March 31, 2024, we had $1.1 $1.0 billion of cash, restricted cash and short-term investments and an additional $1.2 billion of cash payments due under contracted fixed price agreements, which includes our conservative estimates of the minimum cash receipts that we expect to receive under a the wireless patent license agreement with Samsung.

88% 87% of our recurring revenue comes from fixed-fee royalties. Our fixed-fee Such agreements often have prescribed payment schedules that are uneven and sometimes front-loaded, resulting in timing differences between when we collect the cash payments and recognize the related revenue.

The following table reconciles the timing differences between cash receipts and recognized revenue during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, including the resulting operating cash flow (in thousands):

		Three months ended September 30,		Nine months ended September 30,	
		For the Three Months Ended March 31,			
		For the Three Months Ended March 31,			
		For the Three Months Ended March 31,			
Cash vs. Non-cash revenue:					
Cash vs. Non-cash revenue:					
Cash vs. Non-cash revenue:	Cash vs. Non-cash revenue:	2023	2022	2023	2022
Fixed fee cash receipts (a)	Fixed fee cash receipts (a)	$ 368,608	$ 26,662	$ 402,683	$ 73,804
Fixed fee cash receipts (a)					

Fixed fee cash receipts (a)					
Other cash receipts (b)					
Other cash receipts (b)					
Other cash receipts (b)	Other cash receipts (b)	3,684	6,403	34,816	31,615
Change in deferred revenue	Change in deferred revenue	(77,474)	(274,034)	3,933	(146,334)
Change in deferred revenue					
Change in deferred revenue					
Change in receivables	Change in receivables	(167,222)	354,242	16,390	371,930
Other (c)		12,510	1,491	(13,752)	9,724
Change in receivables					
Change in receivables					
Other					
Other					
Other					
Total Revenue					
Total Revenue					
Total Revenue	**Total Revenue**	$ 140,106	$ 114,764	$ 444,070	$ 340,739
Net cash provided by (used in) operating activities	**Net cash provided by (used in) operating activities**	$ 310,610	$ (18,729)	$ 237,318	$ (70,469)
Net cash provided by (used in) operating activities					
Net cash provided by (used in) operating activities					

(a) Fixed fee cash receipts are comprised of cash receipts from Dynamic Fixed-Fee Agreement royalties, including the associated catch-up patent royalties. royalties

(b) Other cash receipts are primarily comprised of cash receipts related to our variable patent royalty revenue and catch-up revenues.

(c) The changes in other are primarily driven by customer deposits partially offset by long-term contract assets associated with revenue estimates.

When we collect payments on a front-loaded basis, we recognize a deferred revenue liability equal to the cash received and accounts receivable recorded that which relate to revenue expected to be recognized in future periods. That liability is then reduced as we recognize revenue over the balance of the agreement. The following table shows the projected amortization of our current and long-term long term deferred revenue as of September 30, 2023 March 31, 2024 (in thousands):

	Deferred Revenue (a)
Remainder of 2023	$ 64,137
2024	134,934
2025	128,791
2026	78,777
2027	12,450
2028 and Thereafter	3,617
Total Revenue	$ 422,706

(a) This table includes our estimated amortization of deferred revenue related to the Lenovo UK proceedings. In accordance with ASC 606, these estimates are limited to the amount of revenue we expect to recognize only to the extent it is probable that a subsequent change in the estimate would not result in a significant revenue reversal.

	Deferred Revenue
Remainder of 2024	$ 122,762
2025	131,858
2026	79,234
2027	12,450
2028	1,141
Thereafter	2,476
Total Revenue	$ 349,921

Revenue

Third Total revenues of $263.5 million, which includes both recurring and catch-up revenues, increased 30% compared to first quarter 2023 total revenues of $140.1 million increased 22% from third quarter 2022 primarily due to catch-up revenues recognized from the Lenovo HEVC PLA and one other new Samsung TV agreement signed during third recognized in first quarter 2023. Third 2024. First quarter 2023 2024 recurring revenues were $104.5 million $96.9 million, compared to recurring revenues of $101.0 million $101.6 million in third first quarter 2022, 2023, a 3% 5% year-over-year increase. decrease. In third first quarter 2023, 2024, revenues (in descending order) from Lenovo, Apple, Samsung and Xiaomi Apple each comprised 10% or more of our consolidated revenues. Refer to "*Results of Operations --Third --First Quarter 2023 2024 Compared to Third First Quarter 2022 2023*" for further discussion of our 2023 2024 revenue.

Impact of Macroeconomic and Geopolitical Factors

We have been actively monitoring the impact of the current macroeconomic environment in the U.S. and globally characterized by inflation, supply chain issues, rising interest rates, labor shortages, and the potential for a recession. These market factors, as well as the impacts of the Ukraine-Russia and Israel-Hamas Middle East conflicts, have not had a material impact on our business to date. However, if these conditions continue or worsen, they could have an adverse effect on our operating results and our financial condition. See the section titled “Risk Factors” in the 2022 Form 10-K.

Comparability of Financial Results

When comparing third first quarter 2023 2024 financial results against other periods, the following items should be taken into consideration:

Revenue

- Our third first quarter 2023 2024 revenues include $35.6 $166.7 million of catch-up revenues primarily related to the Lenovo HEVC PLA and one other new Samsung TV agreement signed in third first quarter 2023. 2024.

Operating Expenses

- During third first quarter 2023, 2024, we incurred $65.7 million of nonrecurring revenue share costs associated with the catch-up revenues recognized in the period.

Non-Operating (Expense) Income, Net

- During first quarter 2024, we recognized a $6.1 $0.7 million gain net loss resulting from an observable price change changes of a our long-term strategic investment, which was included within “O “*ther Other income, (expense), net*” in the condensed consolidated statement of income.
- During third quarter 2023, we incurred $5.1 million of one-time supplemental compensation costs driven by licensing success.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2, "*Summary of Significant Accounting Policies and New Accounting Guidance*", in the notes to consolidated financial statements included in our 2022 2023 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 2022 2023 Form 10-K. There have been no material changes to our existing critical accounting policies from the disclosures included in our 2022 2023 Form 10-K. Refer to Note 1, “*Basis of Presentation*,” in the notes to condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for updates related to new accounting pronouncements and changes in accounting policies.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash, cash equivalents and short-term investments, as well as cash generated from operations. We believe we have the ability to obtain additional liquidity through debt and equity financings. From time to time, we may engage in a variety of transactions to augment our liquidity position as our business dictates and to take advantage of favorable interest rate environments or other market conditions, including the incurrence or issuance of debt and the refinancing or restructuring of existing debt. Based on our past performance and current expectations, we believe our available sources of funds, including cash, cash equivalents and short-term investments and cash generated from our operations, will be sufficient to finance our operations, capital requirements, debt obligations, existing stock repurchase program, dividend program, and other contractual obligations discussed below in both the short-term over the next twelve months, and the long-term beyond twelve months.

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

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had the following amounts of cash and cash equivalents, restricted cash and short-term investments (in thousands):

		September 30, 2023	December 31, 2022	Increase /(Decrease)			
	March 31, 2024				March 31, 2024	December 31, 2023	Increase / (Decrease)
Cash and cash equivalents	Cash and cash equivalents	$ 518,483	$ 693,479	$ (174,996)			
Restricted cash included within prepaid and other current assets	Restricted cash included within prepaid and other current assets	7,229	9,682	(2,453)			

Short-term investments	Short-term investments	565,436	508,298	57,138
Short-term investments				
Short-term investments				
Total cash, cash equivalents, restricted cash and short-term investments	Total cash, cash equivalents, restricted cash and short-term investments	$1,091,148	$1,211,459	$ (120,311)

The net decrease in cash, cash equivalents, restricted cash and short-term investments was attributable to cash used in financing activities of $340.5 million $49.3 million and cash used in investing activities of $30.6 million $7.8 million, excluding sales and purchases of short-term investments, partially offset by cash provided by operating activities of $237.3 million $50.8 million. Refer to the sections below for further discussion of these items.

Cash flows from provided by (used in) operating activities

Cash flows provided by (used in) operating activities in the first nine months quarter 2024 and 2023 and 2022 (in thousands) were as follows (in thousands): follows:

	Nine months ended September 30,		
	2023	2022	Change
Net cash provided by (used in) operating activities	$ 237,318	$ (70,469)	$ 307,787

	For the Three Months Ended March 31,		
	2024	2023	Change
Net cash provided by (used in) operating activities	$ 50,773	$ (27,852)	$ 78,625

Our cash flows provided by (used in) operating activities are principally driven by derived from cash receipts from patent license agreements, offset by cash operating expenses and income tax payments. The $307.8 million $78.6 million change in net cash provided by (used in) operating activities was primarily driven by higher cash receipts from the Lenovo UK proceedings, Lenovo HEVC PLA, and seven other primarily due to new patent license agreements signed in the last twelve months, as well as first quarter 2024 and due timing of cash receipts under related to existing agreements. The increase in cash receipts was patent license agreements, partially offset by tax payments made in first nine months 2023 and an increase in increased cash operating expenses. expenses primarily due to increased revenue share costs from new patent license agreements. The table below sets forth the significant items comprising our cash flows provided by (used in) operating activities during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Nine months ended September 30,						
For the Three Months Ended March 31,				For the Three Months Ended March 31,			
		2023	2022	Change	2024	2023	Change
Total Cash Receipts	**Total Cash Receipts**	$437,499	$105,419	$332,080			
Cash Outflows:	**Cash Outflows:**						
Cash Outflows:							
Cash Outflows:							
Cash operating expenses [a]							
Cash operating expenses [a]							
Cash operating expenses [a]	Cash operating expenses [a]	159,601	152,032	7,569			

Income taxes paid b	Income taxes paid b	30,117	4,585	25,532
Total cash outflows	**Total cash outflows**	189,718	156,617	33,101
Other working capital adjustments	**Other working capital adjustments**	(10,463)	(19,271)	8,808
Other working capital adjustments				
Other working capital adjustments				
Cash flows provided by (used in) operating activities	**Cash flows provided by (used in) operating activities**	$237,318	$ (70,469)	$307,787
Cash flows provided by (used in) operating activities				
Cash flows provided by (used in) operating activities				

(a) Cash operating expenses include operating expenses less depreciation and disposals of fixed assets, amortization of patents, non-cash compensation and non-cash impairment charges. compensation. Includes revenue share costs of $69.0 million and $1.1 million in first quarter 2024 and 2023, respectively.
(b) Income taxes paid include foreign withholding taxes.

Cash flows from investing and financing activities

Net cash provided by investing activities for first quarter 2024 was $16.8 million, a $31.2 million change from $14.5 million of net cash used in investing activities for first nine months 2023 was $74.3 million, a $48.9 million decrease from $123.2 million in first nine months 2022. quarter 2023. During first nine months 2023, quarter 2024, we purchased $43.7 million sold $24.6 million of short-term marketable securities, net of sales, purchases, and capitalized $31.2 million $9.4 million of patent costs and property and equipment purchases. During first nine months 2022, quarter 2023, we purchased $92.1 million $6.0 million of short-term marketable securities, net of sales, and capitalized $31.1 million $8.5 million of patent costs and property and equipment purchases.

Net cash used in financing activities for first nine months 2023 quarter 2024 was $340.5 million $49.3 million, a change of $369.9 million $168.8 million from net cash provided by financing activities of $29.4 million $218.1 million the first nine months 2022. quarter 2023. This change was primarily attributable to a $228.3 million increase $174.5 million decrease in share repurchases, in first nine months 2023 compared to first nine months 2022, of which $203.4 million was related to the Company's modified "Dutch auction" tender offer in first quarter 2023. The change was also due to net proceeds of $139.2 million from the debt refinancing during second quarter 2022.

Other

Our combined short-term and long-term deferred revenue balance as of September 30, 2023 March 31, 2024 was approximately $422.7 million $349.9 million, a net decrease of $3.9 million $27.5 million from December 31, 2022 December 31, 2023. This decrease in deferred revenue was primarily due to amortization of deferred revenue recognized in the period, partially offset by cash receipts on new and existing patent license agreements.

Based on current license agreements, we expect the amortization of dynamic fixed-fee royalty payments to reduce the September 30, 2023 March 31, 2024 deferred revenue balance of $422.7 million $349.9 million by $167.6 million $156.0 million over the next twelve months.

Convertible Notes

See Note 7, 5, "*Obligations*" to the notes to condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for definitions of capitalized terms below.

Commencing on March 1, 2024, the 2024 Notes became convertible at any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding the maturity date of the 2024 Notes. Additionally, from the period April 1, 2024 through June 30, 2024, the holders of the 2027 Notes have the right, but not the obligation, to convert any portion of the principal amount of the 2027 Notes.

Our 2027 and 2024 Notes, which for purposes of this discussion are also referred to as the "Convertible Notes", are included in the dilutive earnings per share calculation using the if-converted method. Under the if-converted method, we must assume that conversion of convertible securities occurs at the beginning of the reporting period. The Convertible Notes are convertible into cash up to the aggregate principal amount of the Convertible Notes to be converted. Any remaining obligation of the 2027 Notes may be settled in cash, shares of the Company's common stock or a combination thereof and any remaining obligation of the 2024 Notes is settled in shares of our common stock. As the principal amount must be paid in cash and only the conversion spread is settled in shares, we only include the net number of incremental shares that would be issued upon conversion. We must calculate the number of shares of our common stock issuable under the terms of the Convertible Notes based on the average market price of our common stock during the applicable reporting period and include that number in the total diluted shares figure for the period.

At the time we issued the Convertible Notes, we entered into the 2027 Call Spread Transactions and 2024 Call Spread Transactions that together were designed to have the economic effect of reducing the net number of shares that will be issued in the event of conversion of the Convertible Notes by, in effect, increasing the conversion price of the Convertible Notes from our economic standpoint. However, under GAAP, since the impact of the 2027 Note Hedge Transactions and 2024 Note Hedge Transactions (together, the "Note Hedge Transactions") is anti-dilutive, we exclude from the calculation of fully diluted shares the number of shares of our common stock that we would receive from the counterparties to these agreements upon settlement.

During periods in which the average market price of our common stock is above the applicable conversion price of the Convertible Notes ($77.49 per share for the 2027 Notes and $81.29 per share for the 2024 Notes as of September 30, 2023 March 31, 2024) or above the strike price of the warrants ($106.37 (weighted average of $106.31 per share for the 2027 Warrant Transactions and $109.43 per share for the 2024 Warrant Transactions as of September 30, 2023 March 31, 2024), the impact of conversion or exercise, as applicable, would be dilutive and such dilutive effect is reflected in diluted earnings per share. As a result, in periods where the average market price of our common stock is above the conversion price or strike price, as applicable, under the if-converted method, we calculate the number of shares issuable under the terms of the Convertible Notes and the warrants based on the average market price of the stock during the period, and include that number in the total diluted shares outstanding for the period.

Under the if-converted method, changes in the price per share of our common stock can have a significant impact on the number of shares that we must include in the fully diluted earnings per share calculation. As described in Note 7, 5, "*Obligations,*" the Convertible Notes are convertible into cash up to the aggregate principal amount of the Convertible Notes to be converted and any remaining obligation may be in cash, shares of the Company's common stock or a combination thereof ("net share settlement"). Assuming net share settlement upon conversion, the following tables illustrate how, based on the $460.0 million aggregate principal amount of the 2027 Notes and the $126.2 million aggregate principal amount of the 2024 Notes outstanding as of September 30, 2023 March 31, 2024, and the approximately 5.9 million warrants related to the 2027 Notes and the 1.6 million warrants remaining related to the 2024 Notes, outstanding as of the same date, changes in our stock price would affect (i) the number of shares issuable upon conversion of the Convertible Notes, (ii) the number of shares issuable upon exercise of the warrants subject to the 2027 Warrant Transactions and 2024 Warrant Transactions (together, the "Warrant Transactions"), (iii) the number of additional shares deemed outstanding with respect to the Convertible Notes, after applying the if-converted method, for purposes of calculating diluted earnings per share ("Total If-Converted Method Incremental Shares"), (iv) the number of shares of our common stock deliverable to us upon settlement of the Note Hedge Transactions and (v) the number of shares issuable upon concurrent conversion of the Convertible Notes, exercise of the warrants subject to the Warrant Transactions, and settlement of the Note Hedge Transactions: Transactions (in thousands):

2027 Notes

Market Price Per Share	Market Price Per Share	Shares Issuable Upon Conversion of the 2027 Notes	Shares Issuable Upon Exercise of the 2027 Warrant Transactions	Total If-Converted Method Incremental Shares	Shares Deliverable to InterDigital upon Settlement of the 2027 Note Hedge Transactions	Incremental Shares Issuable (a)	Market Price Per Share	Shares Issuable Upon Conversion of the 2027 Notes	Shares Issuable Upon Exercise of the 2027 Warrant Transactions	Total If-Converted Method Incremental Shares	Shares Deliverable to InterDigital upon Settlement of the 2027 Note Hedge Transactions	Incremental Shares Issuable (a)
	(Shares in thousands)											
$80												
$80												
$80	$80	186	—	186	(186)	—		186	—	186	(186)	—
$85	$85	524	—	524	(524)	—	$85	524	—	524	(524)	—
$90	$90	825	—	825	(825)	—	$90	825	—	825	(825)	—
$95	$95	1,094	—	1,094	(1,094)	—	$95	1,094	—	1,094	(1,094)	—
$100	$100	1,336	—	1,336	(1,336)	—	$100	1,336	—	1,336	(1,336)	—
$105	$105	1,555	—	1,555	(1,555)	—	$105	1,555	—	1,555	(1,555)	—
$110	$110	1,754	196	1,950	(1,754)	196	$110	1,754	199	1,953	(1,754)	199
$115	$115	1,936	445	2,381	(1,936)	445	$115	1,936	449	2,385	(1,936)	449
$120	$120	2,103	674	2,777	(2,103)	674	$120	2,103	677	2,780	(2,103)	677
$125	$125	2,256	885	3,141	(2,256)	885	$125	2,256	888	3,144	(2,256)	888

2024 Notes

Market Price Per Share	Market Price Per Share	Shares Issuable Upon Conversion of the 2024 Notes	Shares Issuable Upon Exercise of the 2024 Warrant Transactions	Total If-Converted Method Incremental Shares	Shares Deliverable to InterDigital upon Settlement of the 2024 Note Hedge Transactions	Incremental Shares Issuable (a)	Market Price Per Share	Shares Issuable Upon Conversion of the 2024 Notes	Shares Issuable Upon Exercise of the 2024 Warrant Transactions	Total If-Converted Method Incremental Shares	Shares Deliverable to InterDigital upon Settlement of the 2024 Note Hedge Transactions	Incremental Shares Issuable (a)
	(Shares in thousands)											
$85												
$85												
$85	$85	68	—	68	(68)	—	68	—	68	(68)	—	
$90	$90	150	—	150	(150)	—	$90	150	—	150	(150)	—
$95	$95	224	—	224	(224)	—	$95	224	—	224	(224)	—
$100	$100	290	—	290	(290)	—	$100	290	—	290	(290)	—
$105	$105	351	—	351	(351)	—	$105	351	—	351	(351)	—
$110	$110	405	8	413	(405)	8	$110	405	8	413	(405)	8
$115	$115	455	75	530	(455)	75	$115	455	75	530	(455)	75
$120	$120	501	137	638	(501)	137	$120	501	137	638	(501)	137
$125	$125	543	193	736	(543)	193	$125	543	193	736	(543)	193
$130	$130	582	246	828	(582)	246	$130	582	246	828	(582)	246

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

RESULTS OF OPERATIONS

Third First Quarter 2023 2024 Compared to Third First Quarter 2022 2023

Revenues

The following table compares third first quarter 2023 2024 revenues to third first quarter 2022 2023 revenues (in thousands):

		Three months ended September 30,				For the Three Months Ended March 31,							
		2023	2022	Increase/(Decrease)			2024	2023		Increase/(Decrease)			
Recurring revenues:	Recurring revenues:												
Smartphone													
Smartphone													
Smartphone	Smartphone	$ 88,376	$ 87,141	$ 1,235	1 %		$ 74,029	$	$87,431	$	$(13,402)	(15)	(15)
CE, IoT/Auto	CE, IoT/Auto	15,659	13,905	1,754	13 %	CE, IoT/Auto	22,116	14,086	14,086	8,030	8,030	57	
Other	Other	441	—	441	100 %	Other	719	56	56	663	663	1,184	
Total recurring revenues	Total recurring revenues	104,476	101,046	3,430	3 %	Total recurring revenues	96,864	101,573	101,573	(4,709)	(4,709)	(5)	
Catch-up revenues a	Catch-up revenues a	35,630	13,718	21,912	160 %	Catch-up revenues a	166,678	100,800	100,800	65,878	65,878	65	
Total revenues	Total revenues	$140,106	$114,764	$ 25,342	22 %	Total revenues	$263,542	$	$202,373	$	$61,169	30	

(a) Catch-up revenues are comprised of past patent royalties and revenues from static agreements.

Total revenues of $140.1 million $263.5 million, which includes both recurring and catch-up revenues, increased $25.3 million 30% from first quarter 2023 primarily due to catch-up revenues from the Samsung TV agreement signed in first quarter 2024, partially offset by catch-up revenues related to the Lenovo HEVC PLA and one other new proceedings recognized in first quarter 2023.

Recurring revenues decreased 5% to $96.9 million, compared to $101.6 million in first quarter 2023. The decrease was primarily driven by the expiration of the Huawei patent license agreement, partially offset by catch-up recurring revenues from connected automobile seven new patent license agreements recognized signed in third first quarter 2022. Recurring revenues were relatively flat compared to third quarter 2022. 2024.

In third first quarter 2024 and 2023, 84% and 2022, 78% and 70% 67%, respectively, of our total revenue was attributable to licensees that individually accounted for 10% or more of our total revenue. In third first quarter 2023 2024 and 2022, 2023, the following licensees accounted for 10% or more of our total revenue:

		Three months ended September 30,				
	For the Three Months Ended March 31,				For the Three Months Ended March 31,	
		2023	2022		2024	2023
Customer A	Customer A	29%	—%	Customer A	71%	<10%
Customer B	Customer B	24%	30%	Customer B	13%	17%
Customer C	Customer C	14%	17%	Customer C	<10%	50%
	Customer D	11%	13%			
	Customer E	<10%	10%			

Operating Expenses

The following table summarizes the changes in operating expenses between third first quarter 2023 2024 and third first quarter 2022 2023 by category (in thousands):

	For the Three Months Ended March 31,												
		Three months ended September 30,											
		2023	2022	Increase/(Decrease)			2024		2023		Increase/(Decrease)		
Research and portfolio development	Research and portfolio development	$50,253	$50,116	$ 137	— %	Research and portfolio development	$ 49,375	$	$ 49,429	$	$ (54)	—	— %
Licensing	Licensing	21,522	18,393	3,129	17 %	Licensing	96,589	21,368	21,368	75,221	75,221	352	352 %
General and administrative	General and administrative	14,678	14,418	260	2 %	General and administrative	13,840	12,315	12,315	1,525	1,525	12	12 %
Total Operating expenses	Total Operating expenses	$86,453	$82,927	$ 3,526	4 %								
Total Operating expenses													
Total Operating expenses							$159,804		$ 83,112		$76,692		92 %

Operating expenses increased to $86.5 million $159.8 million in third first quarter 2023 2024 from $82.9 million $83.1 million in third first quarter 2022. 2023. The $3.5 million $76.7 million increase in total operating expenses was primarily due to changes in the following items (in thousands):

		Increase/(Decrease)
Intellectual property enforcement Revenue share	$	2,320 67,911
Intellectual property enforcement		11,527
Performance-based compensation		3,421
Net litigation fee reimbursement		(5,636)
Patent impairment		(2,500)
Other		1,206 1,969
Total increase in operating expenses	$	3,526 76,692

The $3.5 million $76.7 million increase in operating expenses was driven by a $67.9 million increase in revenue share costs primarily related to the Samsung TV agreement and a $3.4 million increase in performance-based compensation due to a $2.3 million increase in higher accrual rates driven by licensing successes. Additionally, intellectual property enforcement costs driven by increased $11.5 million due to costs from associated with the Samsung arbitration Lenovo and Oppo proceedings and the Samsung arbitration. These increases were partially offset by decreased costs from the Lenovo proceedings. one-time items recognized in first quarter 2023, including a $5.6 million net litigation fee reimbursement and a $2.5 million patent impairment on our patents held for sale.

Research and portfolio development expense: Research and portfolio development expense was relatively were flat compared to third first quarter 2022. 2023.

Licensing expense: Licensing expense increased $3.1 million $75.2 million primarily due to driven by the above-noted increase in increased revenue share costs and intellectual property enforcement costs. costs, partially offset by the one-time net litigation fee reimbursement.

General and administrative expense: General and administrative expense was relatively flat compared increased $1.5 million primarily due to third quarter 2022. the above-noted increased performance-based compensation costs.

Non-Operating (Expense) Income, (Expense), net

The following table compares third first quarter 2024 non-operating expense, net to first quarter 2023 non-operating income, (expense), net to third quarter 2022 non-operating income (expense), net (in thousands):

		Three months ended September 30, 2023	2022	Increase/(Decrease)			Three months ended March 31, 2024		2023		Increase/(Decrease)		
		2024											
		2024											
Interest expense	Interest expense	$(12,683)	$(7,659)	$ (5,024)	(66) %	Interest expense	$(11,922)	$	$(12,087)	$	$ 165	1	1 %
Interest and investment income	Interest and investment income	11,763	4,421	7,342	166 %	Interest and investment income	11,778	11,680	11,680	98	98	1	1 %
Other		2,962	(3,509)	6,471	184 %								
Total non-operating income (expense), net		$ 2,042	$(6,747)	$ 8,789	130 %								
Other (expense) income, net													
Other (expense) income, net													
Other (expense) income, net							(2,531)		1,511		(4,042)		(268) %
Total non-operating (expense) income, net						Total non-operating (expense) income, net	$ (2,675)		$ 1,104		$ (3,779)		(342) %

Interest expense increased $5.0 million primarily due to significant financing expense resulting from a previously announced patent license agreement. The $7.3 million increase in and interest and investment income was primarily due were flat compared to increased short-term investments made by the Company and market conditions driving higher yields from the short-term investments. first quarter 2023. The change in Other (expense) income, net was primarily due to a $6.1 foreign currency translation net loss arising from translation of our foreign subsidiaries of $2.4 million in first quarter 2024, compared to a $0.7 million net gain resulting from an observable price change of a long-term strategic investment. in first quarter 2023.

Income taxes

In third first quarter 2023 2024 and 2022, 2023, based on the statutory federal tax rate net of discrete federal and state taxes, we had an effective tax rate of 15.3% 19.2% and 13.2% 14.0%, respectively. The change in effective tax rate is due to a change in the amount of Foreign Derived Intangible Income deduction available to the Company due to an increase in taxable income for the timing difference between the recognition of book and tax revenue. The effective tax rate in both periods was impacted by losses in certain jurisdictions where the Company presently has recorded a valuation allowance against the related tax benefit, as well as by the foreign-derived intangible income deduction and non-deductible compensation. Excluding this valuation allowance, our third quarter 2023 and 2022 effective tax rate would have been 14.4% and 7.5%, respectively.

First Nine Months 2023 Compared to First Nine Months 2022

Revenues

The following table compares first nine months 2023 revenues to first nine months 2022 revenues (in thousands):

	Nine months ended September 30,						
	2023		2022		Total Increase/(Decrease)		
Recurring revenues:							
Smartphone	$	260,882	$	262,323	$	(1,441)	(1)%
CE, IoT/Auto		43,177		37,040		6,137	17 %
Other		1,063		911		152	17 %
Total recurring revenues		305,122		300,274		4,848	2 %
Catch-up revenues [a]		138,948		40,465		98,483	243 %
Total revenues	$	444,070	$	340,739	$	103,331	30 %

(a) Catch-up revenues are comprised of past patent royalties and revenues from static agreements.

Total revenues of $444.1 million increased 30% from $340.7 million in the first nine months of 2022 primarily due to catch-up revenues from Lenovo. Recurring revenues were relatively flat compared to first nine months 2022.

In first nine months 2023 and first nine months 2022, 79% and 71% of our total revenue, respectively, was attributable to licensees that individually accounted for 10% or more of our total revenue. In first nine months 2023 and first nine months 2022, the following licensees accounted for 10% or more of our total revenue:

	Nine months ended September 30,	
	2023	2022
Customer A	33%	—%
Customer B	23%	31%
Customer C	13%	17%
Customer D	10%	13%
Customer E	<10%	10%

Operating Expenses

The following table summarizes the changes in operating expenses between first nine months 2023 and first nine months 2022 by category (in thousands):

	Nine months ended September 30,						
	2023		2022		Increase/(Decrease)		
Research and portfolio development	$	149,560	$	139,470	$	10,090	7 %
Licensing		59,534		51,249		8,285	16 %
General and administrative		38,686		34,818		3,868	11 %
Restructuring activities		—		3,280		(3,280)	(100)%
Total Operating expenses	$	247,780	$	228,817	$	18,963	8 %

Operating expenses increased 8% to $247.8 million in first nine months 2023 from $228.8 million in first nine months 2022. The $19.0 million increase in total operating expenses was primarily due to changes in the following items (in thousands):

		Increase/(Decrease)
Share-based compensation	$	11,640
One-time net litigation fee reimbursement		7,537
Fair value changes of deferred compensation liability		4,403
Patent impairment		2,500
Intellectual property enforcement		(3,927)
Restructuring activities		(3,279)
Other		89
Total increase in operating expenses	$	18,963

The $19.0 million increase in operating expenses was primarily due to a $11.6 million increase in share-based compensation costs driven by both higher accrual rates and higher award levels to non-executive employees and a $4.4 million increase from fair value changes of our deferred compensation liability, which was offset by a related gain recorded within "*Other income (expense), net*" on the investments that we hold under the plan. Additionally, first nine months 2023 included one-time items, including a $7.5 million net litigation fee reimbursement related to the Lenovo proceedings and a $2.5 million impairment on our patents held for sale.

These increases were partially offset by a $3.9 million decrease in intellectual property enforcement costs primarily driven by decreased costs from the Lenovo proceedings and a $3.3 million decrease in non-recurring restructuring activities recognized in first nine months 2022.

Research and portfolio development expense: The $10.1 million increase in research and portfolio development expense primarily resulted from the above-noted increases in share-based compensation, fair value changes of our deferred compensation liability, and patent impairment.

Licensing expense: Licensing expense increased by $8.3 million primarily resulting from the above-noted one-time litigation fee reimbursement and increases in share-based compensation, partially offset by the decrease in intellectual property enforcement costs.

General and administrative expense: The $3.9 million increase in general and administrative expense was primarily driven by the above-noted increases in share-based compensation and fair value changes of our deferred compensation liability.

Restructuring activities: Restructuring expenses associated with our overall restructuring plan decreased due to the plan being substantially complete in 2022.

Non-Operating Income (Expense), net

The following table compares first nine months 2023 non-operating income (expense), net to first nine months 2022 non-operating income (expense), net:

	Nine months ended September 30,						
	2023		2022		Increase/(Decrease)		
Interest expense	$	(36,911)	$	(19,446)	$	(17,465)	(90) %
Interest and investment income		33,697		4,927		28,770	584 %
Loss on extinguishment of long-term debt		—		(11,190)		11,190	(100) %
Other		8,606		(8,846)		17,452	197 %
Total non-operating income (expense), net	$	5,392	$	(34,555)	$	39,947	116 %

Interest expense increased primarily due to significant financing expense resulting from a previously announced patent license agreement and additional interest on the 2027 Notes that were issued during second quarter 2022. Also in second quarter 2022, there was a $11.2 million loss on extinguishment of the 2024 Notes, as described further Note 7, "*Obligations*" within the notes to condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The $28.8 million increase in interest and investment income was primarily due to increased short-term investments made by the Company and market conditions driving higher yields from the short-term investments.

The change in Other was primarily due to fair value adjustments of our investments resulting in a $10.5 million net gain in first nine months 2023, compared to a $1.8 million net loss in first nine months 2022 and due to a foreign currency translation net loss arising from euro translation of our foreign subsidiaries of $1.0 million in first nine months 2023, compared to a $6.7 million net loss in first nine months 2022.

Income taxes

In first nine months 2023 and 2022, we had an effective tax rate of 14.7% and 22.4%, respectively. The change in effective tax rate is due to an increase in the amount of Foreign Derived Intangible Income deduction benefit available to the Company. In addition, the Company due is subject to higher taxable income inclusive of timing difference between an increase in the recognition of book and tax Global Intangible Low-Tax Income inclusion derived from the increase in French revenue. Additionally, the The effective tax rate in both periods the period ending March 31, 2023, was impacted by losses in certain jurisdictions where the Company presently has recorded a valuation allowance against the related tax benefit, as well as by the foreign-derived intangible income deduction and non-deductible compensation. benefit. Excluding this valuation allowance, our nine months ended September 30, 2023 and 2022 effective tax rate for the three months ended March 31, 2023 would have been 13.4% and 18.1%, 13.8% respectively. In the nine months ended September 30, 2023, we recorded a net discrete tax benefit of $2.9 million primarily related to share-based compensation. The prior period included a net discrete tax expense of $2.3 million primarily related to the extinguishment of long-term debt recognized during second quarter of 2022.

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 the Private Securities Litigation Reform Act of 1995. Such statements include certain information in regarding our current beliefs, plans and expectations, including, without limitation, the matters set forth below. Words such as "believe," “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” "goal," "could," "would," "should," "if," "may," "might," "future," "target," "trend," "seek to," "will continue," "predict," "likely," "in the event," and variations of any such words or similar expressions contained herein are intended to identify such forward-looking statements. Forward-looking statements are made on the basis of management's current views and assumptions and are not guarantees of future performance. Although the forward-looking statements in this Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements concerning our business, results of operations and financial condition are inherently subject to risks and uncertainties. These risks and uncertainties include, but are not limited to, the risks and uncertainties described in Part I, Item 1A of our 2022 2023 Form 10-K and the risks and uncertainties set forth below:

- unanticipated delays, difficulties or accelerations in the execution of patent license agreements;
- the resolution of current legal proceedings, including any awards or judgments relating to such proceedings, additional or related legal proceedings, including appeals, changes in the schedules or costs associated with such proceedings or adverse rulings;
- our ability to leverage our strategic relationships and secure new patent license agreements on acceptable terms;
- our ability to enter into sales and/or licensing partnering arrangements for certain of our patent assets;
- our ability to enter into partnerships with leading inventors and research organizations and identify and acquire technology and patent portfolios that align with our roadmap;
- our ability to commercialize our technologies and enter into customer agreements;
- the failure of the markets for our current or new technologies to materialize to the extent or at the rate that we expect;
- our continued ability to develop new technologies and secure new patents, including the risk of unexpected delays or difficulties related to the development of our technologies;
- risks associated with our capital allocation strategies, including risks associated with our planned dividend payments and share repurchases;
- changes in our interpretations of, and assumptions and calculations with respect to the impact on us of, the 2017 Tax Cuts and Jobs Act, as well as further guidance that may be issued regarding such act;
- risks related to the potential impact of new accounting standards on our financial position, results of operations or cash flows;
- failure to accurately forecast the impact of our restructuring activities on our financial statements and our business;
- the resolution of current legal proceedings, including any awards or judgments relating to such proceedings, additional legal proceedings, changes in the schedules or costs associated with legal proceedings or adverse rulings in such proceedings;
- the timing and impact of potential administrative and legislative matters;
- changes or inaccuracies in market projections;
- our ability to obtain liquidity through debt and equity financings;
- the potential effects that macroeconomic uncertainty could have on our financial position, results of operations and cash flows
- impacts from acts of terrorism, war or political or civil unrest, or any responses thereto, in the United States or elsewhere;
- changes in our business strategy;
- changes or inaccuracies in our expectations with respect to royalty payments by our customers; and
- risks related to our assumptions and application of relevant accounting standards, including with respect to revenue recognition.

You should carefully consider these factors before making any investment decision with respect to our common stock. These factors, individually or in the aggregate, may cause our actual results to differ materially from our expected and historical results. You should understand that it is not possible to predict or identify all such factors. In addition, you should not place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this Form 10-Q. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in quantitative and qualitative market risk from the disclosures included in our 2022 2023 Form 10-K.

Item 4. CONTROLS AND PROCEDURES.

The Company's principal executive officer and principal financial officer, with the assistance of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 March 31, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

See Note 5, 6, "*Litigation and Legal Proceedings*," to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings, which is incorporated herein by reference.

Item 1A. RISK FACTORS.

Reference is made to Part I, Item 1A, "Risk Factors" included in our 2022 2023 Form 10-K for information concerning risk factors, which should be read in conjunction with the factors set forth in the Statement Pursuant to the Private Securities Litigation Reform Act of 1995 -- Forward-Looking Statements in Part I, Item 2 of this Quarterly Report on Form 10-Q. Except as set forth below, there There have been no material changes with respect to the risk factors disclosed in our 2022 2023 Form 10-K. You should carefully consider such factors, which could materially affect our business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and in the 2022 2023 Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

We face risks from doing business and maintaining offices in international markets.

A significant portion of our licensees, potential licensees and customers are international, and our licensees, potential licensees and customers sell their products to markets throughout the world. In addition, in recent years, we have expanded, and we may continue to expand, our international operations, opening offices in China, France, Belgium and Finland. Accordingly, we are subject to the risks and uncertainties of operating internationally. Our international operations could exacerbate the other risk factors we have identified, and we could be affected by a variety of uncontrollable and changing factors, including, but not limited to: difficulty in protecting our intellectual property in foreign jurisdictions; enforcing contractual commitments in foreign jurisdictions or against foreign corporations; government regulations, tariffs and other applicable trade barriers; biased enforcement of foreign laws and regulations to promote industrial or economic policies at our expense; retaliatory practices by foreign actors; currency control regulations; export license requirements and restrictions on the use of technology; social, economic and political instability; costly, time consuming and changing regulatory regimes; natural disasters, acts of terrorism, widespread illness and war; potentially adverse tax consequences; general delays in remittance of and difficulties collecting non-U.S. payments; foreign labor regulations; anti-corruption laws; public health issues; and difficulty in staffing and managing operations remotely. Managing operations and complying with relevant laws and regulations in China may be particularly complex, costly and time-consuming. We also are subject to risks specific to the individual countries in which we and our licensees, potential licensees and customers do business.

In addition, adverse movements in currency exchange rates may negatively affect our business due to a number of situations, including the following:

- If the effective price of products sold by our licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for the products could fall, which in turn would reduce our royalty revenues.
- Assets or liabilities of our consolidated subsidiaries may be subject to the effects of currency fluctuations, which may affect our reported earnings.
- Certain of our operating and investing costs, such as foreign patent prosecution, are based in foreign currencies. If these costs are not subject to foreign exchange hedging transactions, strengthening currency values in selected regions could adversely affect our near-term operating expenses, investment costs and cash flows. In addition, continued strengthening of currency values in selected regions over an extended period of time could adversely affect our future operating expenses, investment costs and cash flows.

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

Issuer Purchases of Equity Securities

The following table provides information regarding the Company's purchases of its common stock during third first quarter 2023. 2024.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs (3)	
July 1, 2023 - July 31, 2023	161,995	$	95.28	161,995	$	142,788,757
August 1, 2023 - August 31, 2023	246,325	$	84.96	246,325	$	121,855,823
September 1, 2023 - September 30, 2023	244,700	$	82.21	244,700	$	101,733,356
Total	653,020	$	86.49	653,020		

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs (3)	
January 1, 2024 - January 31, 2024	60,872	$	104.32	60,872	$	289,907,817
February 1, 2024 - February 29, 2024	47,446	$	103.41	47,446	$	285,000,341
March 1, 2024 - March 31, 2024	168,461	$	104.49	168,461	$	267,392,476
Total	276,779	$	104.27	276,779		

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

(2) Shares were purchased pursuant to the Company's share repurchase program (the "Share Repurchase Program"), $300 million of which was authorized by the Company's Board of Directors in June 2014, with an additional $100 million authorized by the Company's Board of Directors in each of June 2015, September 2017, December 2018, May 2019, and May 2022, respectively, and an additional $333 million in December 2022. 2022, and an additional $235 million in December 2023. The Share Repurchase Program has no expiration date.

(3) Amounts shown in this column reflect the amounts remaining under the Share Repurchase Program at the end of the period.

Item 3.DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 5. OTHER INFORMATION.

During third quarter 2023, the following Section 16 three months ended March 31, 2024, none of the Company's directors or officers adopted modified or terminated a "Rule 10b5-1 trading arrangements" (as arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408 408(a) of Regulation S-K of the Exchange Act):

Name	Title	Action	Date	Trading Arrangement		Maximum Shares to be Sold*	Expiration Date
				Rule 10b5-1	Non-Rule 10b5-1		
Samir Armaly	Director	Adopt	August 14, 2023	X		1,751	June 28, 2024
John Kritzmacher	Director	Adopt	August 14, 2023	X		756	June 28, 2024
Pierre-Yves Lesaicherre	Director	Adopt	August 14, 2023	X		972	June 28, 2024
John Markley Jr.	Director	Adopt	August 14, 2023	X		750	June 28, 2024
Jean Rankin	Director	Adopt	August 14, 2023	X		756	June 28, 2024

*Number of shares to be sold represents the individual's estimated tax liability associated with the vesting of the RSU grants covered by the trading arrangement.

S-K.

Item 6. EXHIBITS.

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

Exhibit Number	Exhibit Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1+	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2+	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS	Inline Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline Schema Document
101.CAL	Inline Calculation Linkbase Document
101.DEF	Inline Definition Linkbase Document
101.LAB	Inline Labels Linkbase Document
101.PRE	Inline Presentation Linkbase Document
104	Inline Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

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

SIGNATURES

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

INTERDIGITAL, INC.

Date: November 2, 2023 May 2, 2024

/s/ LIREN CHEN

Liren Chen

President and Chief Executive Officer

Date: November 2, 2023 May 2, 2024

/s/ RICHARD J. BREZSKI

Richard J. Brezski

Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS

I, Liren Chen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterDigital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly

during the period in which this report is being prepared;

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

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

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

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

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

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

Date: November 2, 2023 May 2, 2024

/s/ Liren Chen

Liren Chen

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Richard J. Brezski, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 2, 2023 May 2, 2024

/s/ Richard J. Brezski

Richard J. Brezski

Chief Financial Officer

EXHIBIT 32.1

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

In connection with the accompanying Quarterly Report on Form 10-Q of InterDigital, Inc. (the "Company") for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Liren Chen, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 2, 2023 May 2, 2024

/s/ Liren Chen

Liren Chen

President and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the accompanying Quarterly Report on Form 10-Q of InterDigital, Inc. (the "Company") for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Brezski, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 2, 2023 May 2, 2024

/s/ Richard J. Brezski

Richard J. Brezski

Chief Financial Officer

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