



January 6, 2004

To Our Shareholders, Employees and the Investment Community:

Previously, in an open letter to shareholders, employees and the investment community, we stated that we would reply to *Forbes* magazine in response to the InterDigital profile published in its December 22, 2003, issue entitled "Pay Up or Else."

We recently submitted a Letter to the Editor responding to concerns we have in the article. Included in our response was our reassertion that equipment manufacturers who build products to current and future wireless standards cannot design or build around InterDigital's essential patented inventions and must take a license from us. More than 30 manufacturers have done so, recognizing the valuable and creative technology solutions that the Company has developed for the wireless market.

We know you also recognize that our innovative expertise has driven strong financial performance. During the past five years, InterDigital has delivered substantial cash flows enabling us to double our cash balance while we have more than doubled our investment in new technology development and quadrupled our market value. This places us among the leaders in the wireless industry. At the same time, our pace of innovation has accelerated, with the number of patents granted in 2002 up two and a half times over the number for 2001.

We are proud that InterDigital is a respected and recognized contributor to our industry. To date, we have provided the industry with access to our deep portfolio of valuable technology by making in excess of one thousand formal contributions and numerous additional contributions through committee leadership and participation to international wireless standards bodies. For the third generation standards alone, more than 65% of our formal contributions have been accepted by our peers and competitors into the standards. The Company also has a strong track record of successful partnering with industry leaders, including Nokia, Infineon, Samsung, Siemens and Alcatel. These companies have turned to us for groundbreaking technologies for their advanced products.

As our pace of invention accelerates, we are deepening and extending the life of our patent portfolio. Today, the great majority of our inventions will remain under patent well beyond 2015 and we continue to add to that portfolio everyday.

Your management team is excited about the future of InterDigital and we are enthusiastically investing in the Company. For instance, the Company's Chief Executive Officer, Howard Goldberg, has nearly doubled his ownership of InterDigital stock in the last twelve months through share purchases. Outside shareholders have responded with equal enthusiasm, driving up the Company's value substantially during the year. We are especially pleased that institutional ownership and stock analyst coverage have both more than doubled in the past year.

Thank you for your continuing support.