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

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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: 001-35146

RPX Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-2990113**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

ONE MARKET PLAZA, SUITE 800
SAN FRANCISCO, CALIFORNIA 94105
(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, Including Area Code: (866) 779-7641

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.0001 Par Value	**The NASDAQ Stock Market LLC**

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the common stock held by non-affiliates of the registrant was $906.3 million as of June 30, 2014, which is the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price on The NASDAQ Global Select Market reported for such date. Shares of common stock held by each officer and director and by each person that owned 5 percent or more of the Registrant's outstanding Common Stock were excluded due to the fact that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 54,277,822 shares of the registrant's common stock issued and outstanding as of February 20, 2015.

Documents Incorporated by Reference:

Portions of the Definitive Proxy Statement for registrant's 2015 Annual Meeting of Stockholders (the "2015 Proxy Statement"), are incorporated by reference in Part III of this Form 10-K to the extent stated herein. The 2015 Proxy Statement will be filed within 120 days of the registrant's fiscal year ended December 31, 2014.

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions which, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "will," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. Forward-looking statements include statements regarding our business strategies and business model, products, benefits to our clients and competitive position. These statements are based on the beliefs and assumptions of our management based on information currently available. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K.

Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

PART I.

Item 1. Business.

Overview

RPX Corporation (together with its subsidiaries, "RPX", "the Company", "our", "we" or "us") was incorporated on July 15, 2008 in the state of Delaware. We help companies reduce patent-related risk and expense. Products and services in today's economy increasingly incorporate innovative and complex technologies that are subject to a growing number of issued patents. As a result of this technology and patent proliferation, companies of all sizes can face significant challenges managing the risks and expenses arising from claims that their products and services infringe on patents owned by others.

We believe the process by which value is transferred from users to owners of patents lacks key attributes of more developed markets, such as an open exchange to execute transactions, transparent pricing information and broadly accepted standard contract terms. Because an orderly and efficient market for the exchange of patent value has yet to develop, this transfer of value is currently driven by litigation or the threat of litigation. Patent litigation today is a multi-billion dollar industry.

Our patent risk management solution facilitates more efficient exchanges of value between owners and users of patents compared to transactions driven by actual or threatened litigation. The core of our solution is defensive patent aggregation, in which we acquire patents and licenses to patents that are being or may be asserted against our current and prospective clients. We then license these patent assets to our clients to protect them from potential patent infringement assertions. We believe our solution allows clients to mitigate patent risk at a lower cost than they would be able to achieve through other approaches. We also provide our clients with access to our proprietary patent market intelligence and data. We refer to patents, licenses to patents, patent rights and acquired covenants not to sue specific companies collectively as "patent assets."

Our solution offers the following benefits to our clients:

- *Reduced Risk of Patent Litigation* – Clients reduce their exposure to patent litigation because we continuously assess patent assets available for sale or license and acquire many that are being or may be asserted against our clients or potential clients. Our clients have no litigation risk related to the patents that we own.
- *Cost-Effective Licenses* – Our annual subscription fee is generally based on a client's historical financial results. Accordingly, our subscription fee is predictable for our clients. We believe our approach to pricing is different than the pricing strategies of traditional patent licensing businesses, which generally negotiate license fees based on the perceived relevance of their various patent portfolios to each licensee. We believe our approach to pricing also provides clients with non-exclusive license rights to our large and growing portfolio of patent assets at a lower cost than they would have paid if these patent assets were owned by other entities.
- *Reduced Patent Risk Management Costs* – Clients can reduce their ongoing patent risk management costs by supplementing their internal resources with our database of information and extensive transaction experience relating to the patent market. We actively monitor the patent market to understand the availability of patent assets for sale or license, the identity of the owners and licensors of these assets, the terms by which they may be available and the technologies to which these assets apply. We also track relevant litigation activity and identify key participants and trends in the patent

market. As part of their subscription, our clients have access to this information through our proprietary web portal and through discussions with our client relations team.

Insuring against the cost of non-practicing entity ("NPE") litigation expense is a natural extension of our core defensive patent aggregation service. In August 2012, we started to offer NPE patent infringement litigation expense insurance, which is a liability insurance policy for operating companies that covers certain costs associated with patent infringement lawsuits by NPEs. In May 2014, we began assuming some portion of the underwriting risk on insurance policies that we issue on behalf of a Lloyd's of London underwriting syndicate. The insurance product complements our core defensive patent acquisition service, enabling policyholders to better manage and mitigate the risk of NPE patent litigation.

The Market

The United States Constitution empowers Congress "to promote the progress of science and the useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries" through the grant of patents. Patent rights are a key component of a knowledge-based economy and are assets that can be bought, sold or licensed. We refer to the market in which participants exchange value related to patents as the "patent market."

Patent litigation risk plagues operating companies of all sizes, has the potential to significantly disrupt business activities and distract from normal business operations, and can have a significant adverse financial impact on industry participants. We believe the extensive use of litigation and the threat of litigation prevents efficient transactions between the principal participants in the market: patent owners and operating companies.

Monetization of Patents

Historically, the following fundamental attributes of patents have enabled patent monetization:

- *Patents Provide a Limited Monopoly* – In exchange for public disclosure of an invention, a patent owner is granted a monopoly over the use of a patented invention for a specified period, typically 20 years from the filing of the patent application.
- *Patents Confer Negative Rights* – Patent rights are negative rights, meaning that they generally enable a patent owner to exclude others from commercial exploitation of a patented invention, regardless of whether the patent owner has the resources to manufacture or commercialize the invention. As the owner of a negative right, a patent owner has recourse through litigation to prevent others from using, making, offering for sale or selling the patented invention. Even when the patented invention is only a component of a broader product or service, the negative right can be enforced against any product or service that incorporates the component.
- *Patents May Be Licensed and are Infinitely Divisible* – A patent owner can authorize the use of the patented invention by one or more parties, typically in exchange for licensing fees. There is no legal limit to the amount of licenses a patent owner can provide to market participants.
- *Patents Are Assets That Can Be Transferred* – A patent can be sold, in which case the negative right and monopoly associated with the patented invention are transferred to the buyer. When a patent is sold, the buyer's negative rights may be constrained by licenses granted by previous owners.

More recently, several developments have increased opportunities for patent monetization and created an environment that is more favorable to investing in patents for the purpose of generating financial returns. These developments include:

- *Improved Search Capabilities* – The entire database of United States patents is searchable on the Internet, enabling patent investors to quickly identify patents and their owners. The Internet also makes it much easier for patent owners to identify and research products and services that may relate to their patents.
- *Increasing Rate of Issuance of Technology Patents* – Patents issued with class code identifiers that we classify as technology-related patents have nearly doubled in the past 10 years.
- *Overlap of Technology Patents* – Because inventors can patent incremental improvements to existing inventions, multiple patents can apply to individual components of a product or service. Consequently, multiple patent owners may seek to extract license fees related to a single product or service. One example of this overlap of patents is semiconductor technology known as DRAM. Today, there are several thousand issued United States patents with "DRAM" specifically listed as a claim element. These DRAM patents span design, fabrication, testing and component technology including dies, capacitors, memory cells, transistors, integrated circuits, substrates and packaging. Each of those aspects may be covered by multiple patents that could be infringed by a DRAM semiconductor device or downstream product. Potential infringement of these patents could occur by anyone who designs, makes, uses or sells a product using this technology.
- *Technology Convergence* – Modern products and services incorporate numerous technology components, such as the evolution of mobile devices. This growth can be attributed to the expanded set of features and functionality incorporated in

today's smartphones, including touchscreens, Internet access, streaming video, media playback, application store readiness and other web-based services, and Wi-Fi connectivity options.

- *More Companies Employing Patented Technologies* – A growing number of companies, including non-technology companies, make, use and sell products or services that utilize patented inventions. For example, consumer banks now offer online and mobile banking and bill pay as a standard feature, which rely on numerous complex technologies that may be subject to many patents.
- *Specialized Appellate Court for Patent Cases* – The United States Court of Appeals for the Federal Circuit was created in 1982 to serve as the central appellate venue for patent-related cases. We believe this centralization of patent-related appeals has resulted in a more uniform application of patent law. In addition, various federal district courts have adopted patent-specific rules of procedure to facilitate patent litigation. These factors have created a more attractive environment for patent assertions.

All of these developments have caused significant capital to flow to companies specifically formed to acquire and monetize patent assets.

Emergence and Growth of NPEs

NPEs do not create or sell products or services, but instead monetize patents through licensing and litigation. Some NPEs obtain patents through their own research and development efforts, while others accumulate patents through acquisitions. NPEs have become a major factor in the patent market and an important source of liquidity for patent owners.

Operating companies can incur significant costs to defend themselves against patent assertions by NPEs. At a minimum, companies faced with an assertion letter typically respond to the assertion letter and evaluate the patents being asserted. If the assertion proceeds to trial, costs grow substantially. NPEs generally do not create or sell their own products or services and therefore are not susceptible to counter assertion, a common defensive strategy in patent disputes between operating companies.

We believe that the amount of capital raised by NPEs is currently in the billions of dollars. Some of the large awards and settlements received by NPEs have resulted in extensive media coverage, contributing to a significant influx of capital into the patent market. As of December 31, 2014, we have identified in excess of 3,100 unique NPE plaintiffs that have been active since 2005. In addition, many individual inventors and universities are also using litigation or threat of litigation to monetize patents.

Our Solution and Benefits to Our Clients

We have pioneered an approach to help operating companies mitigate and manage patent risk and expense by serving as an intermediary through which they can participate more efficiently in the patent market. Operating companies that join our network and subscribe to our membership pay an annual subscription fee and gain access to our patent risk management solutions. The subscription fee is typically based on a rate card that is tied to a client's revenue or operating income and remains generally in place over the term of a membership, with adjustments limited to Consumer Price Index increases. By offering a rate card that does not change based on our patent asset acquisitions, we divorce the amount of fees charged from the value of our patent assets. We believe our pricing structure creates an alignment of interests with our clients, allowing us to be a trusted intermediary for operating companies in the patent market.

Defensive Patent Aggregation

The core of our solution is defensive patent aggregation, in which we acquire patent assets that are being or may be asserted against our current and prospective clients. We then provide our clients with a license to these patent assets to protect them from potential patent infringement assertions. We acquire patent assets from multiple parties, including operating companies, individual inventors, NPEs, universities, and bankruptcy trustees. We also acquire patent assets in different contexts, including when they are made available for sale or license by their owners or to resolve threatened or pending litigation against our clients or prospective clients.

We have not asserted and will not assert our patents. We have never initiated patent infringement litigation, and our clients receive guarantees that we will never assert patents against them. We consider this guarantee to be of paramount importance in establishing trust with our clients. In addition, because we have minimal risk from infringement claims, we are able to engage in more transparent discussions regarding the value of patent assets with patent owners. Our ability to engage in transparent discussions with both operating companies and patent owners allows us to act as an effective intermediary between participants in the patent market. As a result, we provide a conduit through which value can flow between market participants at lower transaction costs than is typically the case when patents are monetized through litigation or the threat of litigation.

As a part of our solution, we provide extensive patent market intelligence and data to our clients. Clients can access this market intelligence and data through our proprietary web portal and through discussions with our client relations team. This market intelligence and data helps our clients better understand past and potential patent acquisition transactions, relevant litigation activity and key participants and trends in the patent market. In a market with limited publicly available data on pricing and terms of licenses and litigation settlement, we believe our data and market intelligence is a valuable resource for our clients and prospects.

Insurance

Since August 2012, we have offered insurance to cover certain costs of NPE patent litigation as a complementary service to our core solution. The service is designed to give businesses greater control of the unpredictable financial impact of patent litigation. We believe that our access to historical data on NPE patent transactions, litigations, and settlements uniquely enables us to assess and price the insurance based on a company's risk. In May 2014, we began assuming some portion of the underwriting risk on insurance policies that we issue on behalf of Lloyd's of London underwriting syndicate. The insurance product complements our core defensive patent acquisition service, enabling policyholders to better manage and mitigate the risk of NPE patent litigation. Pricing is based on an actuarial model that calculates an individual client's insurance premium based on its projected annual frequency (i.e., number of claims during the policy term) and severity (i.e., the amount which it expects to settle a claim).

Benefits to Our Clients

In general, operating companies join our network to reduce their risk of patent litigation and the expected costs associated with patent risk management. In exchange for an annual subscription fee, which in some instances has been less than the costs associated with a single patent assertion, our clients gain access to the following benefits:

- *Reduced Risk of Patent Litigation* – Clients reduce their exposure to patent litigation because we continuously assess patent assets available for sale or license and acquire many that are being or may be asserted against our clients or potential clients. Our clients have no litigation risk related to the patents that we own.
- *Cost-Effective Licenses* – Our annual subscription fee is typically based on a client's historical financial results, which provides predictability for us and our clients. We believe our approach is different than the pricing strategies of traditional patent licensing businesses, which generally negotiate license fees based on the perceived relevance of their various patent portfolios to each licensee. We believe our approach to pricing also provides clients with non-exclusive license rights to our large and growing portfolio of patent assets at a lower cost than they would have paid if these patent assets were owned by other entities.
- *Reduced Patent Risk Management Costs* – Clients can reduce their ongoing patent risk management costs by supplementing their internal resources with our database of information and extensive transaction experience relating to the patent market. We actively monitor the patent market to understand the availability of patent assets for sale or license, the identity of the owners and licensors of these assets, the terms by which they may be available and the technologies to which these assets apply. We also track relevant litigation activity and identify key participants and trends in the patent market. As part of their subscription, our clients have access to this information through our proprietary web portal and through discussions with our client relations team.

Our Strategy

Our mission is to transform the patent market by establishing RPX as the essential intermediary between patent owners and operating companies. Our strategy includes the following:

- *Growing Our Client Network* – We intend to grow our client network by continuing to develop relationships with companies that have experienced NPE-initiated patent litigation and continuing to demonstrate the value of our patent risk management solution.
- *Acquiring Additional Patent Assets* – We intend to continue to acquire patent assets that are being or may be asserted against current and prospective clients and to increase our role and expertise in the patent market. We believe our disciplined approach to valuing and acquiring patent assets will allow us to continue to deploy our capital in an efficient and effective manner to maximize the patent risk management benefits to our clients.
- *Focusing on Client Relations* – We intend to continue to deliver the highest levels of service and support to our clients, in order to assist in our efforts to build and maintain trusting relationships and retain clients.
- *Developing Proprietary Technology Solutions for Our Clients* – We intend to continue to enhance our proprietary web portal to provide our clients with the most current intelligence and data on patent acquisition opportunities, relevant litigation activity and key market participants and trends that affect their patent risk exposure.
- *Syndicated Transactions* – On certain occasions, clients ask us to acquire patent assets that we would not otherwise purchase using our capital (due to the size or limited applicability of the portfolio). In these instances, we facilitate syndicated transactions that include contributions from participating clients in addition to their annual subscription fees. Similar to other acquisitions, these syndicated deals are designed to efficiently share resources and collectively reduce litigation risk. Transaction participants typically pay a fee to RPX for structuring, negotiating and executing the transactions.

- *Offering NPE Insurance* – We offer insurance policies for clients interested in additional management of their exposure to patent infringement claims brought by NPEs.
- *Providing Complementary Solutions* – We believe we can offer complementary solutions that further mitigate patent risks and expenses for operating companies, including the facilitation of challenges to patent validity, coordinating prior art searches, and other services intended to improve patent quality and reduce expenses for our clients.
- *Enhancing Our Capabilities Through Acquisitions* – We occasionally evaluate the potential acquisition of businesses and technologies that can enhance our capabilities and our patent risk management solution.

Our Client Network

We have built a network of clients that includes some of the world's most prominent technology companies, as well as many smaller and emerging companies. As of December 31, 2014, we had 204 clients.

We believe our patent risk management solution is broadly applicable to companies that design, make or sell technology-based products and services as well as to companies that use technology in their businesses. Our clients are active in a broad range of industries including consumer electronics, personal computers, e-commerce, financial services, software, media content and distribution, mobile communications and handsets, networking and semiconductors.

New Client Acquisitions

Our membership team identifies potential clients by prioritizing operating companies that have been subject to patent infringement claims initiated by NPEs. The membership team is responsible for educating potential clients on the benefits of our solution and explaining how our solution mitigates patent risk and expense. After we have communicated our business model to a prospective client, we invest considerable resources learning about the company's business, providing information about the patent market and developing a relationship of trust with the executives responsible for patent-related matters. We also proactively monitor litigation activity related to each of our clients and certain prospective clients to help us direct our patent asset acquisition and membership sales efforts. In addition, we conduct a variety of marketing efforts to establish ourselves as a leading source of information in the patent market, including industry conferences and seminars, public relations and industry research.

Client Retention and Client Relations

After a company has become a client, the maintenance of the relationship is handled by our client relations team. One of the primary responsibilities of our client relations team is to maintain frequent dialogue with senior executives of our clients so we can better understand their patent risk profiles. Our continued success and our ability to retain clients depend on our ability to demonstrate that our patent risk management solution reduces their costs in patent matters.

Our client relations team also provides clients with patent market intelligence and updates on our patent asset acquisitions over the term of their memberships. We provide this information through direct discussions with our clients and also share information with them through our proprietary web portal. We believe our frequent interactions allow us to optimize our patent asset acquisition decisions, thus supporting our client retention efforts.

Patent Asset Portfolio and Patent Asset Acquisition

We acquire patent assets that are being or may be asserted against current or prospective clients. As of December 31, 2014, we had deployed over $910 million of our capital and the capital of our clients to acquire patent assets. Of this amount, deployment of our capital totaled approximately $660 million. Since inception, approximately two-thirds of our acquisition capital has been deployed for the purchase of patent rights and the balance deployed for the purchase of patents. Acquisitions of patent rights generally benefit only those operating companies that are clients at the time of the acquisition, whereas acquisitions of patents benefit both current and future clients. As of December 31, 2014, approximately one-fourth of our patent assets, based upon acquisition price, had been acquired from brokers or other entities seeking to sell patent assets, while the balance was acquired out of litigation. Our patent asset acquisition efforts have been broadly diversified across the following market sectors: consumer electronics, personal computers, e-commerce, financial services, software, media content and distribution, mobile communications and handsets, networking and semiconductors.

The substantial majority of our 227 acquisitions through December 31, 2014 involved patent assets that we believed were relevant to multiple clients and/or prospective clients and were funded with our own capital resources. We occasionally identify patent assets that cost more than we are prepared to spend of our own capital resources or that may be relevant only to a very small number of clients. In these circumstances, we may structure and coordinate a transaction in which certain of our clients contribute funds that are in addition to their subscription fees in order to acquire those patent assets. We refer to such transactions as syndicated acquisitions. These syndicated acquisitions may secure rights just for those clients who elect to participate in the transaction or, if we contribute capital, may secure rights for all of our clients.

We apply a disciplined and proprietary methodology to valuing patents that is based primarily on our judgment regarding the costs our clients might incur from potential assertions of those patents if we were not to acquire them. A number of factors are involved in our valuation methodology, including the degree to which patent claims may describe technologies incorporated in clients' products or services, pricing expectations that we obtained from open market activities, the revenues our clients generate from products or services potentially affected by the patents, the extent to which the patents would be attractive to NPEs, and the legal quality of the patents and their likely validity. As part of our approach, we also consider the degree to which we have already acquired patent assets that were being or may be asserted against each of our clients.

Because each acquisition of a patent asset may create value for more than one client, we believe our acquisitions of patent assets create a network effect: expanding our portfolio of patent assets results in greater patent risk mitigation for our clients, which we believe leads to greater opportunities to retain and grow our membership base.

Our patent analysts, members of our acquisitions team, and our acquisitions committee employ a rigorous and disciplined approach to evaluating acquisition opportunities.

In situations where patents are already being asserted or litigated against our current or prospective clients, the evaluation process begins with a detailed review of the patents. Depending on the value of the transaction, the complexity of the evaluation process, the number of patent assets in the portfolio and the quality of the information provided by the seller or plaintiff, the patent acquisition process can range from as short as several weeks to more than six months.

We believe our position as a leading acquirer of patent assets gives us extensive access and visibility into the patent market. We closely track patent assets that become available on the market and, as of December 31, 2014, we had reviewed more than 6,700 patent portfolios since our inception. We believe our position in the market gives us direct access to a diverse group of patent sources, including brokers, individuals, companies, universities and law firms, all of which are familiar with our approach and acquisition criteria. We believe this familiarity provides us early notice of patent portfolios that are entering the market.

Competition

In our efforts to attract new clients and retain existing membership clients, we compete primarily against established patent risk management strategies within those companies. Companies employ a variety of other strategies to attempt to manage their patent risk, including internal buying or licensing programs, cross-licensing arrangements, patent-buying consortiums or other patent-buying pools and engaging legal counsel to defend against patent assertions. As a result, we spend considerable resources educating our existing and prospective clients on the potential benefits of our solution and the value and cost savings it may provide.

In addition to competing for new clients, we also compete to acquire patent assets. Our primary competitors in the market for patent assets are other entities that seek to accumulate patent assets, including NPEs such as Acacia Research, Intellectual Ventures and IP Navigation. We also face competition for patent assets from operating companies, including current or potential clients of RPX, that seek to acquire patents or license patent assets in connection with new or existing product offerings.

We believe we compete favorably based on a number of factors:

- our alignment of interest and strong relationships with our clients resulting from our pricing structure and guarantee never to assert our patent assets against our clients;
- our ability to reduce the costs associated with patent market transactions by engaging in more transparent discussions based on the economic value of patent assets rather than discussions involving litigation or the threat of litigation;
- our ability to increase efficiency and expand our role in the patent market as our client network and capital available for patent asset acquisitions grows;
- our access to data regarding our analysis of the patent market and patent litigation; and
- our extensive patent market expertise, relationships and transaction experience.

We have pioneered a patent risk management solution focused on reducing patent-related risk and expense for operating companies. We believe we are the only for-profit company approaching patent risk management from this perspective.

Our business model incorporates attributes that we believe provide us with key competitive strengths:

- *Alignment of Interests With Our Clients* – Our business model aligns our interests with those of our clients. We have not asserted and will not assert our patents. We generate subscription fee revenue based on our published rate card rather than the value of the patent assets we acquire or the potential costs associated with defending against assertions related to our patent assets. As a result, we have relationships with our clients that are based on trust, enabling them to communicate with us without concern that the information shared will be used against them.

- *Network Effect* – As we add new clients, we generate new subscription fees that can be used to fund additional acquisitions of patent assets. These acquisitions enable us to further add new clients and to deliver greater value to our existing clients.
- *More Transparent Valuation Discussions* – Most participants in the patent market either assert patents or face patent assertions. Because we do not assert patents and are not likely to have patents asserted against us, we are able to have more open and transparent discussions about the value of patent assets than other market participants whose discussions are directly affected by litigation or the threat of litigation.
- *Patent Market Expertise* – Since our inception, we have been refining our processes for identifying potentially valuable patent assets, analyzing and evaluating those assets and executing transactions to acquire rights to those assets. We have developed an extensive set of skills, relationships, historical transaction data and methodologies for valuing patent assets.

Intellectual Property

We rely primarily on a combination of confidentiality, license and other contractual provisions and trademark, trade secret and copyright law to protect our proprietary intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or obtain and use our technology. We rely on a dedicated internal team as well as third-party vendors and advisors to assist with the maintenance and prosecution of the patent assets and applications that we acquire.

Employees

As of December 31, 2014, we had 152 employees. Of the total employees, 61 are engaged in sales, marketing and corporate development, 30 in patent acquisition and research, 26 in system development and 35 in legal, finance, administration and operations. None of our employees is represented by a labor union, and we consider current employee relations to be good.

Corporate Information

We were incorporated in Delaware in July 2008. Our principal executive offices are located at One Market Plaza, Suite 800, San Francisco, California 94105. Our telephone number is (866) 779-7641. Our website address is www.rpxcorp.com. The information on, or that can be accessed through, our website is not part of this Annual Report on Form 10-K.

RPX ® and Rational Patent ® are registered trademarks of RPX Corporation. Any other trademarks appearing in this Annual Report on Form 10-K are the property of their respective holders.

We have a single operating segment. A summary of our financial information by geographic location is found in Note 17, “Segment Reporting,” in the Notes to Consolidated Financial Statements.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investor Relations section of our Web site at www.rpxcorp.com as soon as reasonably practicable after we file such material with the Securities and Exchange Commission (“SEC”). The SEC maintains a website that contains reports, proxy, and information statements, and other information regarding registrants that file electronically with the SEC at www.sec.gov. The other information posted on our website is not incorporated into this Annual Report on Form 10-K.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below before making a decision to buy our common stock. If any of the following risks actually occur, our business, financial condition, results of operations or growth prospects could be harmed. In that case, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock. The risks described below are not the only risks facing us. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, operating results, and growth prospects.

Risks Related to Our Business and Industry

We may experience significant quarterly fluctuations in our operating results due to a number of factors, which make our future operating results difficult to predict and could cause our operating results to fall below expectations.

Due to our limited operating history, our evolving business model and the unpredictability of our emerging industry, certain of our operating results have fluctuated significantly in the past and may fluctuate significantly in the future. Many of the factors that cause these fluctuations are outside of our control. The amount we spend to acquire patent assets, the characteristics of the assets acquired and the timing of those acquisitions may result in significant quarterly fluctuations in our capital expenditures and our financial results, and the amount and timing of our membership sales may result in significant fluctuations in our cash flow on a quarterly basis. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance.

In addition to the factors described above and elsewhere in this Item 1A, other factors that may affect our operating results include:

- increases in the prices we need to pay to acquire patent assets;
- increases in operating expenses, including those attributable to additional headcount and the costs of new business initiatives;
- our lengthy and unpredictable membership sales cycle, including delays in potential clients' decisions whether to subscribe to our solution;
- lower subscription fees from clients whose annual subscription fees decrease due to declining operating income or revenue of such clients;
- losses incurred as a result of claims made on insurance policies underwritten by us;
- non-renewals from existing clients for any reason;
- loss of clients, including through acquisitions or consolidations;
- changes in our subscription fee rates or changes in our own pricing and discounting policies or those of our competitors;
- our inability to acquire patent assets that are being asserted or may be asserted against our clients due to lack of availability, unfavorable pricing terms or otherwise;
- changes in patent law and regulations and other legislation, as well as United States Patent and Trademark Office procedures or court rulings, that reduce the value of our solution to our existing and potential clients;
- changes in the accounting treatment associated with our acquisitions of patent assets, how we amortize those patent assets and how we recognize revenue under subscription agreements;
- our acquisition of patent assets with a shorter estimated useful life that increases our near-term patent asset amortization expense and decreases our earnings;
- our inability to effectively develop and implement new solutions that meet client requirements in a timely manner;
- decreases in our clients' and prospective clients' costs of litigating patent infringement claims;
- our inability to retain key personnel;
- any significant changes in the competitive dynamics of our market, including new competitors or substantial discounting of services that are viewed by our target market as competitive to ours;
- gains or losses realized as a result of our sale of patents, including upon the exercise by any of our clients of their limited right to purchase certain of our patent assets for defensive purposes in the event of a patent infringement suit brought against such client by a third party; and
- adverse economic conditions in the industries that we serve, particularly as they affect the intellectual property risk management and/or litigation budgets of our existing or potential clients.

If our operating results in a particular quarter do not meet the expectations of securities analysts or investors, our stock price could be substantially affected. In particular, if our operating results fall below expectations, our stock price could decline substantially.

The market for our patent risk management solution is evolving, and if our solution is not widely accepted or is accepted more slowly than we expect, our operating results will be adversely affected.

We have derived substantially all of our revenue from the sale of memberships to our patent risk management solution and we expect this will continue for the foreseeable future. As a result, widespread acceptance of this solution is critical to our future success. The market for patent risk management solutions is evolving and it is uncertain whether these solutions will achieve and sustain high levels of demand and market acceptance. Our success will depend, to a substantial extent, on the willingness of companies of all sizes to purchase and renew memberships as a way to reduce their patent litigation costs. If companies do not perceive the cost-savings benefits of patent risk management solutions, then wide market adoption of our solution will not develop, or it may develop more slowly than we expect. Either scenario would adversely affect our operating results in a significant way. Factors that may negatively affect wide market acceptance of our solution, as well as our ability to obtain new clients and renew existing clients, include:

- uncertainty about our ability to significantly reduce patent litigation costs for a particular company;
- reduced assertions from NPEs or decreased patent licensing fees owed to NPEs;
- limitations on the ability of NPEs to bring patent claims or limitations on the potential damages recoverable from such claims;
- reduced cost to our clients of defending patent assertion claims;
- lack of perceived relevance and value in our existing patent asset portfolio by existing or potential clients;
- concerns by existing or potential clients about our future ability to obtain rights to patent assets that are being or may be asserted against them;
- reduced incentives to renew memberships if clients have vested into perpetual licenses in all patent assets that they believe are materially relevant to their businesses;
- lack of sufficient interest by mid- and small-size companies in our patent risk management or insurance offerings;
- reduced incentive for companies to become clients because we do not assert our patent assets in litigation;
- concerns that we might change our current business model and assert our patent assets in litigation;
- budgetary limitations for existing or potential clients; and
- the belief that adequate coverage for the risks and expenses we attempt to reduce is available from alternative products or services.

Our limited operating history makes it difficult to evaluate our current business and future prospects, and potential clients may have concerns regarding the effectiveness of our business model in the future. If companies do not continue to subscribe to our solution, our business and operating results will be adversely affected.

We were incorporated in July 2008. We acquired our first patent assets in September 2008, sold our first membership in October 2008, and sold our first insurance policy in August 2012. Therefore, we have not only a limited operating history, but also a limited track record in executing our business model. Our future success depends on acceptance of our solutions by companies we target to become clients. Our efforts to sell our solutions to new and existing clients may not continue to be successful. We evaluate our business model from time to time in order to address the evolving needs of our clients and prospective clients, particularly in an industry that continues to develop and change. Our limited operating history may also make it difficult to evaluate our current business and future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by companies in rapidly changing industries. If we do not manage these risks successfully, our business and operating results will be adversely affected.

If the market for our solutions develops more slowly than we anticipate, or if competitors introduce new solutions that compete with ours, we may be unable to renew our memberships, sell insurance policies or attract new clients at favorable prices based on the same pricing model we have historically used. In the future, it is possible that competitive dynamics in our market may require us to change our pricing model, reduce our subscription fee rates, or consider adding new pricing programs or discounts, which would likely harm our operating results. If we introduce a higher rate card in the future, it may be more difficult for us to attract new clients. In order to attract new clients and retain existing clients, in certain cases we have previously offered, and may in the future offer, discounts or other contractual incentives to clients who execute multi-year subscription agreements or who make client referrals.

Our membership sales cycles can be long and unpredictable, and our membership sales efforts require considerable time and expense. As a result, our membership sales are difficult to predict and will vary substantially from quarter to quarter, which may cause our cash flow to fluctuate significantly.

Because we operate in a relatively new and unproven market, our membership sales efforts involve educating potential clients about the benefit of our solution, including potential cost savings to a company. Potential clients typically undergo a lengthy decision-making process that has, in the past, generally resulted in a lengthy and unpredictable sales cycle. Mid- and small-size companies are generally subject to less patent litigation and we expect even lengthier sales cycles for such companies. We spend substantial time, effort and resources in our membership sales efforts without any assurance that our efforts will produce any membership sales. In addition, subscriptions are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing and other delays. As a result of these factors, our membership sales in any period are difficult to predict and will likely vary substantially between periods, which may cause our cash flow to fluctuate significantly between periods.

The success of our business depends on clients renewing their subscription agreements, and we do not have an adequate operating history to predict the rate of membership renewals. Any significant decline in our membership renewals could harm our operating results.

Our clients have no obligation to renew their subscriptions after the expiration of their initial membership period. We have limited historical data with respect to rates of subscription renewals, so we cannot accurately predict renewal rates. The weighted-average term of our subscription agreements in effect as of December 31, 2014 was 2.7 years. As our overall membership base grows, we expect our rate of client renewals to decline compared to our historical rate. Our clients may choose not to renew their memberships or, if they do renew, may choose to do so for shorter terms or seek a reduced subscription fee. Many of our subscription agreements provide for automatic one-year renewal periods. As a result, as more of our clients are in renewal periods, the weighted-average term of our subscription agreements may decrease. If our clients do not renew their subscriptions or renew for shorter terms or if we allow them to renew at reduced subscription fees, our revenue may decline and our business may be adversely affected.

Upon initial subscription, our clients receive a term license for the period of their membership to substantially all of the patent assets in our portfolio at the time of subscription. In addition, clients receive term licenses to substantially all of the patent assets we acquire during the period of their membership. Our subscription agreements also typically include a vesting provision that converts a client's term licenses into perpetual licenses on a delayed, rolling basis as long as the company remains a client. Accordingly, clients who continue to subscribe to our solution receive perpetual licenses to an increasing number of our patent assets over time. If we are unable to adequately show clients that we are continuing to obtain additional patent assets that are being or may be asserted against them, clients may choose not to renew their subscriptions once they have vested into a perpetual license to all patent assets they believe are materially relevant to their businesses.

Because we generally recognize revenue from membership subscriptions over the term of the membership, upturns or downturns in membership sales may not be immediately reflected in our operating results. As a result, our future operating results may be difficult to predict.

We generally recognize subscription fees received from clients ratably over the period of time to which those fees apply. Most of our clients are invoiced annually, and thus their fees are recognized as revenue over the course of 12 months. Consequently, a decline in new or renewed subscriptions in any one quarter will not be fully reflected in that quarter's revenue and will negatively affect our revenue in future quarters. In addition, we may be unable to adjust our cost structure quickly to reflect this reduced revenue. Accordingly, the effect of either significant downturns in membership sales or rapid market acceptance of our solution may not be fully reflected in our results of operations in the period in which such events occur. Our membership subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription fees from new clients must generally be recognized over the applicable membership term.

Our subscription fees from clients may decrease due to factors outside of our control. Any reduction in subscription fees could harm our business and operating results.

Subscription fees are typically reset annually based on a client's reported revenue and operating income measured as of the end of its last fiscal year. If a client who is not already paying the minimum due under our rate card experiences reduced operating results, its subscription fee for the next year will decline. As a result, our revenue stream may be affected by conditions outside of our control that impact the operating results of our clients.

Our rate cards generally provide that our subscription fee as a percentage of the client's operating income decreases as their operating income goes up. In addition, many of our clients' rate cards are subject to an annual cap. As a result, if one of our clients acquires another client, our future revenue could be reduced as a result of the application of our rate cards to the combined entity rather than to each entity separately. Any reduction in subscription fees could harm our business and operating results.

We have very limited flexibility to change the pricing of our solution for existing clients and may not be able to respond effectively to changes in our market. This limited flexibility could have an adverse effect on our operating results.

Under many of our existing subscription agreements, our annual subscription fee is based on published rate cards applicable to all of our clients that commence their membership while that rate card is in effect. Clients under such agreements are able to renew their memberships perpetually under the rate card in effect at the time that they became members with periodic adjustments by us only based on changes in the Consumer Price Index. This means that any increases to our rate card generally apply only to clients that join after such increase. Accordingly, we have limited ability to change the economics of our business model with respect to existing clients in response to changes in the market in which we operate. This limited flexibility could have an adverse effect on our operating results. For example, if we increase our operating expenses as a result of changes in our market, we would have very limited ability to increase the subscription fees we charge to our existing clients to offset the increased operating expenses, and our operating results could be adversely affected.

If we are unable to successfully expand our membership base to include small and mid-size companies, we may not be able to maintain our growth and our business and results of operations may be harmed.

Many of our current clients are very large companies. The number of companies of that size is limited and, in order for us to continue our growth, we need to expand our membership base to include small and mid-size companies. There is no guarantee that we will be successful in those efforts. Small and mid-size companies often have more limited budgets available for solutions of the type we offer compared to large companies. Furthermore, small and mid-size companies are generally not subject to as much patent litigation as large companies and, therefore, may not perceive that the benefits of our solution justify its cost. They may also have concerns that we will focus our patent acquisition efforts on patent assets that are of more benefit to our larger clients who pay us higher subscription fees. If we are unable to successfully expand our membership base to include an increased number of companies, our growth may slow, and our business may be harmed.

We are investing management time and resources into developing products designed to provide insurance against NPE patent infringement claims. We have limited prior experience in designing or providing insurance products. If we are not successful in selling a significant amount of these insurance products, we will not realize the anticipated benefit of these investments, which could have an adverse effect on our growth prospects, and our business may be harmed.

We are investing management time and financial resources in the development of products designed to provide insurance against some of the costs resulting from NPE patent claims. We are providing capital to develop and operate this business. We have limited prior experience in designing insurance products, operating an insurance business, attracting policyholders or establishing the pricing or terms of insurance policies and selling insurance policies in combination with membership subscriptions. We cannot assure you that our patent insurance products will appeal to a sufficient number of our existing clients or attract enough new clients to build a sustainable insurance business. If we are unsuccessful in managing this business, we may not realize the anticipated benefits of our investments of capital and management attention, which could have an adverse effect on our financial performance and growth prospects and our business may be harmed.

We rely on various actuarial models in pricing our insurance product and estimating the frequency and severity of related loss events, but actual results could differ materially from the model outputs. Incurring losses that exceed our predictions could adversely affect our financial condition and results of operations.

We employ various predictive modeling, stochastic modeling and/or actuarial techniques to analyze and estimate losses and the risks associated with insurance policies that we underwrite or reinsure. We use the modeled outputs and related analyses to assist us in making underwriting, pricing and reinsurance decisions. The modeled outputs and related analyses are subject to numerous assumptions, uncertainties and the inherent limitations of any statistical analysis. Consequently, modeled results may differ materially from our actual experience. If, based upon these models or otherwise, we under price our products or underestimate the frequency and/or severity of loss events, our results of operations or financial condition may be adversely affected, which could have a material adverse effect on our results of operations. If, based upon these models or otherwise, we over price our products or overestimate the risks we are exposed to, new business growth and retention of our existing business may be adversely affected.

If we are unable either to identify patent assets that are being asserted or that could be asserted against existing and potential clients or to obtain such assets at prices that are economically supportable within our business model, we may not be able to attract or retain sufficient clients and our operating results would be harmed.

Our ability to attract new clients and renew the subscription agreements of existing clients depends on our ability to identify and acquire patent assets that are being asserted or that could be asserted against our existing or potential clients. There is no guarantee that we will be able to adequately identify those types of patent assets on an ongoing basis and, even if identified, that we will be able to acquire rights to those patent assets on terms that are favorable to us, or at all. As new technological advances occur, some or all of the patent assets we have acquired may become less valuable or obsolete before we have had the opportunity to obtain significant value from those assets.

Our approach to acquiring patent assets generally involves acquiring ownership or a license at a fixed price. Other companies, such as NPEs, often offer contingent payments to sellers of patents that may provide the seller the opportunity to receive greater amounts in the future for the sale of its patents as compared to the fixed price we generally pay. As a result, we may not be able to compete effectively for the acquisition of certain patent assets.

If clients do not perceive that the patent assets we acquire are relevant to their businesses, we will have difficulty attracting new clients and retaining existing clients, and our operating results will be harmed. Similarly, if clients are not satisfied with the amount of capital we deploy to acquire patent assets, they may choose not to renew their subscriptions. These risks are greater if we elect to invest a significant amount of our capital in only a few acquisitions of patent assets.

We may not be able to compete effectively against others to attract new clients or acquire patent assets. Any failure to compete effectively could harm our business and results of operations.

In our efforts to attract new clients and retain existing clients, we compete primarily against established patent risk management strategies employed by those companies. Companies can choose from a variety of other strategies to attempt to manage their patent risk, including internal buying or licensing programs, cross-licensing arrangements, patent-buying consortiums or other patent-buying pools and engaging legal counsel to defend against patent assertions. As a result, we spend considerable resources educating our existing and prospective clients on the potential benefits of our solution and the value and cost savings it may provide.

In addition to competing for new clients, we also compete to acquire patent assets. Our primary competitors in the market for patent assets are varied and include other entities that seek to accumulate patent assets, including NPEs such as Acacia Research, Intellectual Ventures and IP Navigation. Many of our current or potential competitors have longer operating histories and significantly greater financial resources than we have. In addition, many NPEs that compete with us to acquire patent assets have complicated corporate structures that include a large number of subsidiaries, so it is difficult for us to know who the ultimate parent entity is and how much capital the related entities have available to acquire patent assets. We also face competition for patent assets from operating companies, including operating companies that are current or prospective clients. Many of these operating companies have significantly greater financial resources than we have and can acquire patent assets at prices that we may not be able to pay.

We expect to face more direct competition in the future from other established and emerging companies. In addition, as a relatively new company in the patent risk management market, we have limited insight into trends that may develop and affect our business. As a result, we may make errors in predicting and reacting to relevant business trends, making us unable to compete effectively against others.

Our current or potential competitors vary widely in size and in the scope and breadth of the products and services they offer. Many of our competitors have substantially greater financial resources and a larger client base and sales and marketing teams. The competition we face now and in the future could result in increased pricing pressure, reduced margins, increased sales and marketing expenses and a failure to increase, or the loss of, market share. We may not be able to maintain or improve our competitive position against our current or future competitors, and our failure to do so could seriously harm our business.

Certain of our acquisitions of patent assets are time consuming, complex and costly, which could adversely affect our operating results.

Certain of our acquisitions of patent assets are time consuming, complex and costly to consummate. We utilize many different transaction structures in our acquisitions and the terms of the acquisition agreements tend to be very heavily negotiated. As a result, we may incur significant operating expenses during the negotiations even where the acquisition is ultimately not consummated. Even if we successfully acquire particular patent assets, there is no guarantee that we will generate sufficient revenue related to those patent assets to offset the acquisition costs. While we conduct confirmatory due diligence on the patent assets we are considering for acquisition, we may acquire patent assets from a seller who does not have proper title to those assets. In those cases, we may be required to spend significant resources to defend our interests in the patent assets and, if we are not successful, our acquisition may be invalid, in which case we could lose part or all of our investment in the assets.

We occasionally identify patent assets that cost more than we are prepared to spend of our own capital resources or that may be relevant only to a very small number of clients. In these circumstances, we may structure and coordinate a transaction in which certain of our clients contribute funds that are in addition to their subscription fees in order to acquire those patent assets. These syndicated acquisitions are complex and can be large and high profile. We may incur significant costs to organize and negotiate a syndicated acquisition that does not ultimately result in an acquisition of any patent assets. These higher costs could adversely affect our operating results. Our roles in structuring the acquisition and managing the acquisition entity, if one is used, may expose us to financial and reputational risks.

New legislation, regulations or court rulings related to enforcing patents could reduce the value of our solution to clients or potential clients and harm our business and operating results.

If Congress, the U.S. Patent and Trademark Office or courts implement additional legislation, regulations or rulings that impact the patent enforcement process or the rights of patent holders, these changes could negatively affect the operating results and business model for NPEs. This, in turn, could reduce the value of our solution to our current and potential clients. For example, limitations on the ability to bring patent enforcement claims, limitations on potential liability for patent infringement, lower evidentiary standards and new procedures for invalidating patents, increased difficulty for parties making patent assertions to obtain injunctions, reductions in the cost to resolve patent disputes and other similar developments could negatively affect an NPE’s ability to assert its patent rights successfully, decrease the revenue associated with asserting or licensing an NPE’s patent rights and increase the cost or risk of bringing patent enforcement actions. As a result, assertions and the threat of assertions by NPEs may decrease. If this occurs, companies may seek to resolve patent claims on an individual basis and be less willing to subscribe to our solution or renew their memberships. Furthermore, even if companies are interested in subscribing to our solution or maintaining their memberships, companies may be unwilling to pay the subscription fees that we propose. Any of these events could result in a material adverse effect on our business and operating results.

Our business model is new and complex, requiring estimates and judgments by our management. Our estimates and judgments are subject to changes that could adversely affect our operating results.

Our patent risk management business model is new and therefore our accounting and tax treatment has limited precedent. The determination of patent asset amortization expense for financial and income tax reporting requires estimates and judgments on the part of management. Some of our patent asset acquisitions are complex, requiring additional estimates and judgments on the part of our management. From time to time, we evaluate our estimates and judgments; however, such estimates and judgments are, by their nature, subject to risks, uncertainties and assumptions, and factors may arise that lead us to change our estimates or judgments. If this or any other changes occur, our operating results may be adversely affected. Furthermore, if the accounting or tax treatment is challenged, we may be required to spend considerable time and expense defending our position and we may be unable to successfully defend our accounting or tax treatment, any of which could adversely affect our business and operating results.

We plan to continue to increase our operating expenses to support and expand our operations, and those increased expenses may negatively impact our profitability.

We expect to increase future expenditures to develop and expand our business, including making substantial expenditures to develop new solutions. For example, in August 2012 we formed a risk retention group which issues insurance policies to cover the costs of NPE patent claims, and in March 2014 we formed a reinsurance company to bear some underwriting risk on insurance policies that the Company issues on behalf of a Lloyd’s of London underwriting syndicate. We began placing new policies under the reinsurance model in May 2014. Developing and offering these new solutions may cause us to incur substantial additional operating expenses. Our efforts to develop this and other new solutions will result in an increase in our operating expenses with no assurance that such solutions will result in additional revenue that is sufficient to offset the additional expenses we incur.

We also plan to incur additional operating expenses as we hire new personnel. Because we intend to continue to hire, we expect our operating expenses to increase. If we are not successful in generating additional revenue that is sufficient to offset these operating expense increases, our operating results may be harmed.

Following the launch of insurance products for NPE patent infringement claims, we now face the risks associated with operating an insurance business. If we fail to manage these risks, our results of operations and financial condition may be adversely affected.

In August 2012, we began to offer insurance products for NPE patent claims, and therefore face new risks associated with the operation of an insurance business. We have no prior experience in operating an insurance business, which includes assuming underwriting and reinsurance risk and setting premiums. There are many estimates and forecasts involved in predicting underwriting and reinsurance risk and setting premiums, many of which are subject to substantial uncertainty and which could cause our expenses and earnings to vary significantly from quarter to quarter. If we do not estimate our underwriting and reinsurance risks and set our premiums successfully, we may incur larger losses on our policies than we expect, which could have an adverse effect on our results of operations and financial condition. Under accounting principles generally accepted in the United States of America, while premiums earned from our insurance policies are recognized ratably, losses are recognized as incurred. This will increase the variability of our operating results until such time as our insurance business operates at scale. Furthermore, the insurance market is highly regulated, so operation of an insurance business will expose us to additional laws and regulations. Compliance with such laws and regulations may be costly, which could affect our results of operations.

If we are unable to enhance our current solution or to develop or acquire new solutions to provide additional value to our clients and potential clients, we may not be able to maintain our growth, and our business may be harmed.

In order to attract new clients and retain existing clients, we need to enhance and improve our existing solution and introduce new solutions that meet the needs of our clients. We have in the past, and may in the future, seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our service offerings, enhance our technical capabilities or otherwise offer growth opportunities. For example, we recently acquired DCML Services Corporation, a provider of data, intelligence and consulting on NPEs.

The development and implementation of new solutions will continue to require substantial time and resources, as well as require us to operate businesses that would be new to our organization. These or any other new solutions may not be introduced in a timely manner or at all. If we do introduce these or any other solutions, we may be unable to implement such solutions in a cost-effective manner, achieve wide market acceptance, meet client expectations or generate revenue sufficient to recoup the cost of developing such solutions. Any new solutions we introduce may expose us to additional laws, regulations and risks. If we are unable to develop these or other solutions successfully and enhance our existing solution to meet client requirements or expectations, we may not be able to attract or retain clients, and our business may be harmed.

If we are not perceived as a trusted defensive patent aggregator, our ability to gain wide market acceptance will be harmed, and our operating results could be adversely affected.

Our reputation, which depends on earning and maintaining the trust of existing and potential clients, is critical to our business. Our reputation is vulnerable to many threats that can be difficult or impossible to control and costly or impossible to remediate. For our business to be successful, we must continue to educate potential clients about our role as a trusted intermediary in the patent market. If our reputation is harmed, we may have more difficulty attracting new clients and retaining existing clients, and our operating results could be adversely affected.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

We have in the past and may in the future seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our client offerings, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We may not be able to integrate the acquired personnel, operations and technologies successfully or effectively manage the combined business following the completion of the acquisition.

We may not achieve the anticipated benefits from a business acquisition due to a number of factors, including:

- difficulties in integrating operations, technologies, services and personnel;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- diversion of management's attention from other business concerns;
- potential loss of key employees;
- additional legal, financial and accounting challenges and complexities in areas such as tax planning, cash management and financial reporting;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

Future acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

We may become involved in patent or other litigation proceedings related to our clients. Our involvement could cause us to expend significant resources. It could also require us to disclose information related to our clients, which could cause such clients not to renew their subscriptions with us.

The patent market is heavily impacted by litigation. As a result, we may be required, by subpoena or otherwise, to participate in patent or other litigation proceedings related to our clients. Our participation in any such proceedings could require us to expend significant resources and could also be perceived as adverse to the interests of our clients or potential clients if we are required to disclose any information about our clients that we have gathered in the course of their memberships. These additional expenditures and potential disclosures could make it more difficult for us to attract new clients and retain existing clients, and our results of operations could be harmed. We may incur significant costs in defending claims made against us and the result may not be favorable.

An unfavorable outcome of any claim could result in proliferation of similar claims against us. The expense and disclosure associated with our involvement in litigation could have an adverse effect on our business, prospects, financial condition, operating results and cash flows.

Interpretations of current laws and the passage of future laws could harm our business and operating results.

Because of our limited operating history and our presence in an emerging industry, the application to us of existing United States and foreign laws is unclear. Many laws do not contemplate or address the specific issues associated with our patent risk management solution or other products and services we may provide in the future. It is possible that courts or other governmental authorities will interpret existing laws regulating risk management and insurance, competition and antitrust practices, taxation, the practice of law and patent usage and transfers in a manner that is inconsistent with our business practices. Our business, prospects, financial condition and results of operations may be harmed if our operations are found to be in violation of any existing laws or any other governmental regulations that may apply to us. Additionally, existing laws and regulations may restrict our ability to deliver services to our clients, limit our ability to grow and cause us to incur significant expenses in order to comply with such laws and regulations. Even if our business practices are ultimately not affected, we may incur significant cost to defend our actions, incur negative publicity and suffer substantial diversion of management time and effort. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

Additionally, we face risks from laws that could be passed in the future. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new or existing laws or regulations could be difficult and expensive, affect the manner in which we conduct our business and negatively impact our business, prospects, financial condition and results of operations.

We receive a significant amount of our revenues from a limited number of clients, and if we are not able to obtain membership renewals from these clients, our revenue may decrease substantially.

We receive a significant amount of our revenue from a limited number of clients. For example, during the year ended December 31, 2014, our 10 highest revenue-generating clients accounted for approximately 29% of our total revenue. We expect that a significant portion of our revenue will continue to come from a relatively small number of clients for the foreseeable future. If any of these clients chooses not to renew its membership, or if our subscription fees from one of these clients decline, our revenue may correspondingly decrease and our operating results may be adversely affected.

Any failure to maintain or protect our patent assets or other intellectual property rights could impair our ability to attract or retain clients and maintain our brand and could harm our business and operating results.

Our business is dependent on our ability to acquire patent assets that are valuable to our existing and potential clients. Following the acquisition of patent assets, we expend significant time and resources to maintain the effectiveness of those assets by paying maintenance fees and making filings with the United States Patent and Trademark Office. In some cases, the patent assets we acquire include patent applications which require us to invest resources to prosecute the applications with the United States Patent and Trademark Office. If we fail to maintain or prosecute our patent assets properly, the value of those assets to our clients would be reduced or eliminated, and our business would be harmed.

If we fail to develop widespread brand awareness cost-effectively, we may not attract new clients and our business and operating results may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solution and is an important element in attracting new clients. Furthermore, we believe that the importance of brand recognition will increase as competition in our market develops. Brand promotion activities may not generate client awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to promote and maintain our brand successfully, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract or retain clients to the extent necessary to realize a sufficient return on our brand-building efforts.

We are dependent on our management team, and the loss of any key member of this team may prevent us from implementing our business plan, which could harm our future growth and operating results.

Our success depends largely upon the continued services of our executive officers and other key personnel. We do not have employment agreements with any of our executive officers or other key management personnel that require them to remain our employees. Therefore, they could terminate their employment with us at any time without penalty. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our key employees could seriously harm our business.

Our inability to identify, attract, train, integrate and retain highly qualified employees would harm our business.

Our future success depends on our ability to identify, attract, train, integrate and retain highly qualified technical, sales and marketing, managerial and administrative personnel. In particular, our ability to increase our revenue is dependent on our ability to hire personnel who can identify and acquire valuable patent assets and attract new clients. Competition for highly skilled sales, business development and technical individuals is intense, and we continue to face difficulty identifying and hiring qualified personnel in some areas of our business. We may not be able to hire and retain such personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for hiring experienced employees have greater resources than we have. If we fail to identify, attract, train, integrate and retain highly qualified and motivated personnel, our reputation could suffer, and our business, financial condition and results of operations could be adversely affected.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have internal financial and accounting controls and procedures adequate to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. We have in the past discovered, and may in the future discover, areas of our internal financial and accounting controls and procedures that need improvement. The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management time on compliance-related issues. While neither we nor our independent registered public accounting firm have identified deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, there can be no assurance that material weaknesses will not subsequently be identified.

Weak global economic conditions may adversely affect demand for our solution or fees payable under our subscription agreements, which could adversely affect our financial condition and operating results.

Our operations and performance depend significantly on worldwide economic conditions, and the United States and world economies have recently experienced weak economic conditions. Uncertainty about global economic conditions poses a risk as businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This response could have a material negative effect on the demand for our solution. Furthermore, if our clients experience reduced operating income or revenues as a result of economic conditions or otherwise, it would reduce their subscription fees because those fees are generally reset annually based on the clients' operating income or revenue. If the subscription fees payable under our subscription agreements are reduced substantially, it would have an adverse effect on our business and results of operations.

As a public company, we incur significant increased costs that may adversely affect our operating results and financial condition.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company, including costs associated with our public company reporting requirements. We have also incurred, and anticipate that we will continue to incur, costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules implemented by the SEC and the NASDAQ Stock Market. Furthermore, these laws and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, on our board committees or as executive officers.

We are investing resources to comply with evolving laws and regulations, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. Such increased expenses, the difficulty of attracting and retaining qualified officers and directors, and the diversion of management's attention could adversely affect our operating results and financial condition.

We might require additional capital to support our business growth and future patent asset acquisitions, and this capital might not be available on acceptable terms, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to acquire patent assets, develop new solutions or enhance our existing solution, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings or enter into credit agreements to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, which could have an adverse effect on our business and financial condition.

Our results of operations could vary as a result of the methods, estimates and judgments we use in applying our accounting policies.

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations, including the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, patent assets, other investments, income taxes, litigation and other intangibles, and other contingencies. Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates and judgments. In addition, actual results may differ from these estimates under different assumptions or conditions. Changes in those methods, estimates and judgments could significantly affect our results of operations.

We may not be able to continue offering an “A” rated NPE insurance product.

In May 2014, we began offering an “A” rated NPE insurance product. If we are unable to maintain our relationship with one or more “A” rated insurance companies, we may be unable to continue offering an “A” rated NPE insurance product, which could have an adverse effect on new insurance business growth and retention of our existing insurance business.

Reinsurance coverage may not be available to us in the future at commercially reasonable rates or at all.

As of December 31, 2014, we had secured quota share reinsurance for 50% of the risk underwritten through our risk retention group. In addition, we act as reinsurer for a portion of the risk underwritten through our "A" rated NPE insurance product. The availability and cost of reinsurance that we purchase are subject to prevailing market conditions that are beyond our control. No assurances can be made that reinsurance will remain continuously available to us in amounts that we consider sufficient and at rates that we consider acceptable, which would cause us to increase the amount of risk we retain, reduce the amount of business we underwrite or look for alternatives to reinsurance. This, in turn, could have a material adverse effect on our financial condition or results of operations.

Our operations are subject to risks of natural disasters, acts of war, terrorism or widespread illness at our domestic and international locations, any one of which could result in a business stoppage and negatively affect our operating results.

Our business operations depend on our ability to maintain and protect our facility, computer systems and personnel, which are primarily located in the San Francisco Bay Area. The San Francisco Bay Area is in close proximity to known earthquake fault zones. Our facility and transportation for our employees are susceptible to damage from earthquakes and other natural disasters such as fires, floods and similar events. Should earthquakes or other catastrophes such as fires, floods, power outages, communication failures or similar events disable our facilities, we do not have readily available alternative facilities from which we could conduct our business, which stoppage could have a negative effect on our operating results. Acts of terrorism, widespread illness and war could also have a negative effect at our international and domestic facilities and on our operating results.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock has been volatile and is likely to be volatile in the future, and you might not be able to sell your shares at or above the price at which you purchased them.

Since our initial public offering in May 2011, our stock price has traded as high as $31.41 per share and as low as $8.55 per share. Further, our common stock has a limited trading history and an active trading market for our common stock may not be sustained in the future. The market price of our common stock could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this “Risk Factors” section of this Annual Report on Form 10-K and others such as:

- variations in our financial condition and operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;
- addition or loss of significant clients;

- adoption or modification of laws, regulations, policies, procedures or programs applicable to our business, including those related to the enforcement of patent claims;
- announcements of technological innovations, new products and services, acquisitions, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of members of our Board of Directors, management team or other key personnel;
- market conditions in our industry and the economy as a whole;
- price and volume fluctuations in the overall stock market or resulting from inconsistent trading volume levels of our shares;
- lawsuits threatened or filed against us;
- sales of our common stock by us or our stockholders; and
- the opening or closing of our employee trading window.

In recent years, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the changes in the operating performance of the companies whose stock is experiencing those price and volume fluctuations. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance.

If securities analysts do not continue to publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities analysts publish about us or our business. A limited number of securities analysts currently publish research reports on us. If one or more of the analysts who covers us downgrades our stock or publishes unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Substantial future sales of shares by existing stockholders, or the perception that such sales may occur, could cause our stock price to decline, even if our business is doing well.

If our existing stockholders, particularly our directors and executive officers, sell substantial amounts of our common stock in the public market, or are perceived by the public market as intending to sell substantial amounts of our common stock, the trading price of our common stock could decline.

As of December 31, 2014, some of our existing stockholders have demand and piggyback rights to require us to register with the SEC approximately 1,490,000 shares of our common stock. If we register these shares of common stock, the stockholders would be able to sell those shares freely in the public market.

In addition, shares that are subject to outstanding options or that may be granted in the future under our equity plans will be eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements and Rules 144 and 701 under the Securities Act.

If any of these additional shares described are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

As a public company, our stock price has been volatile, and securities class action litigation has often been instituted against companies following periods of volatility of their stock price. Any such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

In the past, following periods of volatility in the overall market and the market price of particular companies' securities, securities class action litigation has been instituted against these companies. Our stock has been volatile and may continue to be volatile. If instituted against us, securities litigation could result in substantial costs and a diversion of our management's attention and resources, which could adversely affect our operating results, financial condition and stock price.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our amended and restated certificate of incorporation and amended and restated bylaws:

- authorize the issuance of “blank check” preferred stock that could be issued by our Board of Directors to thwart a takeover attempt;
- establish a classified Board of Directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a majority stockholder vote;
- provide that vacancies on our Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders;
- do not provide stockholders with the ability to cumulate their votes;
- require supermajority stockholder voting to effect certain amendments to our amended and restated certificate of incorporation and amended and restated bylaws; and
- require advance notification of stockholder nominations and proposals.

Our stock repurchase program could affect the price of our common stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our common stock.

In February of 2015, our board of directors approved a share repurchase program of up to $75 million. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, an assessment by management and our board of directors of cash availability and other market conditions. The program may be suspended or discontinued at any time without prior notice. Repurchases pursuant to our stock repurchase program could affect the price of our common stock and increase its volatility. The existence of our stock repurchase program could also cause the price of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased such shares. Any failure to repurchase shares after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

We do not currently intend to pay dividends on our common stock in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid cash dividends on our common stock and do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

We currently lease approximately 67,000 square feet of office space in one location in San Francisco, California pursuant to a lease agreement that expires in October 2019. We also maintain a sales office in Japan and Taiwan. We believe that our current facilities are suitable and adequate to meet our current needs and we intend to add new facilities or expand existing facilities as we add employees. We believe that suitable additional or substitute space will be available as needed to accommodate expansion of our operations.

Item 3. Legal Proceedings.

From time to time, we may be a party to various litigation claims in the normal course of business. Legal fees and other costs associated with such actions are expensed as incurred. We assess, in conjunction with our legal counsel, the need to record a liability for litigation or legal contingencies. A liability is recorded when and if it is determined that such a liability for litigation or contingencies is both probable and reasonably estimable. No liability for litigation or legal contingencies was recorded as of December 31, 2014.

In June 2013, Kevin O'Halloran, as Trustee of the Liquidating Trust of Teltronics, Inc. (the "Debtor"), filed a complaint in the U.S. Bankruptcy Court for the Middle District of Florida against us and Harris Corporation (the "Defendants"). The complaint alleges that the Defendants are liable under federal and state bankruptcy law regarding fraudulent transfers for the value of a patent portfolio that we purchased from Harris Corporation pursuant to an agreement entered into in January 2009, and within four years of the date the Debtor filed its petition in bankruptcy. We are not currently able to determine whether there is a reasonable possibility that a loss has been incurred, nor can we estimate the potential loss or range of the potential loss that may result from this litigation.

In March 2012, Cascades Computer Innovations LLC filed a complaint in U.S. District Court for the Northern District of California (the "Court") against us and five of our clients (collectively the "Defendants"). The complaint alleges that the Defendants violated federal antitrust law, California antitrust law and California unfair competition law. The complaint further alleges that after we terminated our negotiations with the plaintiff to license certain patents held by the plaintiff, the Defendants violated the law by jointly refusing to negotiate or accept licenses under the plaintiff's patents. The plaintiff seeks unspecified monetary damages and injunctive relief. In January 2013, the Court dismissed the complaint against the Defendants and granted the plaintiff leave to amend its complaint. In February 2013, the plaintiff filed an amended lawsuit alleging that the Defendants violated federal antitrust law, California antitrust law and California unfair competition law. In March 2014, the Court entered an order staying the litigation pending the resolution of related litigation in the U.S. District Court for the Northern District of Illinois, and has subsequently continued the stay until June 2015. We are not currently able to determine whether there is a reasonable possibility that a loss has been incurred, nor can we estimate the potential loss or range of the potential loss that may result from this litigation.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

Our common stock is currently traded on the NASDAQ Global Select Market under the symbol "RPXC" and has been traded on NASDAQ since our initial public offering on May 4, 2011. The following table sets forth, for the periods indicated, the high and low closing prices of our common stock as reported on the NASDAQ Global Select Market.

	High	Low
For the year ended December 31, 2013:		
First Quarter	$ 14.36	$ 9.64
Second Quarter	$ 16.80	$ 12.95
Third Quarter	$ 18.97	$ 15.48
Fourth Quarter	$ 18.29	$ 15.95
For the year ended December 31, 2014:		
First Quarter	$ 17.37	$ 15.40
Second Quarter	$ 17.75	$ 15.76
Third Quarter	$ 18.12	$ 13.73
Fourth Quarter	$ 15.25	$ 13.01

Holders

At February 20, 2015, there were 33 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers or other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by the record holders.

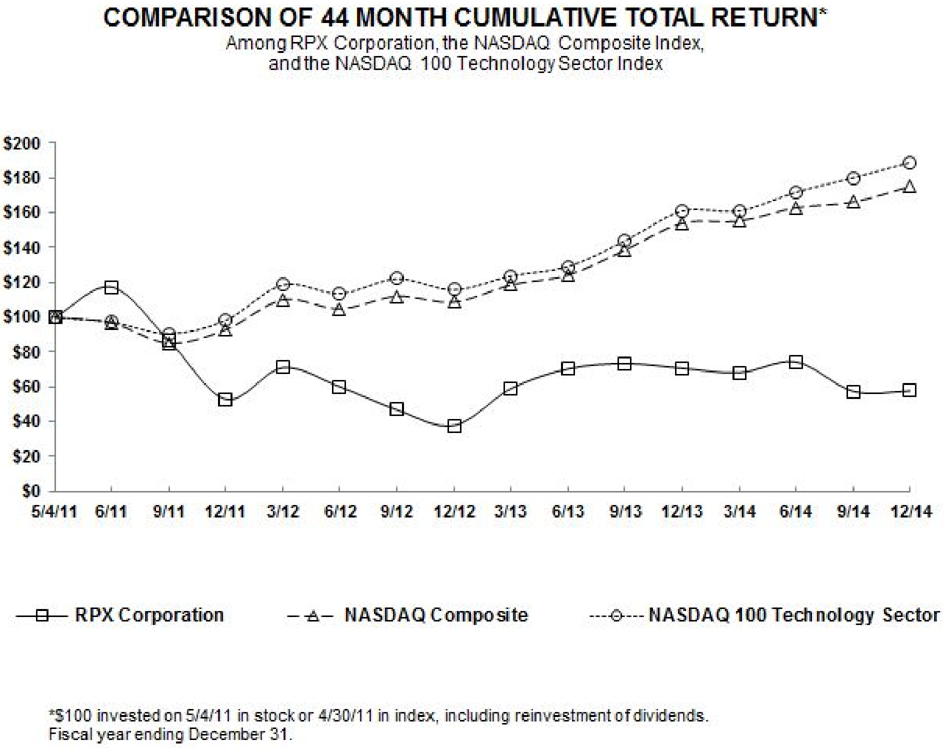
Dividend Policy

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our common stock will be at the discretion of our Board of Directors and will depend upon, among other factors, our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our Board of Directors may deem relevant.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of RPX Corporation under the Securities Act of 1933, as amended, or the Securities Act.

The following graph shows the value of an investment of $100 on May 4, 2011 (the date our common stock commenced trading on the NASDAQ Global Select Market) in our common stock, the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index. Data for the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index assume reinvestment of dividends. The comparisons shown in the graph are based upon historical data and we caution that the stock price performance shown in the graph is not indicative of, nor intended to forecast, the potential future performance of our stock.



Sales of Unregistered Securities

In connection with the acquisition completed on July 29, 2014 of all the issued and outstanding membership interests in DCML Services Corporation, the Company issued 182,408 shares of its common stock. This transaction was exempt from registration under Securities Act in reliance upon Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company did not have any repurchases of unvested shares during the year ended December 31, 2014.

Item 6. Selected Consolidated Financial Data.

The selected consolidated financial data for the years ended December 31, 2014, 2013 and 2012, as well as the consolidated balance sheet data as of December 31, 2014 and 2013, are derived from our audited consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data for years ended December 31, 2011 and 2010 as well as the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 are derived from audited consolidated financial statements not included in this Annual Report on Form 10-K. The historical results presented below are not necessarily indicative of results of future operations, and should be read in conjunction with Item 7 *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and the consolidated financial statements and related notes thereto included in Part II, Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Revenue	$ 259,335	$ 237,504	$ 197,688	$ 154,044	$ 94,874
Cost of revenue	124,435	110,771	82,323	67,371	43,602
Selling, general and administrative expenses	71,679	62,525	53,590	40,593	23,917
(Gain) loss on sale of patent assets, net	(707)	126	(177)	—	536
Operating income	63,928	64,082	61,952	46,080	26,819
Other income (expense), net	354	213	117	(723)	(2,764)
Income before provision for income taxes	64,282	64,295	62,069	45,357	24,055
Provision for income taxes	24,941	23,512	23,112	16,225	10,184
Net income	$ 39,341	$ 40,783	$ 38,957	$ 29,132	$ 13,871
Net income available to common stockholders:					
Basic	$ 39,341	$ 40,763	$ 38,455	$ 19,697	$ 1,392
Diluted	$ 39,341	$ 40,763	$ 38,474	$ 20,310	$ 1,671
Net income available to common stockholders per common share:					
Basic	$ 0.74	$ 0.78	$ 0.77	$ 0.61	$ 0.24
Diluted	$ 0.72	$ 0.76	$ 0.74	$ 0.57	$ 0.23
Weighted-average shares used in computing net income available to common stockholders per common share:					
Basic	53,444	51,956	49,766	32,032	5,747
Diluted	54,818	53,652	51,802	35,920	7,164

	As of December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Cash, cash equivalents, and short-term investments	$ 317,533	$ 290,722	$ 199,730	$ 233,725	$ 46,656
Patent assets, net	236,349	219,954	199,314	163,352	126,508
Total assets	642,064	588,801	493,967	437,994	197,022
Deferred revenue, including current portion	136,209	137,743	104,371	108,275	82,440
Notes payable and other deferred payment obligations, including current portion	—	500	500	5,056	23,583
Total liabilities	157,019	163,878	133,708	138,910	123,522
Redeemable convertible preferred stock	—	—	—	—	62,793
Total stockholders' equity	485,045	424,923	360,259	299,084	10,707

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Annual Report on Form 10-K contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions which, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the "Exchange Act". Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "will," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. Forward-looking statements include statements regarding our business strategies and business model, products, benefits to our clients, future financial results and expenses, and patent acquisition spending. These statements are based on the beliefs and assumptions of our management based on information currently available. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K.

Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We help companies reduce patent-related risk and expense by providing a subscription-based patent risk management solution that facilitates more efficient exchanges of value between owners and users of patents compared to transactions driven by actual or threatened litigation.

The core of our solution is defensive patent aggregation, in which we acquire patent assets that are being or may be asserted against our current or prospective clients. We then provide our clients with licenses to our patent assets to protect them from potential patent infringement assertions. We also provide our clients access to our proprietary patent market intelligence and data.

Our business model aligns our interests with those of our clients. We have not asserted and will not assert our patents, which enables us to develop strong and trusted relationships with our clients. Our clients include companies that design, make or sell technology-based products and services as well as companies that use technology in their businesses.

For the year ended December 31, 2014, revenue grew to $259.3 million from $237.5 million for the year ended December 31, 2013. During 2014, 2013 and 2012, our client count increased by 36, 28 and 28 clients, respectively, bringing our total client network to 204 as of December 31, 2014. At December 31, 2014, we had deferred revenue of $136.2 million.

We believe that our acquisitions of patent assets are a key driver of the value that we create for our clients. We measure patent asset acquisition spend on both a "gross" and a "net" basis, whereby the "gross spend" represents the aggregate amount spent including amounts contributed by our clients in syndicated acquisitions above and beyond their subscription fees and the "net spend" represents only the net incremental investment of our own capital. For the year ended December 31, 2014, our gross and net acquisition spend totaled $159.2 million and $136.5 million, respectively, for which we completed 60 acquisitions of patent assets. From our inception through December 31, 2014, we have completed 227 acquisitions of patent assets with gross and net acquisition spend of $914.9 million and $669.3 million, respectively.

During the year ended December 31, 2014, we completed three divestitures of patent assets in the open market. These divestitures did not have a material impact to our results of operations and financial condition. We may divest patent portfolios from time to time, and these divestitures will result in a gain or loss in the period in which the transaction occurs. The amount of consideration received is compared to the patent asset's carrying value to determine and recognize a gain or loss.

Insuring against the costs of non-practicing entity ("NPE") litigation is a natural extension of our core defensive patent acquisition service. In August 2012, we started to offer NPE patent infringement liability insurance, which is a liability insurance policy for operating companies that covers certain costs associated with patent infringement lawsuits by NPEs. The insurance product complements our core defensive patent acquisition service, enabling policyholders, who must be members of our client network, to better manage and mitigate the risk of NPE patent litigation. As of December 31, 2014, we had a total of 48 active insurance policies. The effect of the insurance policies that have been issued was not material to our results of operations or financial condition. In connection with an evolution of the way that we will sell insurance policies, during March 2014 we formed a reinsurance company to assume some portion of the underwriting risk on insurance policies that the we issue on behalf of a Lloyd's of London underwriting syndicate. We began issuing new policies under the reinsurance model in May 2014. As of, and for the year ended December 31, 2014, the effect of the insurance policies issued under the reinsurance model was not material to our results of operations or financial condition.

Key Components of Results of Operations

Revenue

Subscription revenue includes membership subscription services, premiums earned from insurance policies, and management fees. Historically, the majority of our revenue has consisted of fees paid by our clients under subscription agreements. Subscription revenue will be positively or negatively impacted by the financial performance of our clients since their subscription fees typically reset annually based upon their most recently reported annual financial results. In August 2012, we launched our insurance product and started to recognize insurance premium revenue from the insurance policies that we underwrite. As the primary insurer we had been recognizing the full insurance premium as revenue. In May 2014, we began shifting to a new reinsurance model under which we recognize only the portion of the underwriting risk that we assume. In addition, we receive management fees for marketing, underwriting, and claims management services. Although we expect this revenue to increase as we sell more policies in the future, for the years ended December 31, 2014 and 2013, revenue from insurance premiums was not material to our results of operations. We also recognize revenue from the sale of licenses and advisory fee income in connection with syndicated acquisitions, which we collectively refer to as fee-related revenue. In the future, we may receive other revenue and fee income from newly introduced products and services. While we expect to continue to experience revenue growth on an annual basis, we do not believe that our rate of growth since inception is representative of anticipated future revenue growth.

Cost of Revenue

Cost of revenue primarily consists of amortization expenses related to acquired patent assets. Acquired patent assets are capitalized and amortized ratably over their estimated useful lives, which typically relates to the anticipated cash flows from clients and prospects that will benefit from the transaction. Also included in the cost of revenue are expenses incurred to maintain our patents and prosecute our patent applications and amortization expense for acquired intangible assets and internally developed software. With the launch of our insurance offering in August 2012, cost of revenue began to include premiums ceded to reinsurers and loss reserves. We began to issue new policies under the reinsurance model in May 2014 and as a result we will no longer be ceding premiums. We expect our cost of revenue to increase in the future as we add additional patent assets to our existing portfolio to support our existing and future clients and as our insurance business grows. Our cost of revenue is primarily driven by the amortization of previously acquired patent assets, which are typically amortized over an estimated useful life of 24 to 60 months. From time to time, we may acquire patent assets that are valuable to our clients and prospects with an estimated useful life that is significantly less than the historical weighted-average of patent assets previously acquired, resulting in increased patent asset amortization expense in immediate periods following acquisition. Estimating the economic useful lives of our patent assets depends on various factors including whether we acquire patents or licenses to patents, and the remaining statutory life of the underlying patents, either of which could result in shorter amortization periods. We believe that amortization periods of patent assets to be acquired in future periods may be amortized over shorter periods than the historical weighted average of 45 months.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of salaries and related expenses, including stock-based compensation expense, cost of marketing programs, legal costs, professional fees, travel costs, facility costs and other corporate expenses. We expect that in the foreseeable future, as we seek to serve more clients and develop new products and services, selling, general and administrative expenses will increase.

Other Income, Net

Other income, net primarily consists of interest income earned on our cash, cash equivalents and short-term investments.

Provision for Income Taxes

Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Based on available information, we believe it is more likely than not that our deferred tax assets will be fully realized. Accordingly, we have not applied a valuation allowance against our net deferred tax assets.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures.

We believe that, of our significant accounting policies, which are described in Note 2 of our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We recognize revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605, *Revenue Recognition* ("ASC 605") and related authoritative guidance. The primary source of our revenue is fees paid by our clients under subscription agreements. We believe that the subscription component of our patent risk management solution comprises a single deliverable and thus we recognize each subscription fee ratably over the period for which the fee applies. Revenue is recognized net of any discounts or other contractual incentives. We start recognizing revenue when all of the following criteria have been met:

- *Persuasive evidence of an arrangement exists.* All subscription fees are supported by an executed subscription agreement.
- *Delivery has occurred or services have been rendered.* The subscription agreement calls for us to provide our patent risk management solution over a specific term commencing on the agreement effective date. Because services are not on an individualized basis (i.e., we generally perform our services on behalf of all of our clients as opposed to each client individually), delivery occurs automatically with the passage of time. Consequently, we recognize subscription revenue ratably.
- *Seller's price to the buyer is fixed or determinable.* Each client's annual subscription fee is typically based on a rate card in effect at the time of the client's initial agreement. A client's subscription fee is generally determined using its rate card and its normalized operating income, which is defined as the greater of (i) the average of its operating income for the three most recently reported fiscal years and (ii) 5% of its revenue for the most recently reported fiscal year. The fee for the first year of the agreement is typically determined and invoiced at the time of contract execution. The fee for each subsequent year of the agreement is generally calculated and invoiced in advance prior to each anniversary date of the agreement.
- *Collectability is reasonably assured.* Subscription fees are generally collected on or near the effective date of the agreement and again at or near each anniversary date thereof. We do not recognize revenue in instances where collectability is not reasonably assured. Generally, our subscription agreements state that all fees paid are non-refundable.

In some limited instances, the subscription agreement includes a contingency clause, giving one or both parties an option to terminate the agreement and receive a full refund if contingencies are not resolved within a defined time period. In those instances, revenue will not be recognized until the contingency has been satisfied. The revenue earned during the period between the effective date of the agreement and the contingency removal date is recognized on the contingency removal date. Thereafter, revenue is recognized ratably over the remaining subscription term.

Our clients generally receive a term license to, and a release from all prior damages associated with, patent assets in our portfolio. The term license to each patent asset typically converts to a perpetual license at the end of a contractually specified vesting period, provided that the client is a member at such time. We do not view the conversion from term license to perpetual license to be a separate deliverable in our arrangements with our clients because the utility of, access to and freedom to practice the inventions covered by the patent asset is no different between a term and perpetual license.

In some instances, we accept a payment from a client to finance part or all of an acquisition. We refer to such transactions as syndicated acquisitions. The accounting for syndicated acquisitions can be complex and often requires judgments on the part of management as to the appropriate accounting treatment. In accordance with ASC 605-45, *Revenue Recognition: Principal Agent Considerations*, in instances where we substantively act as an agent to acquire patent rights from a seller on behalf of clients who are paying for such rights separately from their subscription agreements, we may treat the client payments on a net basis. When treated on a net basis, there may be little or no revenue recognized for such contributions, and the basis of the acquired patent rights may exclude the amounts paid by the contributing client based on our determination that we are not the principal in these transactions. In these situations, where we substantively act as an agent, the contributing clients are typically defendants in an active or threatened patent infringement litigation filed by the owner of a patent. Our involvement is to assist our clients to secure a dismissal from litigation and a license to the underlying patents.

Key indicators evaluated to reach the determination that we are not the principal in the transaction include, among others:

- the seller of the patent assets is generally viewed as the primary obligor in the arrangement, given that it owns and controls the underlying patent(s) and thus has the absolute authority to grant and deliver any release from past damages and dismissal from litigation, as well the general terms of the license granted;
- we have no inventory risk, as the clients generally enter into their contractual obligations with us prior to or contemporaneous to us entering into a contractual obligation with the seller;

- we generally have limited pricing latitude as client contributions are based on the sales price set by the seller;
- we are not involved in the determination of the product or service specification and have no ability to change the product or perform any part of the service in connection with these transactions, as the seller owns the underlying patent(s); and
- we have limited or no credit risk, as each respective client has a contractually binding obligation, such clients are generally of high credit quality and in many instances, we collect the client contribution prior to making a payment to the seller.

In certain syndicated transactions, we may recognize revenue upon the sale of licenses to specific patent assets and/or upon completion of the rendering of advisory services.

Revenue recognition for arrangements with multiple deliverables. A multiple-element arrangement may include the sale of a subscription to our patent risk management solution and an insurance policy to cover certain costs associated with patent infringement lawsuits by NPEs, each of which are individually considered separate units of accounting. Each element within a multiple-element arrangement is accounted for as a separate unit of accounting given that the delivered products have value to the customer on a standalone basis. We consider a deliverable to have standalone value if the product or service is sold separately by us or another vendor. The delivery of insurance coverage is not dependent on a client's subscription to our patent risk management solution. While we believe our insurance product offering is unique, our clients are able to purchase insurance coverage as a standalone product from other providers. We sell the components of our our patent risk management solution on a standalone basis.

We have determined our best estimate of selling price ("BESP") for a subscription to our patent risk management solution based on the following:

- List price, which represents the rates listed on our annual rate card. We publish a standard rate card annually. Each client's subscription fee is typically calculated using the applicable rate card and its normalized operating income, which is defined as the greater of (i) 5% of the client's most recently reported fiscal year's revenue, and (ii) the average of the three most recently reported fiscal years' operating income of the client. Each client's annual subscription fee is reset annually based on its revenue and operating income for its most recently completed fiscal years.

We have determined our BESP for our insurance product based on the following:

- Actuarially determined factors. Although we sell our insurance product both on a standalone basis and as a component of a multiple-element arrangement, the pricing is not affected by the subscription to our patent risk management solution. We use an actuarial model that calculates an individual client's insurance premium based on its projected annual frequency (i.e., number of claims during the policy term) and severity (i.e., the amount which it expects to settle a claim).

Patent Assets, Net

We generally acquire patent assets from third parties using cash. Patent assets are recorded at fair value at acquisition. The fair value of the assets acquired is generally based on the fair value of the consideration exchanged. The asset value includes the cost of legal and other fees associated with the acquisition of the assets. Costs incurred to maintain and prosecute patents and patent applications are expensed as incurred.

Because each client generally receives a license to the majority of our patent assets, we are unable to reliably determine the pattern over which our patent assets are consumed. As a result, we amortize each patent asset on a straight-line basis. The amortization period is equal to the asset's estimated economic useful life. Estimating the economic useful life of patent assets requires significant management judgment. We consider various factors in estimating the economic useful lives of our patent assets, including the remaining statutory life of the underlying patents, the applicability of the assets to future clients, the vesting period for current clients to obtain perpetual licenses to such patent assets, any contractual commitments by clients that are related to such patent assets, our estimate of the period of time during which we may sign subscription agreements with prospective clients that may find relevance in the patent assets, and the remaining contractual term of our existing clients at the time of acquisition. In certain instances, where we acquire patent assets and secure related client committed cash flows that extend beyond the statutory life of the underlying patents, the useful life may extend beyond the statutory life of the patent assets. As of December 31, 2014, the estimated economic useful life of our patent assets generally ranged from 24 to 60 months. The weighted-average estimated economic useful life of patent assets acquired since inception was 45 months. The weighted-average estimated economic useful life of patent assets acquired during the year ended December 31, 2014 was 39 months. We periodically evaluate whether events and circumstances have occurred that may warrant a revision to the remaining estimated useful life of our patent assets.

In instances where we sell patent assets, the amount of consideration received is compared to the asset's carrying value to determine and recognize a gain or loss.

Stock-Based Compensation

We account for stock-based compensation for equity-settled awards issued to employees and directors under ASC 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires that stock-based compensation expense for equity-settled awards made to employees and directors be measured based on the estimated grant date fair value and recognized over the requisite service period. These equity-settled awards include stock options, restricted stock units ("RSUs") and performance-based RSUs with a market condition ("PBRSUs").

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value of RSUs is estimated based on the fair market value of our common stock on the date of grant. For stock options and RSUs, the fair value of the award that is expected to vest is recognized as compensation expense on a straight-line basis over the requisite service period. Because stock-based compensation expense is based on awards ultimately expected to vest, it reflects estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Previously recognized expense is reversed for the portion of awards forfeited prior to vesting.

The fair value of PBRSUs is estimated as of the date of grant using the Monte-Carlo simulation model. For PBRSUs, stock-based compensation expense is recognized over the derived service period for each tranche (or market condition). Because our PBRSUs have multiple derived service periods, we use the graded-vesting attribution method. The graded vesting attribution method requires a company to recognize compensation expense over the requisite service period for each vesting tranche of the award as though the award were, in substance, multiple awards. The compensation expense for these awards will only be reversible if the employee terminates prior to completing the requisite service periods for these awards (i.e., compensation expense will not be reversed if the market condition is not met).

Estimates of the fair value of equity-settled awards as of the grant date using valuation models, such as the Black-Scholes option-pricing model and a Monte-Carlo simulation model, is affected by assumptions regarding a number of complex variables. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. For all stock options granted to date, we calculated the expected term using the SEC simplified method. We have limited information on our past volatility and a limited operating history. Therefore, we have estimated the volatility data based on a study of publicly traded industry peer companies. For purposes of identifying these peer companies, we considered the industry, stage of development, size and financial leverage of potential comparable companies. As of the second quarter of 2014, we no longer calculate expected term using the SEC simplified method and began to calculate its expected term. We have not granted any stock options since making the change. The risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues similar in duration to the expected term of the equity-settled award.

We account for stock-based compensation for equity-settled awards issued to non-employees in exchange for goods and services under ASC 505-50, *Equity-Based Payments to Non-Employees* ("ASC 505-50"). ASC 505-50 requires that equity-settled awards issued to non-employees be measured at the fair value as of the date at which either the commitment for performance by the non-employee to earn the award is reached or the date the non-employee's performance is complete. Until that point is reached, the award must be revalued at each reporting period with the true-up to expense recorded in the then current period earnings. The value of the award is recognized as an expense over the requisite service period.

As of December 31, 2014, there was $4.5 million and $29.5 million of unrecognized compensation cost related to stock options and RSUs, including PBRSUs, respectively, which is expected to be recognized over a weighted-average period of 1.5 years and 2.7 years, respectively.

Income Taxes

We account for income taxes using an asset and liability approach, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of our assets and liabilities and for net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

We assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we establish a valuation allowance. Judgment is required in determining our provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against the net deferred tax assets. We did not apply a valuation allowance against our deferred tax balances at December 31, 2014 or 2013.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740, *Income Taxes* ("ASC 740") provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

The tax expense or benefit for extraordinary items, unusual or infrequently occurring items and items that do not represent a tax effect of current-year ordinary income are treated as discrete items and recorded in the interim period in which the events occur.

Our effective tax rate could be adversely affected by changes in federal, state or foreign tax laws, certain non-deductible expenses arising from stock-based awards and changes in accounting principles. Our 2010 tax year is currently under examination by the State of California Franchise Tax Board. We do not expect a material impact on our consolidated financial statements as a result of this examination. The 2011 through 2013 tax periods remain open to examination by the Internal Revenue Service and the 2010 through 2013 tax periods remain open to examination by most state tax authorities. For our foreign jurisdictions, the 2009 through 2013 tax years remain open to examination by their respective tax authorities.

Business Combinations

We apply the provisions of ASC 805, *Business Combinations* ("ASC 805"), in the accounting for our business acquisitions. ASC 805 requires companies to separately recognize goodwill from the assets acquired and liabilities assumed, which are at their acquisition date fair values. Goodwill as of the acquisition date represents the excess of the purchase price over the fair values of the assets acquired and the liabilities assumed.

We use significant estimates and assumptions, including fair value estimates, to determine fair value of assets acquired, liabilities assumed and, when applicable, the related useful lives of the acquired assets, as of the business combination date. When those estimates are provisional, we refine them as necessary during the measurement period. The measurement period is the period after the acquisition date, not to exceed one year, in which we may gather new information about facts and circumstances that existed as of the acquisition date to adjust the provisional amounts recognized. Measurement period adjustments are applied retrospectively, if material. All other adjustments are recorded to the consolidated statements of operations.

Reserves for Known and Incurred but not Reported Claims

Reserves for known and incurred but not reported claims represent estimated claims costs and related expenses for patent infringement liability insurance policies in effect. Reserves for known claims are established based on individual case estimates. We use actuarial models and techniques to estimate the reserve for incurred but not reported claims.

Loss expense for known and incurred but not reported claims are charged to earnings after deducting recoverable amounts under our reinsurance contract.

Results of Operations

The following table sets forth selected consolidated statements of operations data for each of the periods indicated (in thousands). Our historical results are not necessarily indicative of our results of operations to be expected for any future period.

	Year Ended December 31,		
	2014	**2013**	**2012**
Revenue	$ 259,335	$ 237,504	$ 197,688
Cost of revenue	124,435	110,771	82,323
Selling, general and administrative expenses	71,679	62,525	53,590
(Gain) loss on sale of patent assets, net	(707)	126	(177)
Operating income	63,928	64,082	61,952
Other income, net	354	213	117
Income before provision for income taxes	64,282	64,295	62,069
Provision for income taxes	24,941	23,512	23,112
Net income	$ 39,341	$ 40,783	$ 38,957

The following table sets forth, for the periods indicated, consolidated statements of operations data as a percentage of revenue.

	Year Ended December 31,		
	2014	**2013**	**2012**
Revenue	100 %	100%	100 %
Cost of revenue	48	47	42
Selling, general and administrative expenses	28	26	27
(Gain) loss on sale of patent assets, net	—	—	—
Operating income	24	27	31
Other income, net	—	—	—
Income before provision for income taxes	24	27	31
Provision for income taxes	10	10	12
Net income	14 %	17%	19 %

Years Ended December 31, 2014 and 2013

Revenue

Our revenue for the year ended December 31, 2014 was $259.3 million compared to $237.5 million during the same period a year prior, an increase of $21.8 million, or 9%. Subscription revenue, which includes membership subscription services, premiums earned from insurance policies and management fees, for the year ended December 31, 2014 was $251.4 million compared to $224.7 million for the year ended December 31, 2013. The increase in subscription revenue was attributable to an increase in membership fees and insurance premiums, which was comprised of $23.3 million from new clients who joined our network subsequent to December 31, 2013 and $3.4 million from clients who joined our network prior to December 31, 2013. As of December 31, 2014 we had a total client network of 204 companies as compared to 168 as of December 31, 2013. Revenue for the year ended December 31, 2014 also included $8.0 million of fee-related revenue as compared to $12.8 million in the same period in 2013.

Cost of Revenue

Our cost of revenue for the year ended December 31, 2014 was $124.4 million compared to $110.8 million during the same period a year prior, an increase of $13.6 million, or 12%. The increase was primarily attributable to a $14.2 million increase in patent amortization expense as a result of an increase in our patent assets and shorter than historical amortization periods for certain patent assets acquired during the year ended December 31, 2014, a $0.5 million increase to expenses incurred to maintain and prosecute patents and patent applications included in our portfolio, partially offset by a $0.8 million decrease in loss expense for known and incurred but not reported claims for insurance policies. Cost of revenue for the year ended December 31, 2013 also included $0.5 million of fees incurred in connection with our performance of advisory services without a similar cost for the year ended December 31, 2014.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses for the year ended December 31, 2014 were $71.7 million compared to $62.5 million during the same period a year prior, an increase of $9.2 million or 15%. The increase was primarily due to a $6.9 million increase in personnel-related costs, including a $1.5 million increase in stock-based compensation expense, attributable to increasing our headcount to 152 employees as of December 31, 2014, a $0.7 million increase in professional services fees primarily attributable to the development of the RPX Client Portal, $0.4 million increase in sales and marketing expense to increase industry awareness, and $0.5 million increase in IT related costs for software upgrades and licenses for additional users due to increases in headcount.

Provision for Income Taxes

Our provision for income taxes was $24.9 million and $23.5 million for the years ended December 31, 2014 and 2013, respectively. Our effective tax rate, including the impact of discrete benefit items, was 39% and 37% for the years ended December 31, 2014 and 2013, respectively.

Years Ended December 31, 2013 and 2012

Revenue

Our revenue for the year ended December 31, 2013 was $237.5 million compared to $197.7 million during the same period a year prior, an increase of $39.8 million, or 20%. Subscription revenue, which includes membership subscription services and premiums earned from insurance policies, for the year ended December 31, 2013 was $224.7 million compared to $185.6 million for the year ended December 31, 2012. The increase in subscription revenue was attributable to an increase in membership fees and insurance premiums, which was comprised of $19.0 million from new clients who joined our network subsequent to December 31, 2012 and $20.1 million from clients who joined our network prior to December 31, 2012. As of December 31, 2013 we had a total client network of 168 companies as compared to 140 as of December 31, 2012. Revenue for the year ended December 31, 2013 also included $12.8 million of fee-related revenue, as compared to $12.1 million in the same period in 2012.

Cost of Revenue

Our cost of revenue for the year ended December 31, 2013 was $110.8 million compared to $82.3 million during the same period a year prior, an increase of $28.4 million, or 35%. The increase was primarily attributable to a $25.1 million increase in patent amortization expense as a result of an increase in our patent assets and shorter than historical amortization periods for certain patent assets acquired during the year ended December 31, 2013, a $1.1 million increase to expenses incurred to maintain and prosecute patents and patent applications included in our portfolio, a $0.6 million increase in premiums ceded to reinsurers, and a $0.7 million increase in loss expense for known and incurred but not reported claims for policies issued by our insurance business as a result of an increase in the number of active insurance policies from six at December 31, 2012 to 25 at December 31, 2013. Cost of revenue for the year ended December 31, 2013 also included $0.5 million of fees incurred in connection with our performance of advisory services.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses for the year ended December 31, 2013 were $62.5 million compared to $53.6 million during the same period a year prior, an increase of $8.9 million, or 17%. The increase was primarily due to a $7.8 million increase in personnel-related costs, including a $5.8 million increase in stock-based compensation, attributable to increasing our headcount to 137 employees as of December 31, 2013, and a $1.1 million increase in rent expense for leasing additional office space at our San Francisco headquarters. This increase was partially offset by a $0.6 million decrease in legal expenses.

Provision for Income Taxes

Our provision for income taxes was $23.5 million and $23.1 million for the years ended December 31, 2013 and 2012. Our effective tax rate, including the impact of discrete benefit items, was 37% for both years ended December 31, 2013 and 2012.

Liquidity and Capital Resources

We have financed substantially all of our operations and patent asset acquisitions through the sale of equity securities, subscription fees collected from our clients and patent-seller financing. As of December 31, 2014, we had $78.0 million of cash and cash equivalents and $239.5 million in short-term investments. We believe our existing cash, cash equivalents and short-term investments will be sufficient to meet our working capital and capital expenditure needs for the foreseeable future. Our future capital needs will depend on many factors, including, among other things, our acquisition of patent assets, addition and renewal of client membership agreements, growth of our insurance business and development of new products and services. We anticipate an increased level of patent acquisition spending as our business grows. Additionally, we may enter into potential investments in, or acquisitions of, complementary businesses which could require us to seek additional debt or equity financing. Additional funds may not be available on terms favorable to us or at all.

The following table sets forth a summary of our cash flows for the periods indicated (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$ 191,469	$ 212,473	$ 91,377
Net cash used in investing activities	(214,434)	(194,208)	(131,630)
Net cash provided by financing activities	829	8,252	7,142
Net increase (decrease) in cash and cash equivalents	$ (22,136)	$ 26,517	$ (33,111)

Cash Flows from Operating Activities

Cash provided by operating activities for the year ended December 31, 2014 was $191.5 million, consisting of adjustments for non-cash items of $129.4 million, changes in working capital and non-current assets and liabilities of $22.8 million, and net income of $39.3 million. Non-cash adjustments to net income primarily consisted of $123.1 million of depreciation and amortization, $17.7 million of stock-based compensation, $6.6 million of amortization of premium on investments, a reduction of $2.6 million due to excess tax benefit from stock-based compensation and a $14.2 million net decrease in our net deferred taxes. The change in working capital and non-current assets and liabilities resulted primarily from a $3.6 million decrease in prepaid expenses and other assets, a decrease in accounts receivables of $14.0 million and a $6.9 million increase in our accrued and other liabilities, partially offset by $1.6 million decrease in deferred revenue. The decrease in accounts receivables was due to collections of $271.5 million partially offset by billings of $257.5 million.

Cash provided by operating activities for the year ended December 31, 2013 was $212.5 million, consisting of adjustments for non-cash items of $123.8 million, changes in working capital and non-current assets and liabilities of $47.9 million, and net income of $40.8 million. Non-cash adjustments to net income primarily consisted of $108.6 million of depreciation and amortization, $16.1 million of stock-based compensation, $6.0 million of amortization of premium on investments, a reduction of $3.9 million due to excess tax benefit from stock-based compensation and a $3.3 million net decrease in our deferred tax liabilities. The change in working capital and non-current assets and liabilities resulted primarily from a $33.8 million decrease in other receivables representing the collection of client contributions outstanding as a result of the completion of a syndicated patent acquisition and licensing transaction, a $33.4 million increase in deferred revenue and a $3.6 million increase in our accrued and other liabilities which are partially offset by a $13.3 million increase in accounts receivable and a $9.4 million increase in prepaid expenses and other assets. The increase in deferred revenue was due to $258.7 million in billings to new and existing clients and was partially offset by revenue and other adjustments recognized during the period of $225.3 million. The amount of deferred revenue in any given period varies with the addition of new clients, the mix of payment terms that we offer and the timing of invoicing existing clients.

Cash Flows from Investing Activities

Cash used in investing activities for the year ended December 31, 2014 was $214.4 million, of which $137.0 million was used to acquire patent assets, $25.0 million paid toward the non-refundable deposit for a syndicated patent acquisition transaction completed in January 2015, $49.9 million was used for the net purchases of short-term marketable securities, $2.3 million was used for a business acquisition, and $1.5 million was used to acquire property and equipment. This was partially offset by $1.1 million of proceeds received from the sale of patent assets.

Cash used in investing activities for the year ended December 31, 2013 was $194.2 million, of which $127.1 million was used to acquire patent assets, $62.5 million was used for the net purchases of short-term marketable securities, $2.9 million was used to acquire property and equipment, and $1.8 million represented an increase to our restricted cash.

Cash Flows from Financing Activities

Cash provided by financing activities for the year ended December 31, 2014 was $0.8 million, resulting from $3.2 million in proceeds from the exercise of stock options and $2.6 million in excess tax benefit from stock-based compensation, partially offset by $4.9 million in tax payments for net-share settlements of restricted stock units.

Cash provided by financing activities for the year ended December 31, 2013 was $8.3 million, resulting from $5.2 million in proceeds from the exercise of stock options and $3.9 million in excess tax benefit from stock-based compensation. This increase was partially offset by $0.8 million in tax payments for net-share settlements of restricted stock units.

Contractual Obligations and Commitments

The following summarizes our non-cancelable minimum payments under contractual obligations and commitments as of December 31, 2014 (in thousands):

	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Lease commitments	$ 4,284	$ 8,475	$ 7,886	$ —	$ 20,645

We lease office facilities under non-cancelable operating leases that expire at various dates through 2019. Our facility leases generally require us to pay operating costs, including property taxes, insurance and maintenance.

In March 2012, we entered into an amended lease agreement related to our San Francisco, California office space. The amendment, which took effect on May 1, 2013, increased the rentable space to approximately 67,000 total square feet and extended the term through October 2019. The monthly base rent payments pursuant to this lease are approximately $0.3 million per month, increasing to approximately $0.4 million per month. As of December 31, 2014, the total future minimum payments required under non-cancelable operating leases is $20.6 million, which is included in the table above. In October 2013, the Company entered into an agreement to sublease a portion of its San Francisco, California office space. This sublease took effect on February 1, 2014 for a 36-month term through January 2017.

As of December 31, 2014, we had gross unrecognized tax benefits of $4.0 million, which includes interest and penalties of $0.7 million, classified as non-current liabilities. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with the tax liabilities; therefore, such amounts are not included in the above contractual obligations table.

In the patent sale transactions that we have completed, we agreed to indemnify and hold harmless the buyer for losses resulting from a breach of representations and warranties made by us. The terms of these indemnification agreements are generally perpetual. The maximum amount of potential future indemnification is unlimited. To date, we have not paid any amounts to settle claims or defend lawsuits. We do not indemnify our clients for patent infringement.

In accordance with our amended and restated bylaws and certain contractual obligations, we also indemnify our Board of Directors and certain officers and employees for certain events or occurrences, subject to certain limits, while the director, officer or employee is or was serving at our request in such capacity. The term of the indemnification period is indefinite. The maximum amount of potential future indemnification is unspecified. We have no reason to believe that there is any material liability for actions, events or occurrences that have occurred to date.

Issuer Purchases of Equity Securities

In February 2015, our Board of Directors authorized the repurchase of up to $75.0 million of our outstanding shares of common stock. As part of the share repurchase program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The timing, manner, price and amount of any repurchases will be determined in our discretion and will depend on factors such as cash generation from operations, other cash requirements, economic and market conditions, stock price and legal and regulatory requirements. The share repurchase program does not have an expiration date and may be suspended, terminated or modified at any time for any reason. The repurchase program does not obligate us to acquire any specific number of shares, and all open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. As of the year ended December 31, 2014, no shares were repurchased because the program had not yet been approved.

Off Balance Sheet Arrangements

At December 31, 2014, we did not have any relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance-sheet arrangements or other contractually narrow or limited purposes.

Recent Accounting Pronouncements

A full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition can be found under the heading “Significant Accounting Policies” in Note 2 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K. Such information is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Exchange Risk

Our subscription agreements are denominated in U.S. Dollars, and therefore, our revenue is not currently subject to significant foreign currency risk. Our expenses are incurred primarily in the United States, with a small portion of expenses incurred and denominated in the currencies where our other international office is located. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Japanese Yen and European Euro relative to the U.S. Dollar. To date, we have not entered into any foreign currency hedging contracts.

Interest Rate Sensitivity

We had cash, cash equivalents and short-term investments of $317.5 million as of December 31, 2014. Our cash balances deposited in U.S. banks are non-interest bearing and insured up to the Federal Deposit Insurance Corporation (“FDIC”) limits. Cash equivalents consist of commercial paper, institutional money market funds, U.S. government and agency securities and municipal bonds denominated primarily in U.S. Dollars. Interest rate fluctuations affect the returns on our invested funds.

As of December 31, 2014, our short-term investments of $239.5 million were primarily invested in municipal and corporate bonds maturing between 90 days and 12 months, commercial paper and U.S. government and agency securities. As of December 31, 2014, our investments were classified as available-for-sale and, consequently, were recorded at fair value in the consolidated balance sheets with unrealized gains or losses reported as a separate component of stockholders’ equity. We review our investments for impairment when events and circumstances indicate that a decline in the fair value of an asset below its carrying value is other-than-temporary. As of December 31, 2014, we had not recorded an impairment related to our investments in the consolidated statement of operations.

If overall interest rates had changed by 10% during the year ended December 31, 2014, the fair value of our investments would not have been materially affected.

Effect of Inflation

We believe that inflation has not had a material impact on our consolidated results of operations for the year ended December 31, 2014. There can be no assurance that future inflation will not have an adverse impact on our consolidated results of operations or financial condition.

Item 8. Consolidated Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
RPX Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of RPX Corporation and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* of 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 2, 2015

RPX Corporation
Consolidated Balance Sheets
(in thousands, except par value data)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 78,019	$ 100,155
Short-term investments	239,514	190,567
Restricted cash	584	364
Accounts receivable	24,793	38,477
Prepaid expenses and other current assets	3,466	10,546
Deferred tax assets	4,400	3,817
Total current assets	350,776	343,926
Patent assets, net	236,349	219,954
Property and equipment, net	4,151	4,667
Intangible assets, net	3,526	1,718
Goodwill	19,978	16,460
Restricted cash, less current portion	1,091	1,454
Other assets	26,100	622
Deferred tax assets, less current portion	93	—
Total assets	$ 642,064	$ 588,801
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 235	$ 332
Accrued liabilities	14,257	8,784
Deferred revenue	133,316	131,808
Deferred payment obligations	—	500
Other current liabilities	640	1,638
Total current liabilities	148,448	143,062
Deferred revenue, less current portion	2,893	5,935
Deferred tax liabilities	—	11,654
Other liabilities	5,678	3,227
Total liabilities	157,019	163,878
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, $0.0001 par value — 200,000 shares authorized; 54,062 and 52,692 issued and outstanding as of December 31, 2014 and 2013, respectively	5	5
Additional paid-in capital	326,280	305,343
Retained earnings	158,868	119,527
Accumulated other comprehensive income (loss)	(108)	48
Total stockholders' equity	485,045	424,923
Total liabilities and stockholders' equity	$ 642,064	$ 588,801

The accompanying notes are an integral part of these consolidated financial statements.

RPX Corporation
Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Revenue	$ 259,335	$ 237,504	$ 197,688
Cost of revenue	124,435	110,771	82,323
Selling, general and administrative expenses	71,679	62,525	53,590
(Gain) loss on sale of patent assets, net	(707)	126	(177)
Operating income	63,928	64,082	61,952
Other income, net	354	213	117
Income before provision for income taxes	64,282	64,295	62,069
Provision for income taxes	24,941	23,512	23,112
Net income	$ 39,341	$ 40,783	$ 38,957
Net income available to common stockholders:			
Basic	$ 39,341	$ 40,763	$ 38,455
Diluted	$ 39,341	$ 40,763	$ 38,474
Net income available to common stockholders per common share:			
Basic	$ 0.74	$ 0.78	$ 0.77
Diluted	$ 0.72	$ 0.76	$ 0.74
Weighted-average shares used in computing net income available to common stockholders per common share:			
Basic	53,444	51,956	49,766
Diluted	54,818	53,652	51,802

The accompanying notes are an integral part of these consolidated financial statements.

RPX Corporation
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2014	**2013**	**2012**
Net income	$ 39,341	$ 40,783	$ 38,957
Other comprehensive income, net of tax:			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the period	(156)	67	15
Less: reclassification adjustment for (gains) losses included in net income	—	1	(12)
Net unrealized gains (losses) on available-for-sale securities, net of tax	(156)	68	3
Comprehensive income	$ 39,185	$ 40,851	$ 38,960

The accompanying notes are an integral part of these consolidated financial statements.

RPX Corporation
Consolidated Statements of Stockholders' Equity
(in thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2011	49,145	$ 5	$ 259,315	$ 39,787	$ (23)	$ 299,084
Components of comprehensive income, net of tax:						
Net income	—	—	—	38,957	—	38,957
Unrealized gain on available-for-sale securities, net of tax	—	—	—	—	3	3
Issuance of common stock upon exercise of stock options, vesting of restricted stock units and other common stock issuances	1,869	—	3,154	—	—	3,154
Issuance of restricted stock upon early exercise of options	70	—	—	—	—	—
Vesting of options early exercised	—	—	105	—	—	105
Stock-based compensation	—	—	10,644	—	—	10,644
Tax benefit of equity award deductions	—	—	8,317	—	—	8,317
Other	—	—	(5)	—	—	(5)
Balance at December 31, 2012	51,084	5	281,530	78,744	(20)	360,259
Components of comprehensive income, net of tax:						
Net income	—	—	—	40,783	—	40,783
Unrealized gain on available-for-sale securities, net of tax	—	—	—	—	68	68
Issuance of common stock upon exercise of stock options, vesting of restricted stock units and other common stock issuances	1,618	—	5,223	—	—	5,223
Repurchase of common stock	(10)	—	—	—	—	—
Vesting of options early exercised	—	—	66	—	—	66
Stock-based compensation	—	—	16,192	—	—	16,192
Tax benefit of equity award deductions	—	—	3,088	—	—	3,088
Tax withholdings related to net share settlements of restricted stock units	—	—	(756)	—	—	(756)
Balance at December 31, 2013	52,692	5	305,343	119,527	48	424,923
Components of comprehensive income, net of tax:						
Net income	—	—	—	39,341	—	39,341
Unrealized loss on available-for-sale securities, net of tax	—	—	—	—	(156)	(156)
Issuance of common stock upon exercise of stock options, vesting of restricted stock units and other common stock issuances	1,188	—	3,163	—	—	3,163
Issuance of common stock related to business acquisition	182	—	3,156	—	—	3,156
Stock-based compensation	—	—	17,747	—	—	17,747
Tax benefit of equity award deductions	—	—	1,799	—	—	1,799
Tax withholdings related to net share settlements of restricted stock units	—	—	(4,928)	—	—	(4,928)
Balance at December 31, 2014	54,062	$ 5	$ 326,280	$ 158,868	$ (108)	$ 485,045

The accompanying notes are an integral part of these consolidated financial statements.

RPX Corporation
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Operating activities			
Net income	$ 39,341	$ 40,783	$ 38,957
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	123,138	108,629	83,137
Stock-based compensation	17,656	16,115	10,334
Excess tax benefit from stock-based compensation	(2,598)	(3,857)	(8,574)
Imputed interest on deferred payment obligations	—	—	94
(Gain) loss on sale of patent assets, net	(707)	126	(177)
Amortization of premium on investments	6,585	6,013	5,131
Deferred taxes	(14,216)	(3,302)	1,477
Other	(500)	116	12
Changes in assets and liabilities, net of business acquired:			
Accounts receivable	14,006	(13,333)	(8,984)
Other receivables	—	33,775	(33,775)
Prepaid expenses and other assets	3,565	(9,376)	8,667
Accounts payable	(97)	(236)	(253)
Accrued and other liabilities	6,930	3,648	(711)
Deferred revenue	(1,634)	33,372	(3,958)
Net cash provided by operating activities	191,469	212,473	91,377
Investing activities			
Purchases of investments classified as available-for-sale	(224,548)	(210,660)	(185,582)
Maturities of investments classified as available-for-sale	174,650	147,052	188,026
Sales of investments classified as available-for-sale	—	1,099	—
Business acquisition, net of cash acquired	(2,286)	—	(45,765)
(Increase) decrease in restricted cash	143	(1,818)	647
Purchases of intangible assets	—	—	(64)
Purchases of property and equipment	(1,511)	(2,880)	(1,726)
Acquisitions of patent assets	(136,968)	(127,101)	(87,366)
Deposit for acquisition of patent assets	(25,000)	—	—
Proceeds from sale of patent assets	1,086	100	200
Net cash used in investing activities	(214,434)	(194,208)	(131,630)
Financing activities			
Repayments of principal on deferred payment obligations	—	—	(5,150)
Proceeds from other obligations	—	—	500
Proceeds from exercise of stock options and other common stock issuances	3,159	5,151	3,218
Taxes paid related to net-share settlements of restricted stock units	(4,928)	(756)	—
Excess tax benefit from stock-based compensation	2,598	3,857	8,574
Net cash provided by financing activities	829	8,252	7,142
Net increase (decrease) in cash and cash equivalents	(22,136)	26,517	(33,111)
Cash and cash equivalents at beginning of period	100,155	73,638	106,749
Cash and cash equivalents at end of period	$ 78,019	$ 100,155	$ 73,638

The accompanying notes are an integral part of these consolidated financial statements.

RPX Corporation
Consolidated Statements of Cash Flows (continued)
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Supplemental disclosures of cash flow information			
Cash paid for interest	$ —	$ —	$ 94
Cash paid for income taxes	15,066	17,849	4,672
Non-cash investing and financing activities			
Change in patent assets purchased and accrued but not paid	$ (500)	$ (600)	$ 1,100
Change in fixed assets purchased and accrued but not paid	(166)	166	—
Change in other assets purchased and accrued but not paid	(63)	63	(250)
Patent assets and intangible assets received in barter transactions	—	—	54
Issuance of common stock related to business acquisition	3,156	—	—
Unpaid cash consideration for business acquisition	425	—	—

The accompanying notes are an integral part of these consolidated financial statements.

RPX Corporation
Notes to Consolidated Financial Statements

1. Nature of Business

RPX Corporation (also referred to herein as "RPX" or the "Company") helps companies reduce patent-related risk and expense by providing a subscription-based patent risk management solution that facilitates more efficient exchanges of value between owners and users of patents compared to transactions driven by actual or threatened litigation. The core of the Company's solution is defensive patent aggregation, in which it acquires patents or licenses to patents that are being or may be asserted against the Company's current or prospective clients. The Company may occasionally enter into agreements to acquire covenants not to sue in order to further mitigate its clients' litigation risk. The acquired patents, licenses to patents, patent rights and agreements for covenants not to sue are collectively referred to as "patent assets." The Company's clients pay an annual subscription fee and in return, receive a license from the Company to substantially all of its patent assets and access to its proprietary patent market intelligence and data. In addition to the Company's core solution, in August 2012, the Company began underwriting patent infringement liability insurance policies to insure against certain costs of litigation from non-practicing entities ("NPEs"). In March 2014, the Company formed a reinsurance company to assume some portion of the underwriting risk on insurance policies that the Company issues on behalf of a Lloyd's of London underwriting syndicate. The Company began placing new policies under the reinsurance model in May 2014. As of and for the year ended December 31, 2014, the effect of the insurance policies that the Company has issued or assumed through our reinsurance business was not material to the Company's results of operations, financial condition or cash flows.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of RPX and its wholly owned subsidiaries. All intercompany transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period covered by the consolidated financial statements and accompanying notes. The Company bases its estimates on various factors and information which may include, but are not limited to, history and prior experience, expected future results, new related events and current economic conditions, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Significant estimates and assumptions made by management include the determination of:

- the estimated economic useful lives of patent assets;
- the determination of a best estimated selling price of a subscription to the Company's patent risk management solution and its insurance offering;
- the fair value of assets acquired and liabilities assumed for business combinations;
- recognition and measurement of current and deferred income taxes and uncertain tax positions;
- the fair value of stock awards issued; and
- the estimated reserves for known and incurred but not reported claims.

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605, *Revenue Recognition* ("ASC 605") and related authoritative guidance. The primary source of the Company's revenue is fees paid by its clients under subscription agreements. The Company believes the subscription component of its patent risk management solution comprises a single deliverable. The Company recognizes each subscription fee ratably over the period for which the fee applies. Revenue is recognized net of any discounts or other contractual incentives. The Company starts recognizing revenue when all of the following criteria have been met:

- *Persuasive evidence of an arrangement exists.* All subscription fees are supported by an executed subscription agreement.
- *Delivery has occurred or services have been rendered.* The subscription agreement calls for the Company to provide its patent risk management solution over a specific term commencing on the agreement effective date. Because services are not on an individualized basis (*i.e.*, the Company generally performs its services on behalf of all of its clients as opposed to

each client individually), delivery occurs automatically with the passage of time. Consequently, the Company recognizes subscription revenue ratably.

- *Seller's price to the buyer is fixed or determinable.* Each client's annual subscription fee is typically based on the Company's rate card in effect at the time of the client's initial agreement. A client's subscription fee is generally determined using the applicable rate card and its normalized operating income, which is defined as the greater of (i) the average of its operating income for the three most recently reported fiscal years and (ii) 5% of its revenue for the most recently reported fiscal year. The fee for the first year of the agreement is typically determined and invoiced at the time of contract execution. The fee for each subsequent year of the agreement is generally calculated and invoiced in advance prior to each anniversary date of the agreement.
- *Collectability is reasonably assured.* Subscription fees are generally collected on or near the effective date of the agreement and again at or near each anniversary date thereof. The Company does not recognize revenue in instances where collectability is not reasonably assured. Generally, the Company's subscription agreements state that all fees paid are non-refundable.

In some limited instances, the subscription agreement includes a contingency clause, giving one or both parties an option to terminate the agreement and receive a full refund if contingencies are not resolved within a defined time period. In those instances, revenue will not be recognized until the contingency has been satisfied. The revenue earned during the period between the effective date of the agreement and the contingency removal date is recognized on the contingency removal date. Thereafter, revenue is recognized ratably over the remaining subscription term.

The Company's clients generally receive a term license to, and a release from all prior damages associated with, patent assets in the Company's portfolio. The term license to each patent asset typically converts to a perpetual license at the end of a contractually specified vesting period, provided that the client is a member at such time. The Company does not view the conversion from term license to perpetual license to be a separate deliverable in its arrangements with its clients because the utility of, access to and freedom to practice the inventions covered by the patent asset is no different between a term and perpetual license.

In some instances, the Company accepts a payment from a client to finance part or all of an acquisition. The Company refers to such transactions as syndicated acquisitions. The accounting for syndicated acquisitions can be complex and often requires judgments on the part of management as to the appropriate accounting treatment. In accordance with ASC 605-45, *Revenue Recognition: Principal Agent Considerations*, in instances where the Company substantively acts as an agent to acquire patent rights from a seller on behalf of clients who are paying for such rights separately from their subscription agreements, the Company may treat the client payments on a net basis. When treated on a net basis, there may be little or no revenue recognized for such contributions, and the basis of the acquired patent rights may exclude the amounts paid by the contributing client based on the Company's determination that it is not the principal in these transactions. In these situations, where the Company substantively acts as an agent, the contributing clients are typically defendants in an active or threatened patent infringement litigation filed by the owner of a patent. The Company's involvement is to assist its clients to secure a dismissal from litigation and a license to the underlying patents.

Key indicators evaluated to reach the determination that the Company is not the principal in the transaction include, among others:

- the seller of the patent assets is generally viewed as the primary obligor in the arrangement, given that it owns and controls the underlying patent(s) and thus has the absolute authority to grant and deliver any release from past damages and dismissal from litigation, as well the general terms of the license granted;
- the Company has no inventory risk, as the clients generally enter into their contractual obligations with the Company prior to or contemporaneous to the Company entering into a contractual obligation with the seller;
- the Company generally has limited pricing latitude as client contributions are based on the sales price set by the seller;
- the Company is not involved in the determination of the product or service specification and has no ability to change the product or perform any part of the service in connection with these transactions, as the seller owns the underlying patent(s); and
- the Company has limited or no credit risk, as each respective client has a contractually binding obligation, such clients are generally of high credit quality and in many instances, the Company collects the client contribution prior to making a payment to the seller.

In certain syndicated transactions, the Company may recognize revenue upon the sale of licenses to specific patent assets and/or upon completion of the rendering of advisory services.

Revenue recognition for arrangements with multiple deliverables. A multiple-element arrangement may include the sale of a subscription to the Company's patent risk management solution and an insurance policy to cover certain costs associated with patent infringement lawsuits by NPEs, each of which are individually considered separate units of accounting. Each element within a multiple-element arrangement is accounted for as a separate unit of accounting given that the delivered products have value to the customer on a standalone basis. The Company considers a deliverable to have standalone value if the product or service is sold separately by itself or another vendor. The delivery of insurance coverage is not dependent on a client's subscription to the Company's patent risk management solution. While the Company believes its insurance product offering is unique, its clients are able to purchase insurance coverage as a standalone product from other providers. The Company sells the components of its patent risk management solution on a standalone basis.

The Company has determined its best estimate of selling price ("BESP") for a subscription to our patent risk management solution based on the following:

- List price, which represents the rates listed on its annual rate card. The Company publishes a standard rate card annually. Each client's subscription fee is typically calculated using its applicable rate card and its normalized operating income, which is defined as the greater of (i) 5% of the client's most recently reported fiscal year's revenue, and (ii) the average of the three most recently reported fiscal years' operating income of the client. Each client's annual subscription fee is reset annually based on its revenue and operating income for its most recently completed fiscal years.

The Company has determined its BESP for its insurance product based on the following:

- Actuarially determined factors. Although the Company sells its insurance product both on a standalone basis and as a component of a multiple-element arrangement, the pricing is not affected by the subscription to our patent risk management solution. The Company uses an actuarial model that calculates an individual client's insurance premium based on its projected annual frequency (i.e., number of claims during the policy term) and severity (i.e., the amount which it expects to settle a claim).

Accounting for Payments to Clients

The Company occasionally agrees to provide payments, discounts or other contractual incentives to clients in exchange for specified consideration. The Company accounts for such contract provisions in accordance with ASC 605-50, *Revenue Recognition: Customer Payments and Incentives*, which requires the Company to offset the amount of the payment, discount or other contractual incentive against revenue if the Company is unable to demonstrate both receipt of an identifiable benefit and determine the fair value of the benefit received.

Deferred Revenue

The Company generally invoices its clients upon execution of a new agreement and prior to any anniversary date for existing agreements. The Company records the amount of fees billed as deferred revenue and recognizes such amounts as revenue ratably over the period for which they apply. The Company generally records deferred revenue when it has the legal right to bill amounts owed and the applicable service period has commenced. In the rare instance where a term has commenced but the fees have not yet been invoiced, the Company records an unbilled receivable. Deferred revenue that will be recognized during the succeeding 12-month period from the respective balance sheet date is recorded as deferred revenue, current, and the remaining portion is recorded as non-current.

Accounts Receivable

Accounts receivable primarily includes amounts billed to clients under their subscription agreements. The majority of the Company's clients are well-established operating companies with investment-grade credit. For the years ended December 31, 2014 and 2013, the Company has not incurred any losses on its accounts receivable. Based upon its historical collections experience and specific client information, the Company has determined that no allowance for doubtful accounts was required at either December 31, 2014 or 2013.

Concentration of Risk

The Company is subject to concentrations of credit risk principally attributable to cash, cash equivalents, investments, accounts receivable and other receivables. The Company's non-restricted cash balances deposited in U.S. banks are non-interest bearing and are insured up to the Federal Deposit Insurance Corporation ("FDIC") limits. Cash equivalents primarily consist of institutional money market funds, U.S. government and agency securities, municipal bonds and commercial paper denominated primarily in U.S. dollars. Investment policies have been implemented that limit purchases of debt securities to investment-grade securities.

Credit risk with respect to accounts and other receivables is generally mitigated by short collection periods and/or subscription agreements that provide for payments in advance of the rendering of services. Three clients individually accounted for 28%, 24%, and 14% of accounts receivable at December 31, 2014. Four clients individually accounted for 18%, 16%, 13% and 11% of accounts receivable at December 31, 2013. No client accounted for more than 10% of subscription fee revenue in any of the years ended December 31, 2014, 2013 or 2012.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities and readily accessible by the Company at the reporting date.

Level 2 – Valuations based on inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 – Valuations based on inputs that are unobservable.

The carrying amounts of the Company’s financial instruments, which include cash equivalents, investments, accounts receivable, other receivables and accounts payable, approximate their fair values due to their short maturities. Based on borrowing rates currently available to the Company for notes payable and other deferred payment obligations with similar terms, and considering the Company’s credit risk, the carrying value of deferred payment obligations approximates fair value.

Cash and Cash Equivalents

The Company’s cash and cash equivalents principally consist of commercial paper, institutional money market funds, U.S. government and agency securities and municipal bonds denominated primarily in U.S. dollars. Cash equivalents are highly liquid, short-term investments having an original maturity of 90 days or less that are readily convertible to known amounts of cash.

Restricted Cash

Restricted cash consists primarily of a certificate of deposit established as collateral for the Company’s office lease agreement as well as amounts held in trust. At December 31, 2014 and 2013, the Company had restricted cash (current and non-current) of $1.7 million and $1.8 million, respectively.

Short-Term Investments

The Company holds short-term investments in municipal and corporate bonds maturing between 90 days and 12 months, commercial paper and U.S. government and agency securities. The Company considers its investments as available to support current operations. As a result, the Company classifies its investments, including those with stated maturities beyond twelve months, as current assets in the accompanying consolidated balance sheets. The Company classifies these securities as “available-for-sale” and carries them at fair value on the consolidated balance sheets. Unrealized gains or losses are recorded, net of estimated taxes, in accumulated other comprehensive income (loss), a component of stockholders’ equity. Realized gains and losses are recognized upon sale. The specific identification method is used to determine the cost basis of fixed income securities sold.

The Company periodically evaluates its investments for impairment due to declines in market value considered to be “other-than-temporary.” This evaluation consists of several qualitative and quantitative factors, including the Company’s ability and intent to hold the investment until a forecasted recovery occurs, as well as any decline in the investment quality of the security and the severity and duration of the unrealized loss. In the event of a determination that a decline in market value is other-than-temporary, the Company will recognize an impairment loss, and a new cost basis in the investment will be established. To date, the Company has not recorded any impairment related to its investments in its consolidated statements of operations.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using a straight-line method over the estimated useful lives of the related assets, which is generally three to five years. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheet and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized. Leasehold improvements are amortized on a straight-line basis over the term of the lease, or the useful life of the assets, whichever is shorter.

Internal-Use Software and Website Development Costs

The Company capitalizes development costs related to internal-use software and its website and records such amounts as property and equipment, net, on its consolidated balance sheets. These costs include personnel and personnel-related expenses and consultant fees incurred during the application development stages of the project. Costs related to preliminary project activities, minor enhancement and maintenance, and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its useful life, which is generally three years, beginning on the date the software is placed into service. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

During the years ended December 31, 2014, 2013 and 2012, the Company capitalized $1.2 million, $1.2 million, and $1.9 million, respectively, of internal-use software and website development costs. Amortization of internal-use software was $1.3 million, $1.1 million, $0.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Patent Assets, Net

The Company generally acquires patent assets from third parties using cash and contractually deferred payments. Patent assets are recorded at fair value at acquisition. The fair value of the assets acquired is generally based on the fair value of the consideration exchanged. The asset value includes the cost of legal and other fees associated with the acquisition of the assets. Costs incurred to maintain and prosecute patents and patent applications are expensed as incurred.

Because each client generally receives a license to the majority of the Company's patent assets, the Company is unable to reliably determine the pattern over which its patent assets are consumed. As a result, the Company amortizes each patent asset on a straight-line basis. The amortization period is equal to the asset's estimated economic useful life. Estimating the economic useful life of patent assets requires significant management judgment. The Company considers various factors in estimating the economic useful lives of its patent assets, including the remaining statutory life of the underlying patents, the applicability of the assets to future clients, the vesting period for current clients to obtain perpetual licenses to such patent assets, any contractual commitments by clients that are related to such patent assets, its estimate of the period of time during which the Company may sign subscription agreements with prospective clients that may find relevance in the patent assets, and the remaining contractual term of the Company's existing clients at the time of acquisition. In certain instances, where the Company acquires patent assets and secures related client committed cash flows that extend beyond the statutory life of the underlying patent assets, the useful life may extend beyond the statutory life of the patent assets. As of December 31, 2014, the estimated economic useful life of the Company's patent assets generally ranged from 24 to 60 months. The weighted-average estimated economic useful life of patent assets acquired since inception was 45 months. The weighted-average estimated economic useful life of patent assets acquired during the year ended December 31, 2014 was 39 months. The Company periodically evaluates whether events and circumstances have occurred that may warrant a revision to the remaining estimated useful life of its patent assets.

In instances where the Company sells patent assets, the amount of consideration received is compared to the asset's carrying value to determine and recognize a gain or loss.

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, which includes patent assets, other intangible assets and property and equipment, when events or changes in circumstances indicate their carrying value may not be recoverable. Such events or changes in circumstances may include: a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset or a current expectation that, more-likely-than-not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company licenses a majority of the portfolio of patent assets to all of its membership clients and thus views these assets as a single asset group. The Company assesses recoverability of a long-lived asset by determining whether the carrying value of these assets can be recovered through projected undiscounted cash flows. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, and is recorded as the amount by which the carrying value exceeds the estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment. To date, there have been no impairments of long-lived assets identified.

Goodwill

The Company reviews goodwill for impairment at least annually on September 30th or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. For the years ended December 31, 2014 and 2013, the Company elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of its single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under ASC Topic 350, *Intangibles - Goodwill & Other* ("ASC Topic 350"). This qualitative assessment evaluated factors including, but not limited to, economic market and industry conditions, cost factors and the overall financial performance of the Company. No impairment charges were recorded as a result of the Company's 2014 and 2013 annual impairment analysis.

If the Company were to determine that it is more likely than not that the fair value of its single reporting unit is less than its carrying amount, then the two-step goodwill impairment test is performed. The first step in identifying a potential impairment compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. Any excess of the goodwill carrying amount over the implied fair value is recognized as an impairment charge, and the carrying value of goodwill is written down to fair value.

Intangible Assets, Net

Intangible assets, net primarily consists of intangible assets acquired from other companies as a result of acquisitions. Such assets are capitalized and amortized on a straight-line basis over their estimated useful lives. Intangible assets, net excludes patent related intangible assets, which are recorded within patent assets, net in the accompanying consolidated balance sheets.

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising expenses were not material for any of the periods presented.

Foreign Currency Accounting

The functional currency of the Company's international subsidiaries is the U.S. dollar. Monetary assets and liabilities are remeasured using the current exchange rate at the balance sheet date. Non-monetary assets and liabilities and capital accounts are reflected using historical exchange rates. Expenses are remeasured using the average exchange rates in effect during the period. Foreign currency exchange gains and losses, which have not been material for any periods presented, are included in the consolidated statements of operations within other income, net.

Income Taxes

The Company accounts for income taxes using an asset and liability approach, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of its assets and liabilities and for net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income, and to the extent the Company believes that recovery is not likely, the Company establishes a valuation allowance. Judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against the net deferred tax assets. The Company did not apply a valuation allowance against its deferred tax balances at December 31, 2014 or 2013.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its global operations. ASC 740, *Income Taxes* ("ASC 740") provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes tax liabilities in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from its current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

The tax expense or benefit for extraordinary items, unusual or infrequently occurring items and items that do not represent a tax effect of current-year ordinary income are treated as discrete items and recorded in the interim period in which the events occur.

Stock-Based Compensation

The Company accounts for stock-based compensation for equity-settled awards issued to employees and directors under ASC 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires that stock-based compensation expense for equity-settled awards made to employees and directors be measured based on the estimated grant date fair value and recognized over the requisite service period. These equity-settled awards include stock options, restricted stock units ("RSUs") and performance-based RSUs with a market condition ("PBRSUs").

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value of RSUs is estimated based on the fair market value of the Company's common stock on the date of grant. For stock options and RSUs, the fair value of award that is expected to vest is recognized as compensation expense on a straight-line basis over the requisite service period. Because stock-based compensation expense is based on awards ultimately expected to vest, it reflects estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Previously recognized expense is reversed for the portion of awards forfeited prior to vesting.

The fair value of PBRSUs is estimated as of the date of grant using the Monte-Carlo simulation model. For PBRSUs, stock-based compensation expense is recognized over the derived service period for each tranche (or market condition). Because the Company's PBRSUs have multiple derived service periods, it uses the graded-vesting attribution method. The graded vesting attribution method requires a company to recognize compensation expense over the requisite service period for each vesting tranche of the award as though the award were, in substance, multiple awards. The compensation expense for these awards will only be reversible if the employee terminates prior to completing the requisite service periods for these awards (i.e., compensation expense will not be reversed if the market condition is not met).

Estimates of the fair value of equity-settled awards as of the grant date using valuation models, such as the Black-Scholes option-pricing model and a Monte-Carlo simulation model, are affected by assumptions regarding a number of complex variables. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. For all stock options granted to date, the Company calculated the expected term using the SEC simplified method. The Company has limited information on its past volatility and has a limited operating history. Therefore, it has estimated the volatility data based on a study of publicly traded industry peer companies. For purposes of identifying these peer companies, the Company considered the industry, stage of development, size and financial leverage of potential comparable companies. As of the second quarter of 2014, the Company no longer calculates expected term using the SEC simplified method and began to calculate its expected term. The Company has not granted any stock options since making the change. The risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues similar in duration to the expected term of the equity-settled award.

The Company accounts for stock-based compensation for equity-settled awards issued to non-employees in exchange for goods and services under ASC 505-50, *Equity-Based Payments to Non-Employees* ("ASC 505-50"). ASC 505-50 requires that equity-settled awards issued to non-employees be measured at the fair value as of the date at which either the commitment for performance by the non-employee to earn the award is reached or the date the non-employee's performance is complete. Until that point is reached, the award must be revalued at each reporting period with the true-up to expense recorded in the then current period earnings. The value of the award is recognized as an expense over the requisite service period.

Business Combinations

The Company applies the provisions of ASC 805, *Business Combinations* ("ASC 805"), in the accounting for its business acquisitions. ASC 805 requires companies to recognize goodwill separately from the assets acquired and liabilities assumed, which are valued at their acquisition date fair values. Goodwill as of the acquisition date represents the excess of the purchase price over the fair values of the assets acquired and the liabilities assumed.

The Company uses significant estimates and assumptions, including fair value estimates, to determine fair value of assets acquired, liabilities assumed and, when applicable, the related useful lives of the acquired assets, as of the business combination date. When those estimates are provisional, the Company refines them as necessary during the measurement period. The measurement period is the period after the acquisition date, not to exceed one year, in which the Company may gather new information about facts and circumstances that existed as of the acquisition date to adjust the provisional amounts recognized. Measurement period adjustments are applied retrospectively, if material. All other adjustments are recorded to the consolidated statements of operations.

Reserves for Known and Incurred but not Reported Claims

Reserves for known and incurred but not reported claims represent estimated claims costs and related expenses for patent infringement liability insurance policies in effect. Reserves for known claims are established based on individual case estimates. The Company uses actuarial models and techniques to estimate the reserve for incurred but not reported claims.

Loss expense for known and incurred but not reported claims are charged to earnings after deducting recoverable amounts under the Company's reinsurance contract.

Recently Adopted Accounting Standards

In November 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-17, *Business Combinations (Topic 805) – Pushdown Accounting* ("ASU 2014-17"). The primary purpose of the ASU is to provide guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements. The amendments should reduce diversity in the timing and content of footnote disclosure. ASU 2014-17 is effective after November 18, 2014. The Company does not believe that this guidance will have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15") provides new guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards and to provide related footnote disclosures. This new guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter; early adoption is permitted. The requirements of ASU 2014-15 are not expected to have a significant impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* ("ASU 2014-12"), which amends *Compensation - Stock Compensation (Topic 718)* in the Accounting Standards Codification ("ASC"). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in *Compensation - Stock Compensation (Topic 718)* as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 will be effective for annual and interim periods beginning after December 15, 2015 and early adoption is permitted. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which will supersede most existing revenue recognition guidance in U.S. generally accepted accounting principles ("U.S. GAAP") once it becomes effective. ASU 2014-09 requires an entity to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 will be effective for annual and interim periods beginning after December 15, 2016 and early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-12 on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)* ("ASU 2014-08"), which amends the requirements for reporting discontinued operations and enhances disclosure requirements. The amendments in ASU 2014-08 will be effective for all disposals (or classifications as held for sale) of components of an entity beginning on or after December 15, 2014 and early adoption is permitted. The adoption of ASU 2014-08 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts of Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"), which amends *Comprehensive Income (Topic 220)* in the ASC. These amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amendments in ASU 2013-02 are effective for the Company's interim and annual fiscal periods that began January 1, 2013. The adoption of ASU 2013-02 did not have a material impact on the Company's consolidated financial statements.

3. Net Income Available to Common Stockholders

Basic and diluted net income per share available to common stockholders are presented in conformity with the two-class method required for participating securities. Under the two-class method, basic net income per share available to common stockholders is computed by dividing the net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share available to common stockholders is computed by using the weighted-average number of shares of common stock outstanding, including potential dilutive shares of common stock, assuming the dilutive effect of outstanding stock options and restricted stock units using the treasury stock method.

The following table presents the calculation of basic and diluted net income per share available to common stockholders (in thousands, except for per share data):

	Year Ended December 31,		
	2014	2013	2012
Net income available to common stockholders:			
Numerator:			
Basic:			
Net income	$ 39,341	$ 40,783	$ 38,957
Allocation of net income to participating stockholders	—	(20)	(502)
Net income available to common stockholders – basic	$ 39,341	$ 40,763	$ 38,455
Diluted:			
Net income available to common stockholders – basic	$ 39,341	$ 40,763	$ 38,455
Undistributed earnings re-allocated to common stockholders	—	—	19
Net income available to common stockholders – diluted	$ 39,341	$ 40,763	$ 38,474
Denominator:			
Basic shares:			
Weighted-average shares used in computing basic net income available to common stockholders	53,444	51,956	49,766
Diluted shares:			
Weighted-average shares used in computing basic net income available to common stockholders	53,444	51,956	49,766
Dilutive effect of stock options and restricted stock units using treasury-stock method	1,374	1,696	2,036
Weighted-average shares used in computing diluted net income available to common stockholders	54,818	53,652	51,802
Net income per common share available to common stockholders:			
Basic	$ 0.74	$ 0.78	$ 0.77
Diluted	$ 0.72	$ 0.76	$ 0.74

For the years ended December 31, 2014, 2013 and 2012 the following securities were not included in the calculation of diluted shares outstanding, as the effect would have been anti-dilutive (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Weighted-average:			
Stock options outstanding	767	1,215	2,672
Restricted stock units outstanding	100	127	395
Shares of common stock subject to repurchase	—	25	649

4. Fair Value Measurements

The following tables present the financial assets measured at fair value on a recurring basis as of December 31, 2014 and 2013 (in thousands):

	December 31, 2014		
	Fair Value	Level 1	Level 2
Cash equivalents:			
Commercial paper	$ 5,749	$ —	$ 5,749
U.S. government and agency securities	2,000	—	2,000
Money market funds	451	451	—
Municipal bonds	1,409	—	1,409
	$ 9,609	$ 451	$ 9,158
Short-term investments:			
Municipal bonds	$ 120,282	$ —	$ 120,282
Commercial paper	2,498	—	2,498
Corporate bonds	68,672	—	68,672
U.S. government and agency securities	48,062	—	48,062
	$ 239,514	$ —	$ 239,514

	December 31, 2013		
	Fair Value	Level 1	Level 2
Cash equivalents:			
Commercial paper	$ 34,498	$ —	$ 34,498
Money market funds	37	37	—
U.S. government and agency securities	3,801	—	3,801
	$ 38,336	$ 37	$ 38,299
Short-term investments:			
Municipal bonds	$ 146,100	$ —	$ 146,100
Commercial paper	31,597	—	31,597
Corporate bonds	7,875	—	7,875
U.S. government and agency securities	4,995	—	4,995
	$ 190,567	$ —	$ 190,567

As of December 31, 2014 and 2013, the Company did not use level 3 inputs to measure financial assets or liabilities at fair value.

5. Short-term Investments

The following table summarizes the Company's investments in available-for-sale securities as of December 31, 2014 and 2013 (in thousands):

	December 31, 2014			
		Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
Municipal bonds	$ 120,270	$ 24	$ (12)	$ 120,282
Commercial paper	2,498	—	—	2,498
Corporate bonds	68,758	1	(87)	68,672
U.S. government and agency securities	48,095	—	(33)	48,062
	$ 239,621	$ 25	$ (132)	$ 239,514

	December 31, 2013			
		Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
Municipal bonds	$ 146,047	$ 56	$ (3)	$ 146,100
Commercial paper	31,597	—	—	31,597
Corporate bonds	7,873	2	—	7,875
U.S. government and agency securities	5,002	—	(7)	4,995
	$ 190,519	$ 58	$ (10)	$ 190,567

Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of tax, included as a separate component of stockholders' equity within accumulated other comprehensive income (loss). Realized gains and losses on available-for-sale securities are included in other income, net in the Company's consolidated statements of operations and have not been material for all periods presented.

The weighted-average remaining maturity of the Company's investment portfolio was less than one year as of December 31, 2014 and 2013. As of December 31, 2014, no individual securities incurred continuous unrealized losses for greater than 12 months.

6. Patent Assets, Net

Patent assets, net consisted of the following (in thousands):

	December 31, 2013	Additions	Sales	December 31, 2014
Patent assets	$ 529,526	$ 136,468	$ (704)	$ 665,290
Accumulated amortization	(309,572)	(119,694)	325	(428,941)
Patent assets, net	$ 219,954			$ 236,349

	December 31, 2012	Additions	Sales	December 31, 2013
Patent assets	$ 403,875	$ 126,501	$ (850)	$ 529,526
Accumulated amortization	(204,561)	(105,533)	522	(309,572)
Patent assets, net	$ 199,314			$ 219,954

The Company's acquired patent assets relate to technologies used or supplied by companies in a variety of market sectors, including consumer electronics, e-commerce, financial services, media distribution, mobile communications, networking, semiconductors, and software. The Company amortizes each acquired portfolio of patent assets on a straight-line basis over its estimated economic useful life. As of December 31, 2014, the estimated economic useful lives of the Company's patent assets generally ranged from 24 to 60 months. As of December 31, 2014, the weighted-average estimated economic useful life at the time of acquisition was 45 months.

As of December 31, 2014, the Company expects amortization expense in future periods to be as follows (in thousands):

2015	$	111,415
2016		80,576
2017		36,241
2018		7,166
2019		951
Total estimated future amortization expense	$	236,349

Amortization expense was $119.7 million, $105.5 million and $80.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Syndicated Acquisitions

Syndicated acquisitions are transactions involving patent assets that may cost more than the Company is prepared to spend with its own capital resources or that are relevant only to a very small number of clients. In such transactions, the Company may work to acquire these assets with financial assistance from the particular clients against whom they are being or may be asserted. Such clients either pay amounts separate from their subscription fee or, less frequently, lend the Company funds to be used in the transaction. As discussed in the revenue recognition policy in Note 2, the Company may treat the contributions from such clients as revenue on a gross or net basis depending on the specific facts and circumstances of the transaction. In the event that such contributions are recognized on a net basis, the Company will only capitalize the acquired asset that relates to its non-contributing clients. As a result, in such situations the cost basis of the acquired patent rights excludes the amounts paid by the contributing clients.

7. Property and Equipment, Net

Property and equipment, net, consisted of the following (in thousands):

	December 31,			
	2014		2013	
Internal-use software	$	5,358	$	4,198
Leasehold improvements		1,799		1,700
Computer, equipment and software		1,221		1,096
Furniture and fixtures		818		813
Construction-in-progress		167		119
Total property and equipment, gross		9,363		7,926
Less: Accumulated depreciation and amortization		(5,212)		(3,259)
Total property and equipment, net	$	4,151	$	4,667

Depreciation and amortization expense was $2.0 million, $1.6 million and $1.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. Stock-based compensation capitalized as part of the cost of internal-use software was $0.1 million, $0.1 million, and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

8. Business Combinations

On June 19, 2014, the Company completed its acquisition of all of the issued and outstanding membership interests in DCML Services Corporation ("DCML"), a provider of data, intelligence and consulting on NPEs (operating under the trade name PatentFreedom). The final purchase price for DCML was approximately $6.2 million, consisting of $3.0 million in cash and 182,408 shares of the Company's common stock. The fair value of the equity component of the final purchase price of $3.2 million was determined for accounting purposes based on the fair value of the Company's common stock on the closing date of the acquisition. As of December 31, 2014, the Company has paid $2.6 million of the cash consideration. The shares of common stock were issued in July 2014 and are restricted pursuant to the terms of the agreement. The Company recorded $3.3 million of intangible assets which includes a covenant not to compete, proprietary data and customer relationships, $1.1 million in net deferred tax liabilities, $0.5 million in net tangible assets, and $3.5 million of residual goodwill. The covenant not to compete and proprietary data and customer relationships are being amortized over a weighted-average estimated economic useful life of 3 years. The goodwill recorded pertains to the cost benefits and operational synergies realized by integrating DCML's data with the Company's proprietary database that cross-references all patent, litigation and entity information. The goodwill is not expected to be deductible for tax purposes. For the year ended December 31, 2014, the Company recorded acquisition-related costs of $0.1 million which were expensed as incurred and included in the Company's selling, general and administrative expenses. The Company has included the financial results of DCML in its consolidated financial statements from the acquisition date and the results are not individually material to its consolidated financial statements.

9. Goodwill

The changes in the carrying amounts of goodwill were as follows (in thousands):

	2014	2013
Balance as of January 1,	$ 16,460	$ 16,460
Goodwill from business acquisition	3,518	—
Balance as of December 31,	$ 19,978	$ 16,460

10. Intangible Assets, Net

Intangible assets, net, as of December 31, 2014 and 2013 consisted of the following (in thousands):

	December 31, 2014			December 31, 2013		
	Carrying Amount	Accumulated Amortization	Net Carrying Amount	Carrying Amount	Accumulated Amortization	Net Carrying Amount
Proprietary data and models	$ 2,100	$ (1,119)	$ 981	$ 1,500	$ (637)	$ 863
Trademarks	1,890	(1,565)	325	1,890	(1,184)	706
Developed technology	433	(433)	—	728	(625)	103
Customer relationships	1,050	(392)	658	250	(215)	35
Covenant not to compete	1,920	(358)	1,562	480	(469)	11
	$ 7,393	$ (3,867)	$ 3,526	$ 4,848	$ (3,130)	$ 1,718

As of December 31, 2014, the Company expects amortization expense in future periods to be as follows (in thousands):

2015	$ 1,725
2016	1,288
2017	513
Total estimated future amortization expense	$ 3,526

Amortization expense related to intangible assets was $1.5 million each year for the years ended December 31, 2014, 2013 and 2012.

11. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

	December 31,	
	2014	2013
Accrued payroll-related expenses	$ 9,270	$ 6,791
Accrued expenses	4,987	1,993
Total accrued liabilities	$ 14,257	$ 8,784
Patent and other assets purchased but not paid	$ —	$ 563
Other current liabilities	640	1,075
Total other current liabilities	$ 640	$ 1,638

12. Commitments and Contingencies

Operating Lease Commitments

The Company leases its facilities under non-cancelable lease agreements. Certain of these arrangements have free rent, escalating rent payment provisions and tenant allowances. Under such arrangements the Company recognizes rent expense on a straight line basis over the non-cancelable lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability within other current liabilities (current portion) and other liabilities (non-current portion).

In March 2012, the Company entered into an amended lease agreement related to its San Francisco, California office space. The amendment, which took effect on May 1, 2013, increased the rentable space to approximately 67,000 total square feet and extended the term through October 2019. The monthly base rent payments pursuant to this lease are approximately \$0.3 million per month, increasing to approximately \$0.4 million per month over the life of the lease.

In October 2013, the Company entered into an agreement to sublease a portion of its San Francisco, California office space. This sublease took effect on February 1, 2014 for a 36-month term through January 2017. The Company received income from this sublease of \$0.6 million for the year ended December 31, 2014.

Rent expense related to non-cancelable operating leases, net of sublease income, was \$3.5 million, \$3.5 million and \$2.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, the future minimum lease payments required under non-cancelable operating leases and the future minimum payments to be received from non-cancelable subleases were as follows:

2015	$	4,284
2016		4,269
2017		4,206
2018		4,273
2019		3,613
Future non-cancelable minimum operating lease payments		20,645
Less: minimum payments to be received from non-cancelable subleases		(1,499)
Total future non-cancelable minimum operating lease payments, net	$	19,146

Litigation

From time to time, the Company may be a party to various litigation claims in the normal course of business. Legal fees and other costs associated with such actions are expensed as incurred. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation or contingencies. A liability is recorded when and if it is determined that such a liability for litigation or contingencies is both probable and reasonably estimable. No liability for legal contingencies was recorded as of December 31, 2014 or 2013.

In June 2013, Kevin O’Halloran, as Trustee of the Liquidating Trust of Teltronics, Inc. (the “Debtor”), filed a complaint in the U.S. Bankruptcy Court for the Middle District of Florida against the Company and Harris Corporation (the “Defendants”). The complaint alleges that the Defendants are liable under federal and state bankruptcy law regarding fraudulent transfers for the value of a patent portfolio purchased by the Company from Harris Corporation pursuant to an agreement entered into in January 2009, and within four years of the date the Debtor filed its petition in bankruptcy. The Company is not currently able to determine whether there is a reasonable possibility that a loss has been incurred, nor can it estimate the potential loss or range of the potential loss that may result from this litigation.

In March 2012, Cascades Computer Innovations LLC filed a complaint in U.S. District Court for the Northern District of California (the “Court”) against the Company and five of its clients (collectively the “Defendants”). The complaint alleges that the Defendants violated federal antitrust law, California antitrust law and California unfair competition law. The complaint further alleges that after we terminated our negotiations with the plaintiff to license certain patents held by the plaintiff, the Defendants violated the law by jointly refusing to negotiate or accept licenses under the plaintiff’s patents. The plaintiff seeks unspecified monetary damages and injunctive relief. In January 2013, the Court dismissed the complaint against the Defendants and granted the plaintiff leave to amend its complaint. In February 2013, the plaintiff filed an amended lawsuit alleging that the Defendants violated federal antitrust law, California antitrust law and California unfair competition law. In March 2014, the Court entered an order staying the litigation pending the resolution of related litigation in the U.S. District Court for the Northern District of Illinois, and has subsequently continued the stay until June 2015. We are not currently able to determine whether there is a reasonable possibility that a loss has been incurred, nor can we estimate the potential loss or range of the potential loss that may result from this litigation.

Guarantees and Indemnifications

The Company has, in connection with the sale of patent assets, agreed to indemnify and hold harmless the buyer of such patent assets for losses resulting from breaches of representations and warranties made by the Company. The terms of these indemnification agreements are generally perpetual. The maximum amount of potential future indemnification is unlimited. To date, the Company has not paid any amount to settle claims or defend lawsuits. The Company is unable to reasonably estimate the maximum amount that could be payable under these arrangements since these obligations are not capped but are conditional to the unique facts and circumstances involved. Accordingly, the Company had no liabilities recorded for these agreements as of December 31, 2014 or 2013. The Company has no reason to believe that there is any material liability related to such indemnification provisions. The Company does not indemnify its clients for patent infringement.

In accordance with its amended and restated bylaws, the Company also indemnifies certain officers and employees for losses incurred in connection with actions, suits or proceedings threatened or brought against such officer or employee arising from his or her service to the Company as an officer or employee, subject to certain limitations. The term of the indemnification period is indefinite. The maximum amount of potential future indemnification is unspecified. The Company has no reason to believe that there is any material liability for actions, events or occurrences that have occurred to date.

Reserves for Known and Incurred but not Reported Claims

In August 2012, the Company began offering insurance to cover certain costs of litigation brought against its insured clients by NPEs. As of December 31, 2014 and 2013, the Company had a total of 48 and 25 active policies, respectively, and has recorded a reserve of $0.5 million and $0.6 million, respectively, for known and incurred but not reported claims that represent estimated claim costs and related expenses.

The Company regularly reviews loss reserves using a variety of actuarial techniques and updates them as its loss experience develops.

Patent Asset Purchase Commitments

In November 2013, the Company entered into an agreement to acquire patent assets for an aggregate purchase price of $3.0 million. Pursuant to this agreement, the Company paid the purchase price and acquired the patent assets in January 2014.

13. Stockholder' Equity

Common Stock

As of December 31, 2014, under the Company's amended and restated certificate of incorporation, the Company is authorized to issue 200 million shares of common stock with a par value of $0.0001 per share.

Preferred Stock

As of December 31, 2014, under the Company's amended and restated certificate of incorporation, the Company is authorized to issue 10 million shares of preferred stock with a par value of $0.0001 per share. The Board of Directors is authorized to provide for the issuance of one or more series of preferred stock and to establish the powers, preferences and rights of the preferred shares.

Equity Plans

In February 2011, the Company's Board of Directors adopted the 2011 Equity Incentive Plan (the "2011 Plan"), which became effective on the date of the Company's initial public offering. The 2011 Plan provides for the issuance of incentive stock options, non-qualified stock options, stock appreciation rights, restricted shares of the Company's common stock and stock units to employees, directors and non-employees. The Board of Directors initially reserved 1,500,000 shares of common stock for future issuance under the 2011 Plan. In March 2014 and 2013, the Company reserved an additional 1,000,000 shares of common stock each year for future issuance under the 2011 Plan. As of December 31, 2014, there were 2,685,154 shares available for grant under the 2011 Plan.

In August 2008, the Company's Board of Directors adopted the 2008 Plan (the "2008 Plan") which provided for the issuance of incentive stock options, non-qualified stock options, as well as the direct award or sale of shares of common stock to employees, directors and non-employees for up to 9,019,474 shares of common stock, as amended. No further awards have been made under the 2008 Plan; however, all awards outstanding under the 2008 Plan will continue to be governed by the existing terms.

Under both the 2011 Plan and 2008 Plan, incentive stock options and non-qualified stock options are to be granted at a price that is not less than 100% of the fair value of the stock at the date of grant. Stock options granted to newly hired employees vest 25% on the first anniversary of the date of hire and ratably each month over the ensuing 36-month period. Stock options granted to existing employees generally vest ratably over the 48-months following the date of grant. Stock options are exercisable for a maximum period of 10 years after date of grant. Incentive stock options granted to stockholders who own more than 10% of the outstanding stock of the Company at the time of grant must be issued at an exercise price not to be less than 110% of the fair value of the stock on the date of grant. RSUs granted to newly hired employees vest 25% on the first Company-established vest date after the first anniversary of the employee's date of hire and ratably each quarter over the ensuing 12-quarter period. RSUs granted to existing employees generally vest ratably each quarter over the 16 quarters following the date of grant. PBRSUs granted to employees may vest 25% on each anniversary of the grant date, provided that the average closing price per share of the Company's common stock for any 90-calendar day period during the year preceding such anniversary date is equal to or greater than 1.25 times the Company's stock price on the grant date or on the anniversary of the grant date. To the extent that a portion of the award does not vest on a specific anniversary date, it will remain eligible to vest in any of following three successive anniversaries of the grant date, provided that the market conditions have been satisfied at that time.

A summary of the Company's activity under its equity-settled award plans and related information is as follows (in thousands, except per share data):

		Options Outstanding			
	Shares Available for Grant	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Balance - December 31, 2013	2,451	4,089	$ 9.91		
Shares authorized	1,000	—	—		
Options exercised	—	(623)	5.08		
Options forfeited	202	(202)	17.25		
Restricted stock units granted	(1,550)	—	—		
Restricted stock units forfeited	257	—	—		
Restricted stock units withheld related to net share settlement of restricted stock units	325	—	—		
Balance - December 31, 2014	2,685	3,264	10.38	6.2	$ 14,475
Vested and exercisable - December 31, 2014		2,467	10.51	6.1	11,094
Vested and expected to vest - December 31, 2014		3,176	10.40	6.2	14,078

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2014, 2013 and 2012 was $7.0 million, $13.5 million and $23.8 million, respectively. The total fair value of stock options vested during the years ended December 31, 2014, 2013 and 2012 was $6.2 million, $9.1 million and $8.5 million, respectively.

Restricted Stock Units

The summary of restricted stock unit activity, which includes PBRSUs, is as follows (in thousands, except for per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested units - December 31, 2013	2,057	$ 12.38	
Granted	1,550	14.54	
Vested	(890)	13.60	
Forfeited	(257)	13.85	
Non-vested units - December 31, 2014	2,460	13.15	$ 33,896

The total fair value of RSUs vested during the years ended December 31, 2014, 2013 and 2012 was $13.7 million, $6.6 million and $1.6 million, respectively.

In October 2013, the Board of Directors approved net-share settlement for tax withholdings on RSU vesting. In 2014 and 2013, the Company withheld issuing 325,292 and 45,338 shares of its common stock, respectively, based on the value of the RSUs on their vesting dates as determined by the Company’s closing common stock price. Total payments for the employees’ minimum tax obligations to taxing authorities were $4.9 million and $0.8 million for the years ended December 31, 2014 and 2013, respectively, and were recorded as a reduction to additional paid-in capital and reflected as a financing activity within the consolidated statements of cash flows. The net-share settlements reduced the number of shares that would have otherwise been issued on the vesting date and increased the number of shares reserved for future issuance under the 2011 Plan.

Stock-Based Compensation Related to Employees and Directors

The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The Company did not grant any stock options during the year ended December 31, 2014. The weighted-average assumptions used to estimate the fair value of stock options granted and the resulting fair values are as follows:

	Year Ended December 31,	
	2013	2012
Dividend yield	—%	—%
Risk-free rate	0.93%	1.11%
Expected volatility	61%	61%
Expected term (in years)	6.1	6.0
Grant date fair value	$ 7.39	$ 9.02

The fair value of RSUs granted to employees and non-employee directors is measured by reference to the fair value of the underlying shares on the date of grant.

PBRSUs contain both service and market conditions that affect the quantity of awards that will vest. During the years ended December 31, 2014 and 2013, the Company granted 200,000 and 175,000 PBRSUs, respectively. The Company did not grant any PBRSUs during the year ended December 31, 2012. The Company estimates the grant date fair value of the PBRSUs using the Monte Carlo simulation model. The weighted-average assumptions used to estimate the fair value of PBRSUs and the resulting fair values are as follows:

	Year Ended December 31,	
	2014	2013
Dividend yield	—	—
Risk free rate	1.11%	0.59%
Expected volatility	48%	53%
Grant date fair value	$ 7.47	$ 6.39

Stock-based compensation expense related to stock options granted to employees and non-employee directors was $5.4 million, $8.5 million and $7.9 million for the years ended December 31, 2014, 2013 and 2012, respectively. Stock-based compensation expense related to RSUs granted to employees and non-employee directors was $11.6 million, $6.9 million and $2.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. Stock-based compensation expense related to PBRSUs granted to employees was $0.8 million, $0.4 million, and nil for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was $4.5 million and $29.5 million of unrecognized compensation cost related to stock options and RSUs, including PBRSUs, respectively, which is expected to be recognized over a weighted-average period of 1.5 years and 2.7 years, respectively. Future grants of equity awards will increase the amount of stock-based compensation expense to be recorded.

Stock-Based Compensation Related to Non-Employees

Stock-based compensation expense for non-employees is based on the fair value of the award on the measurement date, which is the earlier of the date by which the commitment for performance by the non-employee to earn the award is reached and the date on which the non-employee’s performance is complete. Each reporting period, the fair value of the unvested non-employee options or restricted stock units is revalued until the awards vest on the measurement date.

Non-employee stock-based compensation expense related to stock options was nil, $0.2 million and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. Non-employee stock-based compensation expense related to RSUs was nil, $0.2 million and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

14. Income Taxes

Income before income tax provision consists of the following (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Domestic	$ 64,238	$ 64,281	$ 61,983
International	44	14	86
Total income before income tax provision	$ 64,282	$ 64,295	$ 62,069

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Current:			
Federal	$ (26,517)	$ (17,145)	$ (17,525)
State	(3,031)	(1,188)	(643)
Foreign	(9,611)	(8,220)	(3,737)
Total current provision for income taxes	(39,159)	(26,553)	(21,905)
Deferred:			
Federal	13,668	2,920	(450)
State	550	121	(757)
Total deferred provision for income taxes	14,218	3,041	(1,207)
Total provision for income taxes	$ (24,941)	$ (23,512)	$ (23,112)

Net deferred tax assets (liabilities) consist of the following (in thousands):

	December 31,	
	2014	2013
Deferred tax assets:		
Deferred revenue	$ 2,779	$ 1,850
Reserves and other	2,319	2,073
Stock-based compensation	5,963	5,200
Total deferred tax assets	11,061	9,123
Deferred tax liabilities:		
Depreciation and amortization	(6,568)	(16,960)
Net deferred tax assets (liabilities)	$ 4,493	$ (7,837)

The following is a reconciliation of the statutory federal income tax to the Company's effective tax (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Tax at statutory federal rate	$ (22,498)	$ (22,503)	$ (21,721)
State tax – net of federal benefit	(1,678)	(655)	(928)
Permanent differences	(879)	(569)	(644)
Foreign tax	(9,576)	(8,214)	(3,737)
Foreign tax credits	9,576	8,216	3,652
Foreign income not taxed at federal rate	(3)	1	30
Other	117	212	236
Total provision for income taxes	$ (24,941)	$ (23,512)	$ (23,112)

In assessing the realization of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of deferred assets will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the available objective evidence as of December 31, 2014, management believes it is more-likely-than-not that the U.S. net deferred tax asset will be fully realized. Accordingly, management has not applied a valuation allowance against its net deferred tax assets.

As of December 31, 2013, the Company had state net operating loss carryforwards of $2.0 million available to reduce future taxable income which were fully utilized during 2014.

Internal Revenue Code Section 382 places a limitation (the Section 382 Limitation) on the amount of taxable income that can be offset by net operating loss carryforwards after a change in control (generally greater than 50% change in ownership) of a loss corporation. California has similar rules. Generally, after a change in control, a loss corporation cannot deduct operating loss carryforwards in excess of the Section 382 Limitation. Management has considered the impact of such limitation in determining the utilization of its operating loss carryforwards against taxable income in future periods.

Deferred tax liabilities have not been recognized for undistributed earnings for foreign subsidiaries because it is management's intention to indefinitely reinvest such undistributed earnings outside the U.S. Generally, such earnings are subject to potential foreign withholding tax and the U.S. tax upon remittance of dividends and under certain other circumstances. The Company believes that the the potential liability would be immaterial.

Uncertain Tax Positions

As of December 31, 2014, the Company's total amount of unrecognized tax benefits was $3.7 million, all of which would impact the Company's effective tax rate, if recognized.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

	2014	2013	2012
Balance as of January 1,	$ 2,036	$ 1,136	$ 369
Gross increase related to current period tax positions	1,672	1,043	767
Gross decrease related to prior period tax positions	(1)	(143)	—
Balance as of December 31,	$ 3,707	$ 2,036	$ 1,136

The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next twelve months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. During the years ended December 31, 2014, 2013 and 2012, the Company recognized $0.7 million, $0.1 million, and $0.1 million, respectively, of interest and penalties associated with unrecognized tax benefits.

The Company's 2010 tax year is currently under examination by the State of California Franchise Tax Board. The Company does not expect a material impact on its consolidated financial statements as a result of this examination. The 2011 through 2013 tax periods remain open to examination by the Internal Revenue Service and the 2010 through 2013 tax periods remain open to examination by most state tax authorities. For the Company's foreign jurisdictions, the 2009 through 2013 tax years remain open to examination by their respective tax authorities.

15. Related-Party Transactions

During the year ended December 31, 2014, five members of the Company's Board of Directors also served on the boards of directors of RPX clients. During the year ended December 31, 2013, four members of the Company's Board of Directors also served on the boards of directors of RPX clients. During the year ended December 31, 2012, two members of the Company's Board of Directors also served on the board of directors of an RPX client. The Company recognized subscription revenue from these clients in the amount of $9.4 million, $5.1 million and $3.6 million during the years ended December 31, 2014, 2013 and 2012, respectively. There were $0.1 million and $4.4 million of receivables due from these clients as of December 31, 2014 and 2013, respectively.

16. Employee Savings Plan

The Company has a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code (the "Plan"), available for its employees in the United States who meet the Plan's age and service requirements. Employees are eligible to participate in the Plan in the month following their 3-month anniversary with the Company. Under the terms of the Plan, employees may make voluntary contributions up to maximum statutory limits. The Company elected to contribute a discretionary match of one dollar for each dollar contributed, with a maximum employer contribution for each United States employee of $5,000 and $2,500 for the years ended

December 31, 2014 and December 31, 2013, respectively. The Company recorded contribution expense of $0.4 million and $0.2 million during the years ended December 31, 2014 and 2013, respectively.

17. Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The Company's Chief Executive Office reviews financial information presented on a consolidated basis and, as a result, the Company concluded that there is only one operating and reportable segment.

The Company markets its solution to companies around the world. Revenue is generally attributed to geographic areas based on the country in which the client is domiciled.

The following table presents revenue by location and revenue generated by country as a percentage of total revenue for the applicable period, for countries representing 10% or more of revenues for the periods presented (dollars in thousands):

	Year Ended December 31,								
	2014			2013			2012		
United States	$	166,593	64%	$	145,310	61%	$	111,419	56%
Japan		36,849	14		39,465	17		40,484	20
Other		55,893	22		52,729	22		45,785	24
Total revenue	$	259,335	100%	$	237,504	100%	$	197,688	100%

Long-lived assets information by location is presented below (in thousands):

	Year Ended December 31,			
	2014		2013	
United States	$	4,137	$	4,646
Japan		14		21
Total long-lived assets	$	4,151	$	4,667

18. Subsequent Events

On December 22, 2014, the Company and RPX Clearinghouse LLC (a wholly-owned subsidiary of the Company) entered into an Asset Purchase Agreement by and among Rockstar Consortium US LP, Rockstar Consortium LLC, Bockstar Technologies LLC, Constellation Technologies LLC, MobileStar Technologies LLC, and NetStar Technologies LLC (the "Sellers"), for the purchase of substantially all of the patent assets owned or controlled by the Sellers (the "Rockstar Transaction"), as well as other ancillary agreements, including but not limited to an Escrow Agreement by and among the Sellers, Citibank, N.A., acting as escrow agent, RPX Clearinghouse LLC and the Company (the "Escrow Agreement"). RPX Clearinghouse LLC paid the Sellers $25.0 million as a non-refundable deposit on December 26, 2014 upon the execution of the Asset Purchase Agreement, which is reflected on the consolidated balance sheet in other assets. The third-party funding commitments described below were delivered pursuant with the Escrow Agreement and the remaining closing conditions under the Asset Purchase Agreement were met on January 28, 2015 on which date the Rockstar Transaction was consummated and the Sellers received an additional payment of $875.0 million from escrow.

RPX Clearinghouse LLC received funding commitments for the Rockstar Transaction from a syndicate of more than 30 companies including a contribution of approximately $29.0 million from the Company which was recorded as a patent asset upon closing of the Rockstar Transaction and will be amortized over its estimated economic useful life of 60 months. Also upon the closing of the Rockstar Transaction, syndicate participants received non-exclusive licenses to the patent assets included in the Rockstar Transaction, and RPX Clearinghouse made the patent assets available for license to all other interested companies under fair, reasonable, and non-discriminatory terms.

On February 10, 2015, the Company announced that its Board of Directors has authorized a share repurchase program under which the Company is authorized to repurchase up to $75.0 million of its outstanding common stock. The Company's share repurchase program does not obligate it to acquire any specific number of shares.

19. Selected Quarterly Financial Information (Unaudited)

Summarized quarterly financial information for the years ended December 31, 2014 and 2013 is as follows (in thousands):

	Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Revenue	$ 61,888	$ 64,293	$ 65,407	$ 67,747
Cost of revenue	28,920	31,542	30,444	33,529
Selling, general and administrative expenses	17,255	18,579	17,786	18,059
Loss on sale of patent assets	—	(699)	(8)	—
Operating income	15,713	14,871	17,185	16,159
Other income, net	99	94	73	88
Income before provision for income taxes	15,812	14,965	17,258	16,247
Provision for income taxes	5,952	5,566	6,425	6,998
Net income	$ 9,860	$ 9,399	$ 10,833	$ 9,249
Net income available to common stockholders:				
Basic	$ 9,860	$ 9,399	$ 10,833	$ 9,249
Diluted	$ 9,860	$ 9,399	$ 10,833	$ 9,249
Net income available to common stockholders per common share[(1)]:				
Basic	$ 0.19	$ 0.18	$ 0.20	$ 0.17
Diluted	$ 0.18	$ 0.17	$ 0.20	$ 0.17
Other Data:				
Deferred revenue, including current portion	$ 140,534	$ 131,207	$ 112,820	$ 136,209
Stock-based compensation expense	$ 3,803	$ 5,065	$ 4,486	$ 4,302

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenue	$ 61,194	$ 57,481	$ 58,554	$ 60,275
Cost of revenue	23,670	24,694	29,766	32,641
Selling, general and administrative expenses	14,473	15,736	15,584	16,732
(Gain) on sale of patent assets	—	126	—	—
Operating income	23,051	16,925	13,204	10,902
Other income (expense), net	51	63	56	43
Income before provision for income taxes	23,102	16,988	13,260	10,945
Provision for income taxes	8,407	6,291	4,863	3,951
Net income	$ 14,695	$ 10,697	$ 8,397	$ 6,994
Net income available to common stockholders:				
Basic	$ 14,678	$ 10,691	$ 8,395	$ 6,994
Diluted	$ 14,678	$ 10,691	$ 8,395	$ 6,994
Net income available to common stockholders per common share[(1)]:				
Basic	$ 0.29	$ 0.21	$ 0.16	$ 0.13
Diluted	$ 0.28	$ 0.20	$ 0.16	$ 0.13
Other Data:				
Deferred revenue, including current portion	$ 118,177	$ 117,573	$ 105,230	$ 137,743
Stock-based compensation expense	$ 3,708	$ 4,478	$ 3,895	$ 4,033

[(1)] Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K, were effective to provide reasonable assurance.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014 based on the guidelines established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information.

None

PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a Code of Business Conduct that applies to all of our directors, officers and employees, including our principal executive officer and principal financial officer. The Code of Business Conduct is posted on our Web site at http://ir.rpxcorp.com/governance.cfm.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Business Conduct by posting such information on our Web site, at the address and location specified above and, to the extent required by the listing standards of The NASDAQ Stock Market, by filing a Current Report on Form 8-K with the SEC, disclosing such information.

The other information required by this item will be contained in our definitive proxy statement to be filed with the SEC in connection with our 2015 annual meeting of stockholders (the “2015 Proxy Statement”), which we expect to file within 120 days of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 11. Executive Compensation.

The information regarding executive compensation required by this item will be included under the caption “Executive Compensation” in the 2015 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information regarding securities authorized for issuance under equity compensation plans required by this item will be included under the caption “Equity Compensation Plan Information” in the 2015 Proxy Statement and is incorporated herein by reference. The information regarding security ownership of certain beneficial owners and management required by this item will be included under the caption “Security Ownership of Certain Beneficial Owners and Management” in the 2015 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information regarding transactions with related persons required by this item is included under the caption “Certain Relationships and Related Persons Transactions” in the 2015 Proxy Statement and will be incorporated herein by reference. The information regarding director independence required by this item is included under the caption “Corporate Governance” in the 2015 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be incorporated under the captions “Independent Registered Public Accounting Firm’s Fees” and “Pre-Approval Policies and Procedures” in the 2015 Proxy Statement and is incorporated herein by reference.

PART IV.

Item 15. Exhibits and Consolidated Financial Statement Schedules.

1. Consolidated Financial Statements

   The financial statements as set forth under Item 8 of this Annual Report on Form 10-K are incorporated herein by reference.

2. Consolidated Financial Statement Schedules

   All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

3. Exhibits

   The exhibits listed in the accompanying Exhibit Index are filed or incorporated herein by reference as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

RPX CORPORATION
(Registrant)

March 2, 2015	By:	/s/ JOHN A. AMSTER
		John A. Amster
		Chief Executive Officer
		(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John A. Amster and Martin E. Roberts, jointly and severally, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN A. AMSTER John A. Amster	Chief Executive Officer; Director (Principal Executive Officer)	March 2, 2015
/s/ ROBERT HEATH Robert Heath	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2015
/s/ GEOFFREY T. BARKER Geoffrey T. Barker	Executive Director	March 2, 2015
/s/ SHELBY W. BONNIE Shelby W. Bonnie	Director	March 2, 2015
/s/ FRANK E. DANGEARD Frank E. Dangeard	Director	March 2, 2015
/s/ STEVEN L. FINGERHOOD Steven L. Fingerhood	Director	March 2, 2015
/s/ RANDY KOMISAR Randy Komisar	Director	March 2, 2015
/s/ THOMAS O. RYDER Thomas O. Ryder	Director	March 2, 2015
/s/ SANFORD R. ROBERTSON Sanford R. Robertson	Director	March 2, 2015

EXHIBIT INDEX

Exhibit Number	Exhibit Title	Incorporated by Reference				Provided Herewith
		Form	File No.	Exhibit No.	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of RPX Corporation	S-1	333-171817	3.2	1/21/2011	
3.2	Amended and Restated Bylaws of RPX Corporation	S-1/A	333-171817	3.4	4/18/2011	
4.1	Reference is made to Exhibits 3.1 and 3.2					
4.2	Form of Common Stock Certificate evidencing shares of common stock of the Registrant	S-1/A	333-171817	4.2	4/29/2011	
4.3	Amended and Restated Investors' Rights Agreement by and among the Registrant, John Amster, Geoffrey T. Barker, Eran Zur and the Investors (as defined therein), dated as of July 15, 2009	S-1	333-171817	4.3	1/21/2011	
4.4	Waiver and Amendment No. 1 to the Amended and Restated Investors' Rights Agreement, the Amended and Restated Voting Agreement and the Amended and Restated First Refusal and Co-Sale Agreement, dated as of November 12, 2010	S-1	333-171817	4.4	1/21/2011	
10.1	Form of Indemnification Agreement between the Registrant and each officer and director	S-1	333-171817	10.1	1/21/2011	
10.2	Employment Offer Letter by and between the Registrant and John Amster, dated as of August 9, 2008	S-1	333-171817	10.2	1/21/2011	
10.3	Employment Offer Letter by and between the Registrant and Geoffrey Barker, dated as of August 10, 2008	S-1	333-171817	10.3	1/21/2011	
10.4	Employment Offer Letter by and between the Registrant and Henri Linde, dated as of October 8, 2008	S-1	333-171817	10.5	1/21/2011	
10.5	Revised Employment Offer Letter by and between the Registrant and Adam Spiegel, dated as of February 10, 2010	S-1	333-171817	10.6	1/21/2011	
10.6	Employment Offer Letter by and between the Registrant and Mallun Yen, dated as of October 25, 2010	S-1	333-171817	10.7	1/21/2011	
10.7	Director Offer Letter by and between the Registrant and Shelby Bonnie, dated as of January 29, 2011	S-1/A	333-171817	10.26	3/7/2011	
10.8	Director Offer Letter by and between the Registrant and Sanford R. Robertson, dated as of March 2, 2011	S-1/A	333-171817	10.28	4/18/2011	
10.9	2008 Stock Plan, as amended	S-1	333-171817	10.8	1/21/2011	
10.10	Form of Notice of Stock Option Grant (Early Exercise) and Stock Option Agreement under 2008 Stock Plan	S-1	333-171817	10.9	1/21/2011	
10.11	Form of Notice of Stock Option Grant and Stock Option Agreement under 2008 Stock Plan	S-1	333-171817	10.1	1/21/2011	
10.12	Form of Notice of Stock Option Exercise (Early Exercise) under 2008 Stock Plan	S-1	333-171817	10.11	1/21/2011	
10.13	Form of Notice of Stock Option Exercise under 2008 Stock Plan	S-1	333-171817	10.12	1/21/2011	
10.14	2011 Equity Incentive Plan	S-1/A	333-171817	10.25	3/7/2011	
10.15	Form of Notice of Stock Option Grant and Stock Option Agreement under 2011 Equity Incentive Plan	S-1/A	333-171817	10.32	4/29/2011	
10.16	Form of Notice of Stock Option Grant (Non-Employee Directors) and Stock Option Agreement (Non-Employee Directors) under 2011 Equity Incentive Plan	S-1/A	333-171817	10.33	4/29/2011	
10.17	Form of Notice of Stock Unit Award and Stock Unit Agreement under 2011 Equity Incentive Plan	S-1/A	333-171817	10.34	4/29/2011	
10.18	Amended and Restated Compensation Program for Non-Employee Directors	10-Q	001-35146	10.3	3/7/2013	
10.19	Reference is made to Exhibit 4.3					
10.20	Reference is made to Exhibit 4.4					
10.21	Common Stock Purchase Agreement by and among the Registrant and the Investors (as defined therein), dated as of April 7, 2011	S-1/A	333-171817	10.29	4/18/2011	

10.22	Form of Lock-Up Agreement, entered into by MHV Partners LLC and Sanford Robertson	S-1/A	333-171817	10.30	4/18/2011	
10.23	Sublease by and between Registrant and Sedgwick, Detert, Moran & Arnold LLP, dated as of September 29, 2009	S-1	333-171817	10.23	1/21/2011	
10.24	Office Lease Agreement between Registrant and PPF Paramount One Market Plaza Owner, L.P., dated as of July 28, 2010	S-1	333-171817	10.24	1/21/2011	
10.25	Office Lease Agreement between Registrant and PPF Paramount One Market Plaza Owner, L.P., dated as of March 9, 2012	10-K	001-35146	10.31	3/26/2012	
10.26	Employment Offer Letter by and between the Registrant and Ned Segal, dated as of February 7, 2013	8-K	001-35146	10.1	2/12/2013	
10.27	Separation Agreement between RPX Corporation and Adam Spiegel dated March 7, 2013	8-K	001-35146	10.1	3/13/2013	
10.28†	Asset Purchase Agreement (Redacted), dated December 22, 2014, by and among Rockstar Consortium US LP, Rockstar Consortium LLC, Bockstar Technologies LLC, Constellation Technologies LLC, MobileStar Technologies LLC, NetStar Technologies LLC, RPX Clearinghouse LLC, and the Registrant	8-K	001-35146	10.1	2/3/2015	
10.29	Employment Offer Letter by and between the Registrant and Robert Heath, dated as of March 15, 2011					X
21.1	List of subsidiaries of the Registrant					X
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (Included in Signature Page)					X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

† Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit 10.29

RPX CORPORATION

ONE MARKET PLAZA, STEUART TOWER, SUITE 700
SAN FRANCISCO, CA 94105

March 15, 2011

Robert H. Heath

Dear Robert:

RPX Corporation (the "Company") is pleased to offer you employment on the following terms:

1. **Position**. Your initial title will be Vice President, Corporate Development and you will initially report to Mallun Yen, Executive Vice President. This is a full-time position.

2. **Commencement of Employment**. This letter is conditioned upon your agreement to begin employment with the Company no later than April 1, 2011.

3. **Cash Compensation**. The Company will pay you a starting salary at the rate of $225,000 per year, payable in accordance with the Company's standard payroll schedule. This salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time.

4. **Incentive Compensation Plan.** You will also be eligible to participate in the Company's annual incentive compensation plan. Your incentive plan target will be 30% of your base salary. If RPX meets all of its annual corporate goals, and you also perform well against your individual and group goals, to be established with your supervisor, you can expect to receive an incentive plan payment at or near this target after our Board of Directors approves our year-end financial statements. Your actual incentive plan payment may be more or less than this target based on the performance of the Company and the achievement of your individual and group goals. No incentive plan payment will be paid unless you are an employee of the Company on the date the incentive plan payment is paid. Please note that this incentive plan does not constitute a contract of employment or alter the "at will" status of your employment.

5. **Equity Compensation**. As part of your offer, we are also pleased to offer you a grant of 90,000 options to purchase Common Stock of the Company. This grant is subject to approval by the Company's board of directors and will vest 25% upon completion of your first year of employment with the Company, with the remaining 75% vesting ratably on a monthly basis over three years of employment. You will also receive a grant of 20,000 restricted shares or restricted stock units. This grant is subject to the approval of the Company's board of directors and will vest

25% upon the first quarterly vesting date following the completion of your first year of employment, with the remaining 75% vesting in equal quarterly installments over the next three years of employment. For administrative reasons, vesting of restricted shares or restricted stock units will occur only on the Company's established quarterly vesting dates rather than on the anniversary of your vesting commencement date. These awards will be subject to the terms and conditions applicable to awards granted under the Company's 2008 Stock Plan or 2011 Equity Incentive Plan, as described in the applicable Plan and award agreement.

6. **Employee Benefits**. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid time off in accordance with the Company's PTO policy, as in effect from time to time.

7. **Proprietary Information and Inventions Agreement**. Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard Proprietary Information and Inventions Agreement, a copy of which is attached hereto as **Exhibit A**.

8. **Employment Relationship**. Our benefits, payroll, and other human resource management services are provided through TriNet Employer Group, Inc., a professional employer organization. As a result of our arrangement with TriNet, TriNet will be considered your employer of record for these purposes and your managers at the Company will be responsible for directing your work, reviewing your performance, setting your schedule, and otherwise directing your work. Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you). While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company. By signing this letter of agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

9. **Tax Matters**.

(a) **Withholding**. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

(b) **Tax Advice**. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

10. **Interpretation, Amendment and Enforcement**. This letter agreement and Exhibit A constitute the complete agreement between you and the Company, contain all of the terms of your employment with the Company and supersede any prior agreements, representations or understandings (whether written, oral or implied) between you and the Company. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the "Disputes") will be governed by California law, excluding laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in San Francisco, California, in connection with any Dispute or any claim related to any Dispute.

* * * * *

As required by law, your employment with the Company is contingent upon your providing legal proof of your identity and authorization to work in the United States. This offer is contingent upon our receipt of a satisfactory investigation report of your background.

You may indicate your agreement with these terms and accept this offer by signing and dating both the enclosed duplicate original of this letter agreement and the enclosed Proprietary Information and Inventions Agreement and returning them to me.

This offer shall remain in effect through 5:00pm March 25, 2011 after which time it shall become void.

Very truly yours,

RPX CORPORATION

/S/ MALLUN YEN

By: Mallun Yen

Title: Executive Vice President

I have read and accept this employment offer:

/S/ ROBERT HEATH
Signature of Employee

Dated: 3/22/2011

Attachment

Exhibit A: Proprietary Information and Inventions Agreement

Exhibit 21.1

List of Subsidiaries of RPX Corporation

Legal Name	Jurisdiction
RPX Asia Corporation	Japan
RPX Clearinghouse LLC	Delaware
RPX Freedom Corporation	Delaware
RPX Insurance Services, LLC	Delaware
RPX Reinsurance LLC	Hawaii
RPX Reinsurance LLC	Delaware
RPX Risk Retention Group, Inc.	Hawaii
RPX RRG Holdings, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-173911, 333-180357, and 333-187152, 333-194438) of RPX Corporation of our report dated March 2, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

s/ PricewaterhouseCoopers LLP

San Jose, California
March 2, 2015

Exhibit 31.1

CERTIFICATIONS

I, John A. Amster, certify that:

1. I have reviewed this Annual Report on Form 10-K of RPX Corporation;

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; and

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: March 2, 2015

/s/ JOHN A. AMSTER

John A. Amster
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Robert Heath, certify that:

1. I have reviewed this Annual Report on Form 10-K of RPX Corporation;

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; and

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: March 2, 2015

/s/ ROBERT HEATH

Robert Heath
Chief Financial Officer and Senior Vice President, Finance
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2014 of RPX Corporation, (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John A. Amster, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 2, 2015

/s/ JOHN A. AMSTER

John A. Amster
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2014 of RPX Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert Heath, Chief Financial Officer and Senior Vice President, Finance of the Company, 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; 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: March 2, 2015

/s/ ROBERT HEATH

Robert Heath

Chief Financial Officer and Senior Vice President, Finance

(Principal Financial Officer)