March 13, 2012

Technical Director
Financial Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2011-230

Dear Technical Director:

We are writing at the invitation of the FASB/IASB (the “Accounting Boards”) to comment on the revision of the exposure draft “Revenue Recognition (Topic 605) Revenue from Contracts with Customers” (the “Revised Exposure Draft”).

We design and develop advanced technologies that enable and enhance wireless communications, and we monetize such technologies through licensing and other revenue opportunities. We generate the majority of our revenues through the licensing of patents in our portfolio. We approach companies engaged in the supply of wireless communications equipment and seek to enter into license agreements. We offer non-exclusive, royalty-bearing patent licenses to companies that manufacture, import, use or sell, or intend to manufacture, import, use or sell, equipment that implements inventions covered by our portfolio of patents. We have entered into numerous such agreements with companies around the world.

Our patent license agreements can be divided into two groups based on payment terms, 1) patent license agreements with fixed, non-refundable royalty payments and 2) patent license agreements with variable per-unit royalty payments. Today, we use a lease model to recognize revenue from each group of patent license agreements. Underlying this model is a view that the benefit of the license is derived or delivered over the term of the license. Consistent with that view, we believe recognition of revenue over the term of the arrangement is the most appropriate model for our business because, whether the royalty payments are fixed or variable, our licensees have the right to make specified products that incorporate our patented inventions over the term of their license agreement. The only difference between the two payment terms is the fixed royalty payment terms reduce variability of cash flows for both parties.

A key economic factor in any patent license is the term of the agreement. All else being equal, a five year license will result in a higher total fixed royalty payment than a three year license. In exchange for receiving a fixed, non-refundable royalty payment, we forego our right to pursue a variable per-unit royalty during the life of the patent license agreement.

We recognize revenue from variable payment license agreements as our licensees report and pay per-unit royalties over the lives of the agreements. Under the lease model, we spread the revenue from fixed, non-refundable royalty payment agreements over the respective terms of each agreement. As a
result, there is close alignment between the accounting for fixed, non-refundable royalty payment and variable royalty payment license agreements, which we believe is reasonable and reflective of the economics of the arrangements.

We applaud the Accounting Boards for recognizing the difficulties that companies, like ours, have in estimating future royalties from variable agreements. We believe the related exemption from up-front revenue recognition provided by paragraph 85 of the Revised Exposure Draft is a preferable approach. Yet we note that the Revised Exposure Draft requires different accounting models for fixed, non-refundable royalty payment and variable royalty payment patent license agreements. The Revised Exposure Draft requires that fixed, non-refundable royalty payment agreements would often result in up-front revenue recognition while variable royalty payment agreements would result in revenue recognition over the term of the agreement. We do not believe there is a sufficient economic difference between these two types of agreement to justify the dramatic difference in accounting. Moreover, we believe the users of our financial statements would find it difficult to understand our financial results as a result of the different accounting that would result from arrangements with fixed royalty payments versus those with variable per-unit royalty payments.

We ask the Accounting Standard Boards to reconsider their position that fixed, non-refundable royalty payments should be recognized up front and suggest that the option to recognize such arrangements over the term of the license agreement, as is currently permitted under US GAAP, be retained in the new revenue recognition model.

We appreciate the opportunity to provide our comments on the Revised Exposure Draft. If you have any related questions, you can reach me at (610) 878-7800.

Thank you.

Sincerely,

Richard J. Brezski
Vice President, Controller and Chief Accounting Officer
InterDigital, Inc.