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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

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

RATIONAL PATENT®

RPX Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**One Market Plaza, Suite 1100** **San Francisco, California 94105** (Address of Principal Executive Offices and Zip Code)	**26-2990113** (I.R.S. Employer Identification No.)

(866) 779-7641
(Registrant's telephone number, including area code)

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

Indicate 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 x NO ☐

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

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

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

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

There were 49,933,908 shares of the registrant’s common stock issued and outstanding as of April 27, 2018.

RPX Corporation
Form 10-Q - Quarterly Report
For the quarter ended March 31, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited).

RPX Corporation
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 159,220	$ 138,710
Short-term investments	9,027	18,455
Restricted cash	192	249
Accounts receivable, net	77,485	63,860
Prepaid expenses and other current assets	26,228	34,398
Total current assets	272,152	255,672
Patent assets, net	119,619	131,888
Property and equipment, net	5,025	5,090
Intangible assets, net	47,716	49,087
Goodwill	72,511	70,756
Restricted cash, less current portion	968	968
Deferred tax assets	27,257	27,939
Other assets	18,985	20,233
Total assets	$ 564,233	$ 561,633
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,610	$ 2,225
Accrued liabilities	11,011	15,736
Deferred revenue	89,246	85,790
Other current liabilities	2,115	1,485
Total current liabilities	105,982	105,236
Deferred revenue, less current portion	349	484
Deferred tax liabilities	3,697	3,657
Other liabilities	11,012	11,104
Total liabilities	121,040	120,481
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock	5	5
Additional paid-in capital	378,748	376,793
Retained earnings	68,390	70,808
Accumulated other comprehensive loss	(3,950)	(6,454)
Total stockholders' equity	443,193	441,152
Total liabilities and stockholders' equity	$ 564,233	$ 561,633

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

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

	Three Months Ended March 31,	
	2018	**2017**
Revenue	$ 67,121	$ 75,415
Cost of revenue	42,230	44,130
Selling, general and administrative expenses	24,252	21,728
Operating income	639	9,557
Interest and other income (expense), net:		
Interest income	327	165
Interest expense	(11)	(908)
Other income (expense), net	546	210
Total interest and other income (expense), net	862	(533)
Income before provision for income taxes	1,501	9,024
Provision for income taxes	1,421	3,369
Net income	$ 80	$ 5,655
Net income per share:		
Basic	$ —	$ 0.12
Diluted	$ —	$ 0.11
Weighted-average shares used in computing net income per share:		
Basic	49,755	48,676
Diluted	50,267	49,305
Dividends declared per common share	$ 0.05	$ —

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

RPX Corporation
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Net income	$ 80	$ 5,655
Other comprehensive income, net of tax:		
Unrealized holding gains on available-for-sale securities arising during the period, net of tax	4	51
Foreign currency translation adjustments	2,500	928
Comprehensive income	$ 2,584	$ 6,634

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

RPX Corporation
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Operating activities		
Net income	$ 80	$ 5,655
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,593	35,731
Stock-based compensation	3,690	2,734
Amortization of premium on investments	68	471
Deferred income taxes	580	1,911
Unrealized foreign currency gain	(751)	(169)
Other	81	141
Changes in assets and liabilities:		
Accounts receivable	(13,126)	31,933
Prepaid expenses and other assets	9,543	(7,716)
Accounts payable	1,348	(819)
Accrued and other liabilities	(4,259)	(5,624)
Deferred revenue	3,320	6,996
Net cash provided by operating activities	33,167	71,244
Investing activities		
Purchases of investments	(3,250)	(3,875)
Maturities of investments	12,515	25,875
Purchases of property and equipment	(731)	(362)
Acquisitions of patent assets	(17,321)	(27,421)
Net cash used in investing activities	(8,787)	(5,783)
Financing activities		
Repayment of principal on term debt	—	(1,250)
Proceeds from exercise of stock options	142	422
Taxes paid related to net-share settlements of restricted stock units	(1,895)	(1,708)
Payments of capital leases	(38)	(104)
Payments of dividends to stockholders	(2,498)	—
Repurchase of common stock	—	(4,491)
Net cash used in financing activities	(4,289)	(7,131)
Foreign-currency effect on cash, cash equivalents, and restricted cash	362	35
Net increase in cash, cash equivalents, and restricted cash	20,453	58,365
Cash, cash equivalents, and restricted cash at beginning of period	139,927	101,576
Cash, cash equivalents, and restricted cash at end of period	$ 160,380	$ 159,941
Non-cash investing and financing activities		
Change in patent assets purchased and accrued but not paid	$ —	$ 250
Change in fixed assets purchased and accrued but not paid	$ —	$ (46)

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

RPX Corporation
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Nature of Business

RPX Corporation (also referred to herein as “RPX” or the “Company”) helps companies reduce patent litigation risk and corporate legal expense through two primary service offerings: its patent risk management services and its discovery services.

The Company's patent risk management services help companies reduce patent-related risk and expense through subscription-based services that facilitate more efficient exchanges of value between owners and users of patents compared to transactions driven by actual or threatened litigation. The Company’s patent risk management membership clients pay an annual subscription fee and in return, receive access to substantially all of the Company's patent portfolio as well as an array of services provided throughout their membership. Access to these services is available primarily through discussions with the Company's professionals—particularly client services and its team of patent experts, as well as through a proprietary database, and attendance at periodic conferences.

In addition to its subscription-based patent risk management services, the Company underwrites patent infringement liability insurance policies to insure against certain costs of litigation. The Company uses a reinsurance subsidiary company to assume a portion of the underwriting risk on the insurance policies that the Company issues on behalf of third party underwriters. To date, the effect of the insurance policies that the Company has assumed through its reinsurance business has not been material to the Company’s results of operations, financial condition, or cash flows.

In January 2016, the Company acquired Inventus Solutions, Inc. ("Inventus"), now a wholly owned subsidiary of the Company, and began offering its discovery services, which consist of technology-enabled services to assist law firms and corporate legal departments manage costs and risks related to the legal discovery process. The Company's discovery services include data hosting and backup, data processing and collection, project management, document review, and traditional document production. All of these services are designed to streamline the administration of litigation, investigations, and regulatory compliance.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and with the instructions for Form 10-Q and Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and notes required for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring items, necessary to state fairly the results of the interim periods have been included in the accompanying financial statements. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for any subsequent interim period or for the year ending December 31, 2018. The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 which was filed with the U.S. Securities and Exchange Commission (“SEC”) on March 5, 2018.

Significant Accounting Policies

Other than the revised revenue recognition policy under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") for the patent risk management segment disclosed below, there have been no material changes to the Company’s significant accounting policies during the three months ended March 31, 2018, as compared to the significant accounting policies presented under the heading “Basis of Presentation and Significant Accounting Policies” in Note 2 of the Notes to Consolidated Financial Statements in Part II, Item 8 of the Company’s Annual Report on Form 10-K filed with the SEC on March 5, 2018.

Revenue Recognition

Patent Risk Management

The primary source of the Company’s revenue from its patent risk management services offering is fees paid by its clients under subscription agreements. From these arrangements, the Company recognizes subscription revenue for providing ongoing services that mitigate or eliminate the costs of patent litigation throughout the membership term, and licensing revenue for certain discrete patent assets transferred to its membership clients (“catalyst license”) as well as for access to the patent portfolio that clients obtain when becoming a member or renewing membership (“portfolio access license”). Each of these promises are generally capable of being distinct and are accounted for as a separate performance obligation. Revenue is recognized when control of these products and services are transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

Nature of Products and Services:

- Subscription Revenue

  Members pay annual fees over the term of their membership for the Company to provide ongoing services, including the acquisition of patent assets, that mitigate or eliminate the costs of patent litigation. The Company reduces a member’s risk and expense by defensively acquiring or licensing patent assets on a continual basis throughout the membership term. The Company also provides extensive patent market intelligence and patent-related data to its clients as part of its patent risk management service. The nature of the Company’s promise is a stand-ready obligation to provide an array of patent risk management services that are each capable of being distinct. The Company’s patent risk management services are accounted for as a series of distinct services and revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided as the Company performs the patent risk management services.

- Fee Revenue
  - Catalyst license fee - The Company’s subscription agreements can include certain discrete patent licenses that a member receives at the start of their membership term which are often catalysts for joining or renewing a member’s patent risk management subscription. This catalyst license provides the member with a right to use the intellectual property as it exists when it's made available to the member. Members receive either a perpetual license or term license which provide members with the same functionality and differ mainly in the duration over which the member benefits from the license. Catalyst licenses are a right to use the intellectual property and are recognized upfront at the point in time when the license is made available to the member. The Company may treat the fee allocated to the catalyst license on a gross or net basis against patent assets depending on the specific facts and circumstances of the transaction and only capitalizes the acquired asset that relates to non-contributing members which were not recognized on a net basis.
  - Portfolio access license fee - Members receive a term license to all the patent assets owned by the Company upon joining as a member, which converts to a perpetual license when a member vests, which is generally after two or three years. Members will also vest into perpetual license rights to the Company's patent assets acquired throughout the membership term on a rolling basis. In the event a member does not renew its patent risk management subscription, the member retains license rights only to those patent assets into which it has perpetually vested. This portfolio license is a right to use the intellectual property and is recognized at a point in time when the portfolio access for the unvested licenses is made available to the member which is typically at the start of the respective membership term.
  - Other fee-related revenue - The Company's syndicated acquisitions can include member or non-member fees for the sale of perpetual licenses that are separate from fees paid under subscription agreements and are not catalysts for membership. The Company may treat these on a gross or net basis against patent assets depending on the specific facts and circumstances of the transaction. The Company may also recognize revenue from advisory fees in connection with certain syndicated acquisitions. The sale of perpetual licenses and advisory fees are collectively referred to as other fee-related revenue.

Significant Judgments:

Judgment is required to determine the standalone selling price (“SSP”) for each distinct performance obligation. The Company utilizes a multi-step process to estimate the standalone selling price for each of its performance obligations. The Company does not sell any of its patent risk management subscription services on a standalone basis and each member is priced based on member specific factors related to their individual patent litigation risk. The Company considers all available information (including market conditions, member specific factors and information about the members exposure to litigation risk and cost) when estimating SSP. In certain arrangements, the Company will use the residual method to determine SSP as there is a high degree of variability in the prices charged for the Company’s products and services since each client has a unique patent risk profile.

Each client’s annual subscription fee is based either on a rate card in effect at the time of the client’s initial membership agreement or through a fixed fee which is risk-adjusted based on the client's unique patent risk profile. A client’s subscription fee on rate card 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. For members on rate card, the Company must estimate the total transaction price at contract execution as financial data for future years is unavailable to input into the rate card calculation. The Company uses the rate card fee for the current year to estimate the membership fees for future membership terms in its determination of the total transaction price. The Company allocates this variable consideration entirely to the series of patent risk management services for the respective year and updates its estimate of the transaction price annually upon billing.

As part of the adoption of ASC 606, the Company elected to use the following practical expedients:

- for completed contracts at transition that have variable consideration, the Company will use the transaction price at the date the contract was completed, rather than estimating variable consideration amounts in the comparative periods,
- for contracts modified prior to January 1, 2016, the Company will reflect the aggregate effect of all modifications that occur before January 1, 2016 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied an unsatisfied performance obligations for the modified contract at transition, and
- the Company will not adjust the promised amount of consideration for the effects of a significant financing component when the Company expects, at contract inception, that the period between the Company's transfer of a promised product or service to a customer and when the customer pays for that product or service will be one year or less.

Contract Balances:

The timing of revenue recognition, billings and cash collections results in unbilled trade receivables (recognized in Accounts receivable, net in the Company's consolidated balance sheet) as well as deferred revenues. The Company records an unbilled receivable when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing. For multi-year agreements, members are generally invoiced annually on the anniversary date of the agreement. The Company records an unbilled receivable related to revenue recognized for the portfolio access licenses and catalyst licenses and deferred revenue for the unrecognized portion of its patent risk management services.

For certain catalyst licenses which are recorded on a net basis, the Company records a non-trade receivable (recognized in Other assets in the Company's consolidated balance sheet) as the transaction results in a reduction of basis in the Company's acquired patent asset.

In instances where the timing of revenue recognition differs from the timing of invoicing, the Company determined its contracts generally do not include a significant financing component. The primary purpose of its invoicing terms is to provide customers with simplified and predictable ways of purchasing its products and services, not to receive financing from its customers, or to provide its customers with financing, such as catalyst and portfolio licenses that are invoiced annually with revenue recognized upfront.

The opening balance of current and long-term trade and non-trade unbilled receivables was $54.2 million as of January 1, 2016.

Recent Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board "(FASB") issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"). ASU 2016-18 addresses the diversity in practice that exists in the classification and presentation of changes in restricted cash and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective retrospectively for fiscal years beginning after December 15, 2017. The Company adopted this guidance effective January 1, 2018, using the retrospective transition approach for all periods presented. The adoption of ASU 2016-18 does not have a material impact on the Company's consolidated financial statements.

In February 2016 the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The new standard is effective for interim and annual periods beginning after December 15, 2018 and early adoption is permitted. The Company's leases are primarily operating leases for office space and will continue to be classified as operating leases under ASC 2016-02. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Revenue from Contracts with Customers

Effective January 1, 2018, the Company began recognizing revenue in accordance with ASC 606 under which revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, ASC 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted the standard using the full retrospective method to recast each prior reporting period presented.

The new standard's most significant impact to the Company's financial information relates to the identification of multiple performance obligations from its patent risk management membership subscription and the timing and amount of recognition for these separable performance obligations. Specifically, the Company recognizes separate performance obligations under ASC 606 for certain discrete patent assets transferred to its membership clients as well as for access to the patent portfolio that clients obtain when becoming a member or renewing membership. The revenue generated from these additional performance obligations is recognized at a point in time under ASC 606. Formerly, under ASC 605, the Company generally recognized membership fees ratably on a gross basis over the term of the customer contract. Therefore, the adoption of ASC 606 increases the variability of revenue recognized from the Company's patent risk management services from period to period as well as reduces revenue and patent assets, and related amortization of these patent assets, previously treated on a gross basis under ASC 605 that are treated on a net basis against patent assets under ASC 606 due to the additional separable performance obligations.

ASC 606 also requires the Company to make significant judgments in determining SSP for each distinct performance obligation. The Company's patent licenses are not sold or priced separately from its patent risk management service and are sold at a broad range of amounts which is in the form of a bundled membership fee. The Company typically has more than one SSP for the same licenses and services based on a member's individual perceived patent risk. As such, the Company is required to determine SSP using inputs that are not directly observable. The Company considers all information that is available and maximizes the use of observable inputs in its determination of SSP.

Revenue recognition related to the Company's discovery services segment and its patent risk management insurance offering is not materially changed under ASC 606.

The Company recast its financial statements from amounts previously reported due to the adoption of ASC 606 shown below.

RPX Corporation
Consolidated Statements of Operations
Selected Line Items Under ASC 605 and ASC 606
(in thousands)
(unaudited)

	Three months ended March 31, 2017		
	ASC 605	New Revenue Standard Adjustment	ASC 606
Revenue	$ 82,512	$ (7,097)	$ 75,415
Cost of revenue	51,298	(7,168)	44,130
Selling, general and administrative expenses	21,121	607	21,728
Provision for income taxes	3,567	(198)	3,369
Net income	$ 5,993	$ (338)	$ 5,655

RPX Corporation
Consolidated Balance Sheet
Selected Line Items Under ASC 605 and ASC 606
(in thousands)
(unaudited)

	December 31, 2017		
	ASC 605	New Revenue Standard Adjustment	ASC 606
Accounts receivable, net	$ 51,544	$ 12,316	$ 63,860
Prepaid expenses and other current assets	25,687	8,711	34,398
Patent assets, net	163,048	(31,160)	131,888
Deferred tax assets	23,572	4,367	27,939
Other assets	3,664	16,569	20,233
Deferred revenue, current	105,150	(19,360)	85,790
Deferred revenue, less current portion	1,718	(1,234)	484
Retained earnings	$ 39,411	$ 31,397	$ 70,808

RPX Corporation
Consolidated Statements of Cash Flows

Selected Line Items Under ASC 605 and ASC 606
(in thousands)
(unaudited)

	Three months ended March 31, 2017		
	ASC 605	**New Revenue Standard Adjustment**	**ASC 606**
Operating activities			
Net income	$ 5,993	$ (338)	$ 5,655
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	42,929	(7,198)	35,731
Deferred income taxes	2,109	(198)	1,911
Other	(484)	625	141
Changes in assets and liabilities:			
Accounts receivable	27,815	4,118	31,933
Prepaid expenses and other assets	(5,572)	(2,144)	(7,716)
Deferred revenue	5,819	1,177	6,996
Investing activities			
Acquisitions of patent assets	$ (31,379)	$ 3,958	$ (27,421)

In addition, the cumulative effect of ASC 606 to the Company’s retained earnings at January 1, 2016 was an increase of $44.8 million.

3. Net Income Per Share

Basic and diluted net income per share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by using the weighted-average number of shares of common stock outstanding during the period, including potentially dilutive shares. Potentially dilutive shares include outstanding stock options and restricted stock units ("RSUs"). The dilutive effect of potentially dilutive shares is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair value of the Company's common stock can result in a greater dilutive effect from potentially dilutive shares.

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Numerator:		
Net income	$ 80	$ 5,655
Denominator:		
Basic shares:		
Weighted-average shares used in computing basic net income per share	49,755	48,676
Diluted shares:		
Weighted-average shares used in computing basic net income per share	49,755	48,676
Dilutive effect of stock options and restricted stock units using the treasury-stock method	512	629
Weighted-average shares used in computing diluted net income per share	50,267	49,305
Net income per share:		
Basic	$ —	$ 0.12
Diluted	$ —	$ 0.11

The following securities were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Outstanding weighted-average:		
Stock options	582	718
Restricted stock units	562	765

4. Financial Instruments

The following tables present the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	March 31, 2018					
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Level 1	Level 2
Cash equivalents:						
Commercial paper	$ 16,230	$ —	$ —	$ 16,230	$ —	$ 16,230
Money market funds	57,969	—	—	57,969	57,969	—
Municipal bonds	2,251	—	—	2,251	—	2,251
U.S. government and agency securities	25,974	—	—	25,974	—	25,974
	$ 102,424	$ —	$ —	$ 102,424	$ 57,969	$ 44,455
Short-term investments:						
Municipal bonds	$ 9,032	$ —	$ (5)	$ 9,027	$ —	$ 9,027

	December 31, 2017					
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Level 1	Level 2
Cash equivalents:						
Commercial paper	$ 13,035	$ —	$ —	$ 13,035	$ —	$ 13,035
Corporate bonds	1,205	—	—	1,205	—	1,205
Money market funds	52,267	—	—	52,267	52,267	—
Municipal bonds	13,060	—	—	13,060	—	13,060
U.S. government and agency securities	13,101	—	—	13,101	—	13,101
	$ 92,668	$ —	$ —	$ 92,668	$ 52,267	$ 40,401
Short-term investments:						
Commercial paper	$ 1,994	$ —	$ —	$ 1,994	$ —	$ 1,994
Corporate bonds	3,074	—	(3)	3,071	—	3,071
Municipal bonds	11,888	—	(3)	11,885	—	11,885
U.S. government and agency securities	1,508	—	(3)	1,505	—	1,505
	$ 18,464	$ —	$ (9)	$ 18,455	$ —	$ 18,455

The Company's financial investments are generally classified as available-for-sale. 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 loss. Realized gains and losses on these securities are included in other income (expense), net in the Company's condensed consolidated statements of operations and have not been material for all periods presented.

As of March 31, 2018 and December 31, 2017, approximately 100% of the Company's marketable security investments mature within one year and nil mature within one to five years. As of March 31, 2018, no individual security incurred continuous unrealized losses for greater than 12 months.

5. Patent Assets, Net

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

	December 31, 2017	Additions	Disposals	March 31, 2018
Patent assets	$ 889,188	$ 17,321	$ (8,232)	$ 898,277
Accumulated amortization	(757,300)	(29,483)	8,125	(778,658)
Patent assets, net	$ 131,888			$ 119,619

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 patent asset portfolio on a straight-line basis over its estimated economic useful life. As of March 31, 2018, the estimated economic useful lives of the Company's patent assets generally ranged from 24 to 60 months. As of March 31, 2018, the weighted-average estimated economic useful life at the time of acquisition of all patent assets acquired since the Company's inception was 38 months. Patent assets acquired during the three months ended March 31, 2018 had a weighted-average estimated economic useful life at the time of acquisition of 25 months.

As of March 31, 2018, the Company expects amortization expense in future periods to be as follows (in thousands):

2018 (remainder)	$ 65,297
2019	42,951
2020	11,282
2021	89
Total estimated future amortization expense	$ 119,619

Amortization expense related to the Company's patent assets was $29.6 million and $32.6 million for the three months ended March 31, 2018 and 2017, respectively.

6. Property and Equipment, Net

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

	March 31, 2018	December 31, 2017
Internal-use software	$ 8,729	$ 8,530
Leasehold improvements	2,098	2,098
Computer, equipment and software	6,558	5,960
Furniture and fixtures	755	755
Construction-in-progress	25	21
Total property and equipment, gross	18,165	17,364
Less: Accumulated depreciation and amortization	(13,140)	(12,274)
Total property and equipment, net	$ 5,025	$ 5,090

Depreciation and amortization expense related to the Company's property and equipment was $0.8 million for each three month period ended March 31, 2018 and 2017.

7. Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers for the Company's patent risk management services. The Company records an unbilled receivable when revenue is recognized prior to invoicing and deferred revenue when revenue is recognized subsequent to invoicing. For multi-year agreements, the Company generally invoices members annually on the anniversary date of the agreement and when applicable, records an unbilled receivable related to portfolio access or catalyst licenses when revenue is recognized in excess of billings since it has an unconditional right to invoice and receive future payments related to these licenses.

For certain catalyst licenses which are recorded on a net basis, the Company records a non-trade receivable in prepaid expenses and other current assets or other assets in the Company's consolidated balance sheet.

The Company's unbilled receivables and deferred revenue from contracts with customers consisted of the following (in thousands):

	March 31, 2018	December 31, 2017
Accounts receivable, net:		
Unbilled trade receivables, current	$ 10,192	$ 12,316
Prepaid expenses and other current assets:		
Unbilled non-trade receivables, current	8,021	8,711
Other assets:		
Unbilled trade receivables, non-current	6,076	7,684
Unbilled non-trade receivables, non-current	8,923	8,884
Deferred revenue, current	(89,246)	(85,790)
Deferred revenue, non-current	(349)	(484)
Total deferred revenue, net	$ (56,383)	$ (48,679)

The Company has not recorded any impairment losses on its receivables to date. During the three months ended March 31, 2018 and 2017, the Company recognized revenue of $32.7 million and $35.4 million, respectively, which was included in deferred revenue in the Company's consolidated balance sheets at December 31, 2017 and 2016, respectively.

Revenue allocated to remaining performance obligations represent contracted revenue that has not yet been recognized, which includes unearned revenue and amounts that the Company will invoice and recognize as revenue in future periods. The Company's unfulfilled performance obligations as of March 31, 2018 and the estimated revenue expected to be recognized in the future related to the performance obligations are as follows (in thousands):

2018 (remainder)	$	104,093
2019		72,415
2020		25,616
2021		2,209
2022		1,255
Thereafter		968
Total unfulfilled performance obligations	$	206,556

8. Goodwill

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

	Patent Risk Management		Discovery Services		Total	
Balance as of December 31, 2017	$	19,978	$	50,778	$	70,756
Foreign currency translation adjustments		—		1,755		1,755
Balance as of March 31, 2018	$	19,978	$	52,533	$	72,511

The Company reviews goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. No impairment of goodwill was identified during the three months ended March 31, 2018.

9. Intangible Assets, Net

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

	March 31, 2018						December 31, 2017					
	Carrying Amount		Accumulated Amortization		Net Carrying Amount		Carrying Amount		Accumulated Amortization		Net Carrying Amount	
Customer relationships	$	57,605	$	(13,553)	$	44,052	$	56,688	$	(11,764)	$	44,924
Trademarks		2,900		(1,058)		1,842		2,900		(938)		1,962
Developed technology		6,435		(4,613)		1,822		6,237		(4,036)		2,201
	$	66,940	$	(19,224)	$	47,716	$	65,825	$	(16,738)	$	49,087

As of March 31, 2018, the Company expects amortization expense in future periods to be as follows (in thousands):

2018 (remainder)	$	6,540
2019		6,739
2020		6,615
2021		6,615
2022		6,160
Thereafter		15,047
Total estimated future amortization expense	$	47,716

Amortization expense related to the Company's intangible assets was $2.2 million and $2.3 million for the three months ended March 31, 2018 and 2017, respectively.

10. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	March 31, 2018	December 31, 2017
Accrued payroll-related expenses	$ 6,090	$ 10,669
Accrued other expenses	4,921	5,067
Total accrued liabilities	$ 11,011	$ 15,736

11. Commitments and Contingencies

Commitments

The Company generally does not enter into long-term minimum purchase commitments. Its principal long-term commitments consist of obligations under operating leases for office space. There were no material changes to the Company's contractual obligations or commitments during the three months ended March 31, 2018 as compared to those presented under the heading "Commitments and Contingencies" in Note 12 of the Notes to Consolidated Financial Statements in Part II, Item 8 of the Company's Annual Report on Form 10-K filed with the SEC on March 5, 2018.

The following table summarizes rent expense related to non-cancelable operating leases (in millions):

	Three Months Ended March 31,	
	2018	2017
Rent expense	$ 1.4	$ 1.6
Sublease income	(0.3)	(0.3)
Rent expense, net of sublease income	$ 1.1	$ 1.3

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 litigation or contingencies was recorded as of March 31, 2018 or December 31, 2017.

In June 2013, Kevin O'Halloran, as Trustee of the Liquidating Trust of Tectonics, 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. In February 2015, the Court held a trial and in November 2015 entered judgment in favor of the Defendants. In December 2015, the Debtor filed an appeal of the judgment to the U.S. District Court for the Middle District of Florida. In August 2016, the District Court affirmed the judgment in favor of the Defendants. In September 2016, the Debtor filed an appeal of the judgment to the U.S. Court of Appeals for the Eleventh Circuit. The appellate briefing was completed in January 2017, and oral argument occurred on December 14, 2017. 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.

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 significant 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. No liability was recorded for these agreements as of March 31, 2018 or December 31, 2017. 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.

As part of the Company's discovery services offering, the Company generally warrants that it will perform the services in good faith and in a timely and professional manner, and that it will exercise the same level of professional care commonly found in the industry. Additionally, the Company has agreed to provisions for indemnifying customers against liabilities if its discovery services infringe a third party's intellectual property rights or if it breaches agreed privacy, security and/or confidentiality obligations. To date, the Company has not incurred any material costs, and it has not accrued any liabilities in the accompanying condensed consolidated financial statements, as a result of these obligations. The Company also enters into service-level agreements with its discovery services clients that specify required levels of application uptime and may permit customers to receive credits or to terminate their agreements in the event that the Company fails to meet required performance levels. To date, the Company has not experienced any significant failures to meet defined levels of performance and, as a result, has not accrued any liabilities related to these agreements in its condensed consolidated financial statements.

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

The Company offers patent litigation insurance that covers certain costs associated with patent infringement lawsuits, and it assumes a portion of the underwriting risk on these insurance policies that it issues on behalf of third party underwriters. As of March 31, 2018 and December 31, 2017, the Company recorded a reserve of $0.9 million and $1.1 million, respectively, for known and incurred but not reported claims that represent estimated claim costs and related expenses for the policies underwritten and its portion of the underwriting risk on policies that the Company issued on behalf of third party underwriters. The Company regularly reviews loss reserves using a variety of actuarial techniques and updates them as its loss experience develops.

12. Stockholders' Equity

Equity Plans

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, 2017	4,728	979	$ 13.29		
Options exercised	—	(39)	3.61		
Options forfeited/canceled	200	(200)	14.91		
Restricted stock units granted	(648)	—	—		
Restricted stock units forfeited	110	—	—		
Restricted stock units withheld related to net-share settlement of restricted stock units	146	—	—		
Balance - March 31, 2018	4,536	740	13.36	3.0	$ 1,129
Vested and exercisable - March 31, 2018		740	13.36	3.0	1,129

The aggregate intrinsic value of stock options exercised during the three months ended March 31, 2018 and 2017 was $0.3 million and $0.7 million, respectively. No stock options vested during the three months ended March 31, 2018, and as of March 31, 2018, all options issued and outstanding were fully vested.

Restricted Stock Units

The summary of RSU activity, which includes performance-based restricted stock units ("PBRSUs"), is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested units - December 31, 2017	2,520	$ 11.95	
Granted	648	13.43	
Vested	(413)	12.42	
Forfeited	(110)	11.93	
Non-vested units - March 31, 2018	2,645	12.15	$ 28,273

The total grant date fair value of RSUs vested during the three months ended March 31, 2018 and 2017 was $5.4 million and $4.4 million, respectively.

In October 2013, the Board of Directors approved net-share settlement for tax withholdings on RSU vesting. During the three months ended March 31, 2018, the Company withheld issuing 146,002 shares of its common stock based on the value of the RSUs on their vesting dates as determined by the Company's closing common stock price. Total payments to taxing authorities for employees' minimum tax obligations were $1.9 million for the three months ended March 31, 2018, and were recorded as a reduction to additional paid-in capital and reflected as a financing activity within the condensed 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 fair value of RSUs granted to employees and directors is measured by reference to the fair value of the underlying shares on the date of grant. Stock-based compensation expense which was related to PBRSUs and RSUs granted to employees and directors was $3.6 million and $2.7 million for the three months ended March 31, 2018 and 2017, respectively. The Company did not grant any PBRSUs during either three-month period ended March 31, 2018 or 2017.

As of March 31, 2018, there was $29.1 million of unrecognized compensation cost related to RSUs, including PBRSUs, which is expected to be recognized over a weighted-average period of 2.8 years. Future grants of equity awards will increase the amount of stock-based compensation expense to be recorded.

Stock Repurchase Program

On February 10, 2015, the Company announced that its Board of Directors had authorized a share repurchase program under which the Company is authorized to repurchase up to $75.0 million of its outstanding common stock with no expiration date from the date of authorization. In March 2016 and May 2016, the Company increased its share repurchase program by $25.0 million and $50.0 million, respectively, for a total amount authorized of $150.0 million. As of March 31, 2018, the Company repurchased $94.6 million of the outstanding common stock. Under the 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 (the "Exchange Act"). The share repurchase program does not have an expiration date but was suspended upon the Company's entry into the Merger Agreement as described in Note 16, "Subsequent Events" and may be modified or terminated at any time for any reason. The Company’s share repurchase program does not obligate it to acquire any specific number of shares. The Company repurchased shares of its common stock in the open market, which were retired upon repurchase. The purchase price for the repurchased shares is reflected as a reduction to common stock and retained earnings in the Company's consolidated balance sheet. Share repurchase activity during the period presented was as follows (in thousands, except per share data):

	Shares Repurchased	Average Price per Share	Value of Shares Repurchased
Cumulative repurchase activity as of December 31, 2017	8,617	$ 10.97	$ 94,566
Repurchase activity during the period	—	—	—
Cumulative repurchase activity as of March 31, 2018	8,617	$ 10.97	$ 94,566

Dividends

During the three months ended March 31, 2018, the Company declared and paid quarterly cash dividends of $2.5 million, or $0.05 per share of common stock. The Company's quarterly dividend was canceled in April 2018 upon the Company's entry into the Merger Agreement as described in Note 16, "Subsequent Events".

13. Income Taxes

The Company uses an estimated annual effective tax rate based upon a projection of its annual fiscal year results to measure the income tax benefit or expense recognized in each interim period. The Company’s effective tax rate, including the impact of discrete items, was 95% and 37% for the three months ended March 31, 2018 and 2017, respectively. The Company's effective tax rate for the three months ended March 31, 2018 increased as compared to the prior year and as compared to the statutory tax rate primarily due to the impact of foreign tax withholdings under the Tax Cuts and Jobs Act.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. Among other changes was a permanent reduction in the federal corporate income tax rate from 35% to 21% as well as a change in the US international tax system to move towards a more territorial system. As a result, Global Intangible Low-Taxed Income ("GILTI") was implemented to discourage the erosion of the US tax base through the movement of intangible assets offshore. As of March 31, 2018, the amounts recorded for the Tax Cuts and Jobs Act remain provisional for the transition tax, the remeasurement of deferred taxes, and the Company's reassessment of permanently reinvested earnings, uncertain tax positions and valuation allowances. These estimates may be impacted by further analysis and future clarification and guidance regarding available tax accounting methods and elections, earnings and profits computations, state tax conformity to federal tax changes and the impact of the GILTI provisions. The Company included an estimate of the GILTI impact for 2018 of $3.6 million in its tax provision.

The Company's 2014 through 2017 tax periods remain open to examination by the Internal Revenue Service and the 2013 through 2017 tax periods remain open to examination by most state tax authorities. The Internal Revenue Service's examination of Inventus's federal income tax return for fiscal year 2013 was closed during the three months ended March 31, 2017 with no material adjustments. The Company's 2015 through 2017 tax periods remain open to examination in the United Kingdom.

14. Related-Party Transactions

During the three months ended March 31, 2018 and 2017, two and four members, respectively, of the Company’s Board of Directors also served on the boards of directors of RPX clients.

The Company recognized the following from these clients (in millions):

	Three Months Ended March 31,	
	2018	2017
Revenue	$ 0.6	$ 2.0
Selling, general and administrative expenses	$ 0.1	$ 0.2

As of March 31, 2018 and December 31, 2017, there were $3.0 million and $1.5 million receivables, respectively, from these clients.

15. 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 Officer reviews separate financial information for the patent risk management and discovery services businesses and therefore the Company has two reportable segments: 1) patent risk management which generates its revenues primarily from membership subscriptions, premiums earned from insurance policies, and management fees for marketing, underwriting, and claim management and 2) discovery services which generates its revenues primarily from fees generated for data collection, hosting and processing, project management, and document review services. There are no material internal revenue transactions between these two reportable segments.

Although adjusted EBITDA and adjusted operating income (loss) are not measures of financial performance determined in accordance with GAAP, the Company's chief operating decision maker evaluates segment financial performance by utilizing the segment's adjusted EBITDA and adjusted operating income (loss) because the Company believes it is a useful supplemental measure that reflects core operating performance and provides an indicator of the segment's ability to generate cash.

The Company defines adjusted EBITDA as net income exclusive of provision for income taxes, interest and other income (expense), net, impairment losses, stock-based compensation and related employer payroll taxes, depreciation, and amortization. The Company defines adjusted operating income (loss) as GAAP operating income (loss) exclusive of impairment losses. There are limitations in using the Company's measures of financial performance that are not determined in accordance with GAAP and these may be different from other financial measures not determined in accordance with GAAP used by other companies. These financial measures are limited in value because they exclude certain items that may have a material impact on the Company's reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by the Company about which items are adjusted to calculate its financial measures not determined in accordance with GAAP. The presentation of financial measures not determined in accordance with GAAP should not be considered in isolation or as a substitute for, or superior to, financial results determined in accordance with GAAP.

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Summarized financial information by segment utilized by the Company's chief operating decision maker is as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Patent Risk Management		
Revenue	$ 46,742	$ 57,389
Cost of revenue	30,634	34,272
Selling, general and administrative expenses	16,978	15,041
Adjusted operating income (loss)	(870)	8,076
Stock-based compensation, including related taxes	3,358	2,441
Depreciation and amortization	30,022	33,310
Adjusted EBITDA	$ 32,510	$ 43,827
Discovery Services		
Revenue	$ 20,379	$ 18,026
Cost of revenue	11,596	9,858
Selling, general and administrative expenses	7,274	6,687
Adjusted operating income	1,509	1,481
Stock-based compensation, including related taxes	510	434
Depreciation and amortization	2,571	2,421
Adjusted EBITDA	$ 4,590	$ 4,336
Consolidated		
Revenue	$ 67,121	$ 75,415
Cost of revenue	42,230	44,130
Selling, general and administrative expenses	24,252	21,728
Adjusted operating income	$ 639	$ 9,557

The following table reconciles the Company's subtotal segment adjusted EBITDA to consolidated net income (in thousands):

	Three Months Ended March 31,	
	2018	2017
Subtotal segment adjusted EBITDA	$ 37,100	$ 48,163
Depreciation and amortization	(32,593)	(35,731)
Stock-based compensation, including related taxes	(3,868)	(2,875)
Interest and other income (expense), net	862	(533)
Provision for income taxes	(1,421)	(3,369)
Net income	$ 80	$ 5,655

The following table summarizes the Company's total assets by segment (in thousands):

	March 31, 2018	December 31, 2017
Patent risk management	$ 398,285	$ 399,362
Discovery services [(1)]	165,948	162,271
Total assets	$ 564,233	$ 561,633

[(1)] Includes goodwill and intangible assets acquired through the Company's acquisition of Inventus in January 2016.

The following table sets forth the Company's revenue by type for each of the periods indicated, including revenue by segment (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Subscription revenue	$ 40,540	$ 47,046
Fee-related revenue	6,202	10,343
Total patent risk management revenue	46,742	57,389
Discovery services revenue	20,379	18,026
Total revenue	$ 67,121	$ 75,415

The Company markets its solutions to companies around the world. Revenue is 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 one or more of the periods presented (dollars in thousands):

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
United States	$ 40,333	60%	$ 42,704	57%
Germany	6,764	10	6,968	9
Japan	8,151	12	10,060	13
Rest of world	11,873	18	15,683	21
Total revenue	$ 67,121	100%	$ 75,415	100%

16. Subsequent Events

On April 30, 2018, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Riptide Parent, LLC, a Delaware limited liability company (“Parent”), and Riptide Purchaser, Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Purchaser”). Parent and Purchaser are beneficially owned by affiliates of HGGC, LLC (“HGGC”).

Pursuant to the Merger Agreement, upon the terms and subject to the conditions thereof, Purchaser will commence a cash tender offer no later than May 21, 2018 to acquire all of the outstanding shares of common stock of the Company, $0.0001 par value per share (the “Company Common Stock”), at a price per share of Company Common Stock of $10.50 net to the seller in cash, without interest (such offer, as it may be amended from time to time in accordance with the Merger Agreement, the “Offer,” and such amount of consideration or any greater amount per share that may be paid pursuant to the Offer, the “Offer Price”), subject to any applicable withholding taxes. Parent intends to fund the Offer Price with a combination of committed debt and equity financing and the Company’s cash on hand. The transaction is not subject to a financing condition.

The obligation of Purchaser to purchase Company Common Stock tendered in the Offer is subject to the satisfaction or waiver of a number of conditions set forth in the Merger Agreement, including but not limited to: (i) prior to the expiration of the Offer, there shall have been validly tendered and not validly withdrawn shares of Company Common Stock that, together with all other shares of Company Common Stock, if any, beneficially owned by Parent, Purchaser and their respective Affiliates (as defined in the Merger Agreement) and any shares of Company Common Stock that constitute “rollover stock” (as defined by Section 251(h)(6) of the Delaware General Corporation Law), represent at least one share of Company Common Stock more than 50% of the then outstanding shares of Company Common Stock calculated including shares underlying certain stock options, (ii) the expiration or termination of the waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) approval being obtained or deemed to be obtained under the German Act of Restraints of Competition 1957, as amended (“GWB”), and (iv) each of the other conditions set forth in Exhibit A to the Merger Agreement.

The Offer will initially expire at one minute after 11:59 p.m. (New York City time) on the date that is 20 business days following the commencement of the Offer. Under certain circumstances, Purchaser may be required or permitted to extend the Offer on one or more occasions in accordance with the terms set forth in the Merger Agreement and the applicable rules and regulations of the SEC. Purchaser will not be required to extend the Offer beyond October 30, 2018 (the “End Date”), and may not extend the Offer beyond the End Date without the prior written consent of the Company.

As soon as practicable following Purchaser’s acceptance of Company Common Stock tendered pursuant to the Offer and upon the terms and subject to the conditions set forth in the Merger Agreement and in accordance with Section 251(h) of the Delaware General Corporation Law, Purchaser will merge with and into the Company, whereupon the separate existence of Purchaser shall cease and the Company shall be the surviving corporation (the “Merger”), without a meeting or vote of stockholders of the Company. At the effective time of the Merger (the “Effective Time”), the shares of Company Common Stock not purchased pursuant to the Offer (other than Company Common Stock owned by the Company as treasury stock, by Parent or Purchaser or by stockholders of the Company who have perfected their statutory rights of appraisal under Delaware General Corporate Law) will each be converted into the right to receive an amount equal to the Offer Price.

The Merger Agreement includes representations, warranties and covenants of the parties customary for a transaction of this nature. Among other things, the Merger Agreement includes covenants by the parties to take all actions to secure required regulatory approvals, and from the date of the Merger Agreement until the Effective Time, the Company has agreed to conduct its business in the ordinary course of business and has agreed to certain other operating covenants, as set forth more fully in the Merger Agreement.

The Company has also agreed not to solicit or initiate discussions with third parties regarding other acquisition proposals regarding the Company and has agreed to certain restrictions on its ability to respond to such proposals, provided that (x) the Company, subject to the terms and conditions of the Merger Agreement, may enter into negotiations or discussions concerning, or provide confidential information to persons making, certain unsolicited proposals if the Company’s Board of Directors determines in good faith such proposal constitutes or could reasonably be expected to lead to a Superior Company Proposal (as defined in the Merger Agreement), subject to certain rights of Parent pursuant to the terms of the Merger Agreement to negotiate with the Company, and (y) the Company’s Board of Directors may also change its recommendation regarding the Offer for a reason unrelated to an acquisition proposal in the context of a Company Intervening Event (as defined in the Merger Agreement), in either case, only if the Company’s Board of Directors determines that the failure to take such action would be inconsistent with its fiduciary duties.

The Merger Agreement also contains certain termination provisions for the Company and Parent, including the right of the Company, in certain circumstances, to terminate the Merger Agreement and accept a Superior Company Proposal. The Company will be required to pay Parent a cash termination fee equal to $18,388,081 if, among other reasons, the Merger Agreement is terminated (i) by the Company to enter into an acquisition agreement that constitutes a Superior Company Proposal or (ii) by Parent because the Board of Directors of the Company adversely changes its recommendation to stockholders to accept the Offer and tender their shares of Company Common Stock to Purchaser in the Offer. Parent will be required to pay the Company a cash termination fee equal to $31,522,425 if, among other reasons, the Merger Agreement is terminated by the Company due to Parent or Purchaser’s (i) failure to accept and pay for shares of Company Common Stock validly tendered and not withdrawn in the Offer or (ii) failure to consummate the Merger. In addition, either the Company or Parent may terminate the Merger Agreement, at any time prior to the time Purchaser accepts for payment the Company Common Stock tendered pursuant to the Offer, if the Merger shall not have been consummated on or before the End Date. The Company expects the transaction to be consummated during the second or third quarter of 2018.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the SEC on March 5, 2018.

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, 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 Quarterly Report on Form 10-Q 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," "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, patent acquisition spending, our acquisition of Inventus, our competitive position, and the expected timing and our ability to satisfy the closing conditions, including regulatory approval, of the Merger Agreement (and the tender offer by HGGC contemplated therein), and the expected benefits from such Offer, the Merger and the related agreements with HGGC and its affiliates. These statements are based on the beliefs and assumptions of our management based on information that is 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 II, Item 1A of this Quarterly Report on Form 10-Q and elsewhere in this filing and our Annual Report on Form 10-K filed with the SEC on March 5, 2018. 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

Since our founding in 2008, we have been providing an alternative to litigation through our patent risk management services. In January 2016, through our acquisition of Inventus, we began offering technology-enabled discovery services to our clients.

We help companies reduce patent-related risk and corporate legal expense by providing two primary service offerings: (1) a subscription-based patent risk management service offering that facilitates more efficient exchanges of value between owners and users of patents compared to transactions driven by actual or threatened litigation, and (2) a discovery services offering.

Patent Risk Management

We serve as a trusted intermediary in the patent marketplace. Our business model aligns our interests with those of our clients, with whom we have developed trusted relationships. Our patent risk management services clients include companies that design, make, or sell technology-based products and services as well as companies that use technology in their businesses, and who face legal claims for patent infringement. We have not asserted and will not assert our patents. We have a unique ability to confer and consult with our clients about mitigating their risk of patent litigation. In exchange for an upfront annual subscription fee, we provide the following to our patent risk management clients throughout their memberships:

- the review and analysis of patents offered for sale, including analysis of patent quality, validity, and commercial significance;
- defensive patent acquisition, by which we acquire patents and patent rights on behalf of all of our patent risk management clients;
- facilitation of syndicated transactions;
- prior art searches;
- proprietary periodic analysis and publication of patent market trends;
- the tracking of all US patent applications and issuances, patent litigation activity, and associated parties; and
- publication and provision of patent-related data to governmental and regulatory bodies to inform public policy discussion about patent reform and trends.

Access to these services is available primarily through discussions with our professionals—particularly client services and our team of patent experts, as well as through a proprietary database, and attendance of regularly scheduled conferences.

Insuring against the costs of patent infringement litigation is a natural extension of our patent risk management membership. Our patent infringement litigation expense insurance is a liability insurance policy for operating companies that covers certain costs associated with patent infringement lawsuits. We assume some portion of the underwriting risk on the insurance policies that we issue on behalf of third party underwriters. To date, the effect of the insurance policies that we have issued or assumed through our reinsurance business was not material to our results of operations or financial condition.

In our defensive patent acquisition activities, we acquire patents, licenses to patents, patent rights and agreements for covenants not to sue, which we collectively refer to as “patent assets.” 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 which is recognized as a patent asset on our balance sheet. From our inception through March 31, 2018, we have reviewed over 9,500 patent asset portfolios, completed 452 acquisitions of patent asset portfolios with gross and net patent acquisition spend of approximately $2.4 billion and $1.1 billion, respectively. During the three months ended March 31, 2018, we completed 12 acquisitions of patent assets and our gross and net patent acquisition spend totaled $19.5 million and $17.3 million, respectively.

During the three months ended March 31, 2018 and 2017, revenue from our patent risk management services was $46.7 million and $57.4 million, respectively. As of March 31, 2018, our patent risk management segment had approximately 330 clients, consisting of our patent risk management network members and insurance clients. We provide patent risk management services to nearly 430 companies, including those insured under policies sold to venture funds and industry trade associations.

Discovery Services

Through our wholly owned subsidiary Inventus, in 2016 we began offering technology-enabled discovery services to assist leading law firms and corporate legal departments manage costs and risks related to the legal discovery process. Our discovery service offering focuses on the process of consolidation and organization of data into meaningful discovery information powered by a mix of third-party and proprietary software. This allows our discovery services clients to efficiently manage a portfolio of legal discovery matters in a central location.

Our more than 1,000 discovery services clients in approximately a dozen countries benefit from our discovery services, which include data hosting and backup, data processing and collection, project management, document review, and traditional document production. All of these services are designed to streamline the administration of litigation, investigations, and regulatory compliance. During the three months ended March 31, 2018 and 2017, revenue from our discovery services was $20.4 million and $18.0 million, respectively. Certain of our discovery services operations are denominated in currencies other than the U.S. dollar, primarily the British pound sterling and the Euro, and therefore these operations are exposed to foreign exchange rate fluctuations.

Merger Agreement

On April 30, 2018, the Company entered into the Merger Agreement with Parent and Purchaser. Parent and Purchaser are beneficially owned by affiliates of HGGC.

Pursuant to the Merger Agreement, upon the terms and subject to the conditions thereof, Purchaser will commence the Offer no later than May 21, 2018 to acquire all of the outstanding shares of Company Common Stock at the Offer Price of $10.50 net to the seller in cash, without interest, subject to any applicable withholding taxes. Parent intends to fund the Offer Price with a combination of committed debt and equity financing and the Company's cash on hand. The transaction is not subject to a financing condition.

As soon as practicable following Purchaser's acceptance of Company Common Stock tendered pursuant to the Offer and upon the terms and subject to the conditions set forth in the Merger Agreement and in accordance with Section 251(h) of the Delaware General Corporation Law, the Merger will occur pursuant to which Purchaser will merge with and into the Company, whereupon the separate existence of Purchaser shall cease and the Company shall be the surviving corporation, without a meeting or vote of stockholders of the Company. At the Effective Time, the shares of Company Common Stock not purchased pursuant to the Offer (other than Company Common Stock owned by the Company as treasury stock, by Parent or Purchaser or by stockholders of the Company who have perfected their statutory rights of appraisal under Delaware General Corporate Law) will each be converted into the right to receive an amount equal to the Offer Price.

For more information, please refer to Note 16, "Subsequent Events," in Notes to Condensed Consolidated Financial Statements (unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is hereby incorporated by reference.

Key Components of Results of Operations

Revenue

The primary source of our revenue from our patent risk management services offering is fees paid by our clients under subscription agreements. From these arrangements, we recognize subscription revenue for providing ongoing services that mitigate or eliminate the costs of patent litigation throughout the membership term, licensing fee revenue for certain discrete patent assets transferred to our membership clients ("catalyst license"), as well as for access to the patent portfolio that clients obtain when becoming a member or renewing membership ("portfolio access license"). We recognize revenue from the sale of perpetual licenses and advisory fee income in connection with syndicated acquisitions through our patent risk management services, which we collectively refer to as "other fee-related" revenue. Our subscription revenue is recognized ratably over the period which the fees relate and our fee-related revenue, which includes catalyst license fees, portfolio access license fees, and other fee-related revenue, is generally recognized upfront at a point in time.

Subscription revenue will be positively or negatively impacted by the patent risk profile of our clients on a fixed fee as well as by the financial performance of our patent risk management clients on rate card since their subscription fees reset annually based upon their most recently reported annual financial results. Subscription revenue will also be positively or negatively inversely impacted by the amounts allocated to catalyst and portfolio access license fees. In the future, we may receive other revenue and fee income from newly-introduced products and services. We expect our fee-related revenue to fluctuate significantly from period to period.

In August 2012, we launched our insurance product and started to recognize insurance premium revenue from the insurance policies that we underwrite. In addition, we receive management fees for marketing, underwriting, and claims management services. Insurance premiums earned, net of ceding commissions, from insurance policies, and management fees related to our insurance business are included within subscription revenue. To date, insurance premium revenue has not been material to our results of operations.

Discovery revenue represents fees generated from services rendered in connection with our discovery services. These services are typically comprised of document collection, hosting, and processing, document review, document production, and project management, and are generally billed in arrears based on the number of users, amount of data processed and stored, or number of consulting hours. Our discovery revenue may fluctuate significantly based on the project-oriented nature of the discovery services we provide.

We do not believe that our rate of growth since inception is representative of anticipated future revenue growth and we anticipate experiencing a year-over-year decline in revenue in future periods.

Cost of Revenue

Cost of revenue from our patent risk management services 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 from our patent risk management service are expenses incurred to maintain our patents, prosecute our patent applications, conduct inter partes reviews and prior art searches, and amortization expense for acquired intangible assets and internally developed software. With the launch of our insurance offering in August 2012, cost of revenue from our patent risk management services began to include premiums ceded to reinsurers, loss reserves, and for reserves for known and incurred but not reported claims. We began to issue new policies under a reinsurance model in May 2014 and under this model we do not cede premiums.

Our cost of revenue from our patent risk management services 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 periods immediately following the 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 38 months, which may cause our cost of revenue to increase. Our cost of revenue from our patent risk management services may fluctuate in the future as it is dependent on the level of net patent asset purchases, the amortization period of the patent assets we acquire, and the level of insurance policies we issue. Our cost of revenue from our patent risk management services will also fluctuate in the future as we determine the amounts allocated for catalyst license fees we receive from our patent risk management clients.

Cost of revenue from our discovery services primarily consists of compensation costs for employees and third-party contractors who deliver services to our clients, costs incurred to maintain, secure, and store hosted data, license fees for the software we utilize in our discovery services process, and amortization of our identifiable intangible assets for technology used to provide our discovery services to our clients. Our cost of revenue related to hosting and processing data and software license fees is primarily fixed but can fluctuate based on levels of data hosted and number of users our clients choose to have access to the software. Our cost of revenue related to document review services is primarily variable and may fluctuate significantly based on the review services provided to our clients.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of salaries and related expenses, including stock-based compensation expense, amortization related to our intangible assets, cost of marketing programs, legal costs, professional fees, travel costs, facility costs, and other corporate expenses. We expect that in the foreseeable future, selling, general and administrative expenses may increase significantly when compared to the prior year period as we incur expenses related to exploring and evaluating strategic alternatives to maximize shareholder value.

Interest and Other Income (Expense), Net

Interest and other income (expense), net consists of interest income earned on our cash, cash equivalents and short-term investments, interest expense incurred on term debt, gains or losses due to foreign currency fluctuations, as well as changes in fair value of our deferred payment obligations. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British pound sterling, Japanese yen, and Euro relative to the U.S. dollar. We expect our interest and other income (expense), net to fluctuate significantly from period to period.

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. We expect our effective tax rate to increase in the future when compared to prior year periods due to the treatment of foreign tax withholdings under the Tax Cuts and Jobs Act.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the 2017 Tax Cuts and Jobs Act* (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Since the Tax Cuts and Jobs Act was passed late in the fourth quarter of 2017, and ongoing guidance and accounting interpretation are expected over the following 12 months, we consider the accounting of the deferred tax re-measurements, and other items to be incomplete due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. We expect to complete our analysis within the measurement period in accordance with SAB 118.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed 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.

Other than the revised revenue recognition policy under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") disclosed in Note 2, "Basis of Presentation and Significant Accounting Policies," in Notes to Condensed Consolidated Financial Statements (unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q, there have been no material changes to our significant accounting policies during the three months ended March 31, 2018, as compared to the significant accounting policies presented under the heading “Basis of Presentation and Significant Accounting Policies” in Note 2 of the Notes to Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on March 5, 2018.

Recent Accounting Pronouncements

Our recent accounting pronouncements are described in more detail in Note 2, "Basis of Presentation and Significant Accounting Policies," in Notes to Condensed Consolidated Financial Statements (unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenue		
Patent risk management	$ 46,742	$ 57,389
Discovery services	20,379	18,026
Total revenue	67,121	75,415
Cost of revenue		
Patent risk management	30,634	34,272
Discovery services	11,596	9,858
Total cost of revenue	42,230	44,130
Selling, general and administrative expenses		
Patent risk management	16,978	15,041
Discovery services	7,274	6,687
Total selling, general and administrative expenses	24,252	21,728
Operating income (loss)		
Patent risk management	(870)	8,076
Discovery services	1,509	1,481
Total operating income	639	9,557
Interest and other income (expense), net	862	(533)
Income before provision for income taxes	1,501	9,024
Provision for income taxes	1,421	3,369
Net income	$ 80	$ 5,655

The following table sets forth our condensed consolidated statement of operations data as a percentage of total revenue for each of the periods indicated, including segment information.

	Three Months Ended March 31,	
	2018	2017
Revenue		
Patent risk management	70 %	76 %
Discovery services	30	24
Total revenue	100	100
Cost of revenue		
Patent risk management	46	45
Discovery services	17	13
Total cost of revenue	63	58
Selling, general and administrative expenses		
Patent risk management	25	20
Discovery services	11	9
Total selling, general and administrative expenses	36	29
Operating income (loss)		
Patent risk management	(1)	11
Discovery services	2	2
Total operating income	1	13
Interest and other income (expense), net	1	(1)
Income before provision for income taxes	2	12
Provision for income taxes	2	4
Net income	— %	8 %

Three Months Ended March 31, 2018 and 2017

Revenue

The following table sets forth our total revenue for each of the periods indicated, including revenue by segment (in thousands):

	Three Months Ended March 31,	
	2018	2017
Revenue		
Subscription revenue	$ 40,540	$ 47,046
Fee-related revenue	6,202	10,343
Total patent risk management revenue	46,742	57,389
Discovery services revenue	20,379	18,026
Total revenue	$ 67,121	$ 75,415

Our revenue for the three months ended March 31, 2018 was $67.1 million compared to $75.4 million during the same period a year prior, a decrease of $8.3 million, or 11%. Subscription revenue, which includes membership subscriptions to our patent risk management services, premiums earned from insurance policies, and management fees, for the three months ended March 31, 2018 was $40.5 million compared to $47.0 million for the three months ended March 31, 2017. The decrease in subscription revenue was primarily attributable to a decrease of $7.7 million from clients who joined our network prior to March 31, 2017 and, in certain cases, may no longer be a part of our network as of March 31, 2018, partially offset by an increase in membership fees and insurance premiums of $1.2 million from new clients who joined our network subsequent to March 31, 2017.

Fee-related revenue, which includes catalyst license fees, portfolio license fees, and other fee-related revenue primarily related to syndicated acquisitions, for the three months ended March 31, 2018 was $6.2 million compared to $10.3 million for the three months ended March 31, 2017, a decrease of $4.1 million, or 40%. This decrease was due to a decrease of $2.2 million of other-fee related revenue primarily due to a decrease in sales of perpetual license fees and a decrease of $2.2 million of portfolio access license fees. This was partially offset by an increase of $0.3 million in catalyst license fees.

Discovery revenue, which includes fees generated from data collection, hosting and processing, project management, and document review services, for the three months ended March 31, 2018 was $20.4 million compared to $18.0 million in the same period a year prior. The increase is primarily attributable to an increase in fees generated from document review services during the three months ended March 31, 2018 as compared to the prior year period.

Cost of Revenue

Our cost of revenue for the three months ended March 31, 2018 was $42.2 million compared to $44.1 million during the same period a year prior, a decrease of $1.9 million, or 4%. Cost of revenue from our patent risk management services for the three months ended March 31, 2018 was $30.6 million compared to $34.3 million for the three months ended March 31, 2017. The decrease in our cost of revenue from our patent risk management services is primarily attributable to a decrease in patent amortization expense of $3.0 million and a decrease of $0.5 million related to our patent infringement litigation insurance.

Cost of revenue from our discovery services for the three months ended March 31, 2018 was $11.6 million compared to $9.9 million for the three months ended March 31, 2017. The increase in our cost of revenue from our discovery services is primarily attributable to an increase in third-party contractor and personnel-related costs, including stock-based compensation, during the three months ended March 31, 2018 as compared to the prior year period.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses for the three months ended March 31, 2018 were $24.3 million compared to $21.7 million during the same period a year prior, an increase of $2.6 million, or 12%. Selling, general and administrative expense from our patent risk management services for the three months ended March 31, 2018 was $17.0 million compared to $15.0 million for the three months ended March 31, 2017. This increase is primarily attributable to a $1.7 million increase in legal and other professional service fees due to the strategic review of the Company and a $0.8 million increase in personnel-related costs, including stock-based compensation during the three months ended March 31, 2018 as compared to the prior year period. These increases were partially offset by other general corporate expenses.

Selling, general and administrative expenses from our discovery services for the three months ended March 31, 2018 were $7.3 million compared to $6.7 million for the three months ended March 31, 2017. The increase in selling, general and administrative expense from our discovery services is primarily attributable to increases in personnel-related costs, including stock-based compensation, due to increases in headcount.

Interest and Other Income (Expense), Net

Our interest and other income, net for the three months ended March 31, 2018 was $0.9 million compared to interest and other expense, net of $0.5 million during the same period a year prior, an increase of $1.4 million. The increase was primarily due to a decrease of $0.9 million of interest expenses incurred on our term debt which we paid in full in 2017, $0.3 million increase in realized and unrealized foreign currency gains, and a $0.2 million increase in interest income generated on our short-term investments.

Provision for Income Taxes

Our provision for income taxes was $1.4 million and $3.4 million for the three months ended March 31, 2018 and 2017, respectively. Our effective tax rate, including the impact of discrete items, was 95% and 37% for the three months ended March 31, 2018 and 2017, respectively. Our effective tax rate for the three months ended March 31, 2018 increased primarily due to the impact of foreign tax withholdings under the Tax Cuts and Jobs Act which was signed into law on December 22, 2017.

Non-GAAP Financial Measures

We supplement our consolidated financial statements presented on a GAAP basis with non-GAAP adjusted EBITDA less net patent spend and free cash flow as we believe that these non-GAAP measures provide useful information about core operating results and thus are appropriate to enhance the overall understanding of our past financial performance and our prospects for the future. We define non-GAAP adjusted EBITDA as net income exclusive of provision for income taxes, interest and other income (expense), net, non-cash impairment losses, stock-based compensation and related employer payroll taxes, depreciation, and amortization. We define free cash flow as net cash provided by operating activities less capital expenditures including property and equipment and patent assets. We use these non-GAAP measures to evaluate our financial results and trends, allocate internal resources, prepare and approve our annual budget, develop short- and long-term operating plans, and assess the health of our business. We believe these non-GAAP measures may prove useful to investors who wish to consider the impact of certain items when comparing our financial performance with that of other companies. The adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of our underlying operational results, trends and performance.

There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact on our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which items are adjusted to calculate our non-GAAP financial measures. Management compensates for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures.

The presentation of additional information should not be considered in isolation or as a substitute for or superior to financial results determined in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measure and not to rely on any single financial measure to evaluate our business.

The following tables set forth the reconciliation of net income to non-GAAP adjusted EBITDA less net patent spend and the reconciliation of net cash provided by operating activities to free cash flow 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.

	Three Months Ended March 31,	
	2018	2017
Net income	$ 80	$ 5,655
Provision for income taxes	1,421	3,369
Interest and other (income) expense, net	(862)	533
Stock-based compensation, including related taxes	3,868	2,875
Depreciation and amortization	32,593	35,731
Non-GAAP adjusted EBITDA	37,100	48,163
Net patent spend	(17,321)	(27,172)
Non-GAAP adjusted EBITDA less net patent spend	$ 19,779	$ 20,991

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	$ 33,167	$ 71,244
Purchases of property and equipment	(731)	(362)
Acquisitions of patent assets	(17,321)	(27,421)
Free cash flow	$ 15,115	$ 43,461

Liquidity and Capital Resources

We have financed substantially all of our operations and patent asset acquisitions through subscription and other fees collected from our clients, patent-seller financing, the sale of equity securities, and from borrowing through term loan facilities. As of March 31, 2018, we had $159.2 million of cash and cash equivalents and $9.0 million in short-term investments. In January 2016, we paid aggregate consideration of $232.0 million in cash, net of working capital adjustments, at the closing of the Inventus transaction. On February 26, 2016, we entered into a credit agreement for a $100 million five-year term facility and a $50 million five-year revolving credit facility. In November 2017, we paid the total balance outstanding on the term facility and terminated the credit agreement and therefore, as of March 31, 2018, we had no outstanding obligations under either the term loan or credit agreement.

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 and discovery services businesses, and development of new products and services. We may experience fluctuations in patent acquisition spending as we acquire patent assets that will benefit our clients. Our cash used in investing activities may increase in the future as we acquire additional patent assets. 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):

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	$ 33,167	$ 71,244
Net cash used in investing activities	(8,787)	(5,783)
Net cash used in financing activities	(4,289)	(7,131)
Foreign-currency effect on cash and cash equivalents	362	35
Net increase in cash and cash equivalents	$ 20,453	$ 58,365

Cash Flows from Operating Activities

Cash provided by operating activities for the three months ended March 31, 2018 was $33.2 million, consisting of adjustments for non-cash items of $36.3 million, changes in working capital and non-current assets and liabilities of $3.2 million and net income of $0.1 million. Non-cash adjustments to net income primarily consisted of $32.6 million of depreciation and amortization, $3.7 million of stock-based compensation, a $0.6 million net change in our deferred taxes, and a $0.1 million of amortization of premium on investments, partially offset by an unrealized gain of $0.8 million due to foreign currency fluctuations. The change in working capital and non-current assets and liabilities resulted primarily from a $13.1 million increase in accounts receivable and a $4.3 million decrease in accrued and other liabilities, partially offset by a decrease in prepaid expenses and other assets of $9.5 million primarily due to the collection of contributions related to syndicated acquisitions, a $3.3 million increase in deferred revenue, and a $1.3 million increase in accounts payable.

Cash provided by operating activities for the three months ended March 31, 2017 was $71.2 million, consisting of adjustments for non-cash items of $40.8 million, changes in working capital and non-current assets and liabilities of $24.8 million and net income of $5.7 million. Non-cash adjustments to net income primarily consisted of $35.7 million of depreciation and amortization, $1.9 million net change in our deferred taxes, $2.7 million of stock-based compensation, and a $0.5 million of amortization of premium on investments, partially offset by an unrealized gain of $0.2 million due to foreign currency fluctuations. The change in working capital and non-current assets and liabilities resulted primarily from a $31.9 million decrease in accounts receivable due to the receipt of payment from a significant patent risk management customer and a $7.0 million increase in deferred revenue, partially offset by an increase in our prepaid expenses and other assets of $7.7 million, a $5.6 million decrease in our accrued and other liabilities, and a $0.8 million decrease in accounts payable.

Cash Flows from Investing Activities

Cash used in investing activities for the three months ended March 31, 2018 was $8.8 million, of which $17.3 million was used to acquire patent assets, and $0.7 million was used to acquire property and equipment. These were partially offset by $9.3 million provided by the net sales and maturities of short-term investments.

Cash used in investing activities for the three months ended March 31, 2017 was $5.8 million, of which $27.4 million was used to acquire patent assets, $0.4 million was used to acquire property and equipment, partially offset by $22.0 million provided by the net maturities of short-term investments.

Cash Flows from Financing Activities

Cash used in financing activities for the three months ended March 31, 2018 was $4.3 million, of which $2.5 million was used to pay dividends to our stockholders and $1.9 million used in taxes paid related to net-share settlements of restricted stock units, partially offset by $0.1 million in proceeds from stock option exercises.

Cash used in financing activities for the three months ended March 31, 2017 was $7.1 million, of which $4.5 million was used to repurchase our common stock under our share repurchase program, $1.7 million used in taxes paid related to net-share settlements of restricted stock units, payments of principal on our long-term debt of $1.3 million, partially offset by $0.4 million received from the proceeds of stock option exercises.

Contractual Obligations and Commitments

Commitments

We generally do not enter into long-term minimum purchase commitments. Our principal long-term commitments consist of obligations under operating leases for office space. There were no material changes to our contractual obligations or commitments during the three months ended March 31, 2018 as compared to our contractual obligations and commitments presented under the heading “Contractual Obligations and Commitments” in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” or the heading “Commitments and Contingencies” in Note 12 of the Notes to Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on March 5, 2018.

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. In March and May 2016, we increased our share repurchase program by $25.0 million and $50.0 million, respectively, for a total amount authorized of $150.0 million. 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 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 March 31, 2018, we had repurchased an aggregate of 8.6 million shares of common stock in the open market for $94.6 million under the share repurchase program.

Dividends

In February 2018, we announced we would pay a quarterly cash dividend of $0.05 per share, which was paid on March 28, 2018, to shareholders of record on March 14, 2018. Our quarterly dividend was canceled with our entering into the Merger Agreement.

Off Balance Sheet Arrangements

At March 31, 2018, 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.

Item 3. 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 subscription revenue is not currently subject to significant foreign currency risk. Certain of our discovery services operations are denominated in currencies other than the U.S. dollar, primarily the British pound sterling and the Euro, and therefore these operations are exposed to foreign exchange rate fluctuations, particularly in light of the referendum in the United Kingdom in which voters approved an exit from the European Union, commonly referred to as "Brexit," and other recent political developments. Our expenses are incurred primarily in the United States, with a portion of expenses incurred and denominated in the currencies where our international offices are located. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British pound sterling, Japanese yen, and Euro relative to the U.S. dollar, including changes due to Brexit. To date, we have not entered into any foreign currency hedging contracts.

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio of cash equivalents and short-term investments.

We had cash, cash equivalents and short-term investments of $168.2 million as of March 31, 2018.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 primarily of institutional money market funds, municipal and corporate bonds, U.S. government and agency securities, and commercial paper, all denominated primarily in U.S. dollars. Interest rate fluctuations affect the returns on our invested funds.

As of March 31, 2018, our short-term investments of $9.0 million were primarily invested in municipal bonds maturing between 90 days and 12 months. As of March 31, 2018, our investments were primarily classified as available-for-sale and, consequently, were recorded at fair value in the condensed 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 March 31, 2018, we had not recorded any impairment charges related to our short-term investments in the condensed consolidated statement of operations.

A hypothetical change in interest rates of 10% during the three months ended March 31, 2018 would not have had a material impact on the fair value of our investments.

Effect of Inflation

Inflation has not had a material impact on our consolidated results of operations for the three months ended March 31, 2018. There can be no assurance that future inflation will not have an adverse impact on our consolidated financial results of operations or financial condition.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2018. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2018, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Internal Control over Financial Reporting

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2018 which were identified in connection with management's evaluation required by Rule 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Refer to Note 11, "Commitments and Contingencies," in Notes to Condensed Consolidated Financial Statements (unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is hereby incorporated by reference.

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 the Offer

Because the Offer has not yet launched or closed, we cannot be sure that the transactions contemplated by the Merger Agreement will be consummated, which could have a negative effect on our financial performance and stock price.

On April 30, 2018, we entered into the Merger Agreement with Parent and Purchaser. Parent and Purchaser are beneficially owned by affiliates of HGGC. Pursuant to the Merger Agreement, upon the terms and subject to the conditions thereof, Purchaser will commence the Offer no later than May 21, 2018 to acquire all of the outstanding shares of Company Common Stock, at the Offer Price of $10.50 net to the seller in cash, without interest, subject to any applicable withholding taxes. Parent intends to fund the Offer Price with a combination of committed debt and equity financing and the Company's cash on hand. The transaction is not subject to a financing condition.

As soon as practicable following Purchaser's acceptance of Company Common Stock tendered pursuant to the Offer and upon the terms and subject to the conditions set forth in the Merger Agreement and in accordance with Section 251(h) of the Delaware General Corporation Law, the Merger will occur pursuant to which Purchaser will merge with and into the Company, whereupon the separate existence of Purchaser shall cease and the Company shall be the surviving corporation, without a meeting or vote of stockholders of the Company. At the Effective Time, the shares of Company Common Stock not purchased pursuant to the Offer (other than Company Common Stock owned by the Company as treasury stock, by Parent or Purchaser or by stockholders of the Company who have perfected their statutory rights of appraisal under Delaware General Corporate Law) will each be converted into the right to receive an amount equal to the Offer Price.

The current market price of our common stock may reflect, among other things, the announcement and anticipated completion of the Offer and the Merger. The price of our common stock could decline if the Offer or the Merger are not consummated. The obligation of Purchaser to consummate the Offer is subject to certain conditions, including but not limited to: (i) prior to the expiration of the Offer, there shall have been validly tendered and not validly withdrawn shares of Company Common Stock that, together with all other shares of Company Common Stock, if any, beneficially owned by Parent, Purchaser and their respective Affiliates (as defined in the Merger Agreement) and any shares of Company Common Stock that constitute "rollover stock" (as defined by Section 251(h)(6) of the Delaware General Corporation Law), represent at least one share of Company Common Stock more than 50% of the then outstanding shares of Company Common Stock calculated including shares underlying certain stock options, (ii) the expiration or termination of the waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) approval being obtained or deemed to be obtained under the GWB, and (iv) the satisfaction or waiver of each of the other conditions set forth in Exhibit A to the Merger Agreement. If the conditions set forth in the Merger Agreement are not met or waived, the Offer may not close nor will the Merger be consummated. We cannot ensure that each of the conditions to the consummation of the Offer will be satisfied.

We may also be subject to additional risks, whether or not the Offer or the Merger is completed, including:

- our management having spent a significant amount of their time on and directed a significant portion of their efforts toward the Merger Agreement and the Offer, which time and efforts otherwise would have been spent on our business and other opportunities that could have been beneficial to us;
- costs relating to the Merger Agreement and the Offer, such as legal, financial, and accounting fees, much of which must be paid regardless of whether the Offer and the Merger are completed; and

- uncertainties relating to the Offer and the Merger may adversely affect our relationships with our employees, suppliers, customers, and other key constituencies.

Investors should not place undue reliance on the consummation of the Offer and the Merger. The realization of any of these risks may materially adversely affect our business, financial condition, results of operations and the market price of our common stock. The historical share prices of our common stock have experienced significant volatility. We cannot predict or give any assurances as to the market price of our common stock at any time before or after the completion of the Offer and the Merger.

If the Offer or the Merger are not consummated, we would expect to suffer a number of consequences that may adversely affect our business, results of operations and stock price, including, but not limited to, the following effects:

- the market price of our common stock would likely decrease since the current market price may reflect a market assumption that the Offer and the Merger will be consummated;
- in certain circumstances, we may be required to pay Parent a termination fee of $18,388,081;
- we may experience difficulties in attracting customers or obtaining financing due to changed perceptions about our competitive position, our management, our liquidity or other aspects of our business;
- we may be unable to find a partner willing to engage in a similar transaction on terms as favorable as those set forth in our agreements with Purchaser and Parent;
- we would not benefit from the anticipated benefits of the Offer and the Merger; and
- failure to complete the contemplated transactions may substantially limit our ability to grow and implement our current business strategies.

As a result of the contemplated Offer and Merger, our common stock has been trading within a narrow price range, which could limit possible returns on any new investment in our common stock.

Beginning with the first trading date following the announcement of the Merger Agreement, the contemplated Offer and the Merger, May 1, 2018, and continuing through the date hereof, our common stock has traded within a narrow price range: from a low closing price of $10.41 to a high closing price of $10.42. This constricted trading range surrounding the Offer price is typical with respect to proposed transactions such as the Offer, where the trading market may perceive that both the risk of one or more competing tender offers to be low and the likelihood of legal or regulatory impediments to the transaction to also be low. We expect that this narrow trading range is likely to continue until the closing of the Offer. Such a narrow trading range would very likely limit the returns, if any, on any investment in our common stock until the closing or abandonment of the Offer and the Merger.

The termination fee and restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to make a competing proposal.

Pursuant to the Merger Agreement, we have agreed not to solicit or initiate discussions with third parties regarding other acquisition proposals regarding us and have agreed to certain restrictions on our ability to respond to such proposals, as specified in the Merger Agreement. We will be required to pay Parent a cash termination fee equal to $18,388,081 if, among other reasons, the Merger Agreement is terminated (i) by us to enter into an acquisition agreement that constitutes a Superior Company Proposal or (ii) by Parent because our Board of Directors adversely changes its recommendation to our stockholders to accept the Offer and tender their shares of Company Common Stock. These provisions could discourage other companies from trying to make a competing proposal even though those other companies might be willing to offer greater value to our stockholders than Purchaser has offered.

The Offer and Merger may adversely affect our relationship with our customers, suppliers and partners, and adversely affect our ability to attract and retain key employees.

The Offer will be completed and the Merger consummated only if stated conditions are met; accordingly, there may be uncertainty regarding the completion of the Offer and the consummation of the Merger. This uncertainty may cause customers, suppliers and partners to delay or defer decisions concerning certain of our products, which could negatively affect our business. Customers, suppliers, lenders and partners may also seek to change existing agreements with us as a result of the proposed Offer and Merger. Any delay or deferral of those decisions or changes in existing agreements could materially impact our business, regardless of whether the Offer and Merger are ultimately completed. The completion of the Offer and the consummation of the Merger may adversely affect our relationship with our customers, suppliers, lenders and partners. Similarly, current and prospective employees may experience uncertainty about their future roles with our company. This may adversely affect our ability to attract and retain key management, technical, sales, marketing, and operations personnel.

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. In addition, we do not believe that our rate of growth since inception is representative of anticipated future revenue growth, and we have experienced year-over-year declines in revenue in the most recent periods and may continue to experience year-over-year declines in the future. 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:

- changes in our subscription fee rates or changes in our own pricing and discounting policies or those of our competitors;
- decreases in our clients' and prospective clients' costs of litigating patent infringement claims;
- changes in the accounting treatment associated with how we recognize revenue under subscription agreements;
- the emergence of commercially successful new technology sectors with exposure to patents; the availability of patent portfolios that apply to these products and services; and the aggressiveness of NPEs and other licensors in monetizing their portfolios;
- our inability to effectively develop and implement new services that meet client requirements in a timely manner;
- the addition or loss of discovery services clients and projects which are difficult to predict and may result in material changes in quarterly revenue and costs, and in particular a decrease in revenue during 2018;
- non-renewals from existing clients for any reason;
- 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 services to our existing and potential clients;
- our expansion into new international markets;
- lower subscription fees from clients whose annual subscription fees decrease due to declining operating income or revenue of such clients, the effects of changes in foreign exchange rates, or decreased NPE risk;
- changes in the accounting treatment associated with our acquisitions of patent assets and how we amortize those patent assets;
- 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;
- our lengthy and unpredictable membership sales cycle, including delays in potential clients' decisions whether to subscribe to our patent risk management services;
- our acquisition of patent assets with a shorter estimated useful life that increases our near-term patent asset amortization expense and decreases our earnings;
- loss of clients, including through acquisitions or consolidations;
- losses incurred as a result of claims made on insurance policies underwritten or assumed by us;
- our inability to retain key personnel;
- increases in operating expenses, including those attributable to additional headcount, or the costs of new business initiatives, and our acquisition of Inventus;
- other matters related to our acquisition of Inventus and the expansion of our business into discovery services;

- any significant changes in the competitive dynamics of our markets, including new competitors or substantial discounting of services that are viewed by our target markets as competitive to ours;
- increases in the prices we need to pay to acquire patent assets;
- 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 services is evolving, and if these services are not widely accepted or if demand for these services is not sustained, 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 services and we expect this will continue for the foreseeable future. As a result, widespread acceptance of these services is critical to our future success. The market for patent risk management services is evolving and it is uncertain whether these services 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 services, then wide market adoption of our patent risk management services 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 these services, as well as our ability to obtain new clients and renew existing clients, include:

- reduced assertions from non-practicing entities ("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;
- uncertainty about our ability to significantly reduce patent litigation costs for a particular company;
- 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;
- lack of expansion of technology and patent risk to markets that previously have not incorporated, but are currently incorporating, technology into businesses;
- 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.

We receive a significant amount of our revenues from a limited number of clients, and if we are not able to obtain membership renewals or continued engagements 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 three months ended March 31, 2018, our 10 highest revenue-generating clients accounted for approximately 31% 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 remain a client, or if our fees from one of these clients decline, our revenue may correspondingly decrease and our operating results may be adversely affected.

The success of our business depends on clients renewing their patent risk 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 patent risk services 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. As of March 31, 2018, the weighted-average term of our subscription agreements with our current clients since the inception of those agreements was 2.3 years. 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 one-year renewal periods. As a result, as more of our clients are in renewal periods, the weighted-average term of our subscription agreements has decreased and may continue to decrease further. 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 services 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.

If we are unable to enhance our current services or to develop or acquire new services to provide additional value to our clients and potential clients, our business may be harmed.

In order to attract new clients and retain existing clients, we need to enhance and improve our existing service offering and introduce new services 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 services, enhance our technical capabilities or otherwise offer growth opportunities.

The development and implementation of new services 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 services may not be introduced in a timely manner or at all. If we do introduce these or any other services, we may be unable to implement such services in a cost-effective manner, achieve wide market acceptance, meet client expectations or generate revenue sufficient to recoup the cost of developing such services. Any new services we introduce may expose us to additional laws, regulations and risks. If we are unable to develop these or other services successfully and enhance our existing services to meet client requirements or expectations, we may not be able to attract or retain clients, and our business may be harmed.

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 services, our business and operating results will be adversely affected.

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. In addition, we acquired Inventus and its legal discovery services business in January 2016. The legal discovery services business is a relatively new business for us. 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 services by companies we target to become clients. Our efforts to sell our products 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 services is not sustained, or if competitors introduce new solutions that compete with our services, 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. 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.

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.

Certain client's subscription fees are reset annually based on the client's reported revenue and operating income measured as of the end of its last fiscal year or reflect a fixed fee that is risk-adjusted for the client's patent risk profile. If a client pays a subscription fee based on our rate card and is not already paying the minimum due under that 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 card to the combined entity rather than to each entity separately. Any reduction in subscription fees could harm our business and operating results.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606,* Revenue from Contracts with Customers *("ASC 606") will have a material effect on our consolidated financial statements and may increase the variability of the revenue recognized from our patent risk management fees from period to period and may reduce the amount of revenue we recognize.

Through December 31, 2017, we recognized revenue in accordance with FASB ASC 605, *Revenue Recognition* ("ASC 605") and related authoritative guidance. Effective January 1, 2018, we began recognizing revenue in accordance with ASC 606, which is explained further under the heading "Revenue from Contracts with Customers" in Note 2 of the Notes to Consolidated Financial Statements in Part I, Item 1, "*Consolidated Financial Statements and Supplementary Data"* of this Quarterly Report. Our patent risk management revenue was materially impacted by the adoption of this new standard due to the identification of multiple performance obligations from our patent risk management membership subscription and the timing and amount of recognition for these separable performance obligations. Specifically, we recognize separate performance obligations under the new standard for certain discrete patent assets transferred to our membership clients (referred to as a "catalyst license") as well as for access to the patent portfolio clients obtain when becoming a member or renewing membership (referred to as a "portfolio access license"). The revenue generated from these additional performance obligations will be recognized at a point in time under ASC 606 as licensing revenue whereas under ASC 605, we generally recognized these membership fees ratably over the term of the customer contract as subscription revenue. Additionally, we will determine whether revenue should be treated on a gross or net basis for these additional separable performance obligations which may result in revenue which is treated on a gross basis under ASC 605 to be treated on a net basis under ASC 606 which reduces our basis in our patent assets. Therefore, the adoption of ASC 606 increases the variability of revenue recognized from our patent risk management services from period to period as well as reduces revenue and patent assets previously treated on a gross basis under ASC 605 that will be treated on a net basis under ASC 606.

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 services, 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.

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. In 2017, a number of our key executive officers left RPX, including our previous chief executive officer, our previous executive vice president, our previous chief financial officer who had subsequently served in another executive role, the previous chief executive officer of Inventus, and our previous chief revenue officer. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our key employees, including the recent loss of our previous chief executive officer and our other executive officers, and the resulting turnover in our executive management team could seriously harm our business.

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 recently announced a process to explore and evaluate strategic alternatives to maximize shareholder value, which may result in the use of a significant amount of our management resources or significant costs, and we may not be able to achieve any particular outcome or to fully realize the potential benefit of such alternatives.

In February 2018, we announced that the Board of Directors is conducting a process to explore and evaluate strategic alternatives to maximize shareholder value. The Board has not made any decisions related to any strategic alternatives at this time. No assurances can be made with regard to the timeline for completion of the strategic review, or whether the review will result in any particular outcome. This process may divert the attention of management and cause us to incur various expenses, whether or not any particular outcome is achieved.

We acquired Inventus in January 2016, and may acquire or invest in 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 may also be unable to realize the expected benefits and synergies of any acquisitions.

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 services, enhance our technical capabilities or otherwise offer growth opportunities. We may not be able to integrate the acquired personnel, operations, and technologies successfully or effectively manage the combined business. 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.

In addition, we may not achieve the anticipated benefits from the Inventus or another acquisition due to a number of factors, including:

- difficulties in integrating operations, technologies, services and personnel;
- the need to integrate the operations, systems (including accounting, management, information, human resources and other administrative systems), technologies, products, and personnel of each acquired company, which is an inherently risky and potentially lengthy and costly process;
- the need to implement or improve controls, procedures, and policies appropriate for a public company at companies that prior to our acquisition may have lacked such controls, procedures, and policies or whose controls, procedures, and policies did not meet applicable legal and other standards;
- our dependence on the accounting, financial reporting, operating metrics and similar systems, controls and processes of an acquired business, and the risk that errors or irregularities in those systems, controls, and processes will lead to errors in our consolidated financial statements or make it more difficult to manage the acquired business;
- the potential loss of key customers, vendors, and other business partners of the companies we acquire following the announcement of our transaction plans;
- the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise as a result;
- derivative lawsuits resulting from the acquisition;
- risks associated with our expansion into new international markets;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- incurrence of acquisition-related charges; for example, in connection with the preparation of our financial results for the fourth quarter of 2017, we recorded a non-cash impairment loss of $89.0 million relating to our discovery services goodwill;
- 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 and cash management;
- 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.

If the Inventus security measures are breached, our discovery services may be perceived as not being secure, clients may curtail or stop using our discovery services, and we may incur significant legal and financial exposure.

We process, store, and transmit large amounts of data, including personal information, for our discovery services clients, and a material security breach would expose us to a risk of loss of this information, litigation, and potential liability. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Our discovery services engagement agreements, including those related to our largest clients, can be terminated by our clients with little or no notice and without penalty, which may cause our operating results to be unpredictable.

Our discovery services clients typically retain us on an engagement-by-engagement basis, rather than under fixed-term contracts; the volume of work performed for any particular client is likely to vary from month to month and year to year, and a major client in one fiscal period may not require or may decide not to use our services in any subsequent fiscal period. Almost all of our discovery services engagement agreements can be terminated by our clients with little or no notice and without penalty. For example, in engagements related to litigation, if the litigation were to be settled, our engagement for those services would no longer be necessary and, therefore, would be terminated.

When discovery services engagements are terminated or reduced, we lose the associated future revenues, and we may not be able to recover associated costs or redeploy the affected employees in a timely manner to minimize the negative impact. In addition, our discovery services clients' ability to terminate engagements with little or no notice and without penalty makes it difficult to predict our operating results for the discovery services segment in any particular fiscal period.

Because we generally recognized revenue from membership subscriptions over the term of the membership under ASC 605 through December 31, 2017, 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.

Through December 31, 2017, under ASC 605, we generally recognized subscription fees received from clients ratably over the period of time to which those fees applied. Most of our clients are invoiced annually, and thus their fees were recognized as revenue over the course of 12 months under ASC 605. 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 services 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. Effective January 1, 2018, we began recognizing subscription fees under ASC 606 which significantly impacts the timing of revenue recognized as compared to ASC 605 as discussed above.

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.

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.

We have invested management time and resources into developing products designed to provide insurance against 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 have invested management time and financial resources in the development of products designed to provide insurance against some of the costs resulting from 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.

New legislation, regulations or court rulings related to enforcing patents could reduce the value of our services 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 services 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 for invalidating patents, 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 services or renew their memberships. Furthermore, even if companies are interested in subscribing to our services 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.

In addition, future laws and regulations, or judicial interpretations thereof, could affect our discovery services clients and thus indirectly adversely affect our business. For example, changes to the Federal Rules of Civil Procedure regarding discovery of "electronically stored information" could result in a decreased need for discovery services. Any of these events could result in a material adverse effect on our business and operating results.

Releases of new software products or upgrades to our existing software products or licensed third-party software may have undetected errors, or may not operate as intended or achieve our client's desired objectives, which could cause litigation claims against us, damage to our reputation, or loss of business.

Certain of our discovery services utilize software developed by us or third parties for the needs of our clients. Complex software products, such as those we utilize, can contain undetected errors when first introduced or as new versions are released, or may fail to operate as intended or achieve the client’s desired objectives. Any introduction of new software products or upgrade to existing software products has a risk of undetected errors. These undetected errors may be discovered only after a product has been installed and used either in our internal processing or by our clients. Likewise, the software products we acquire in business acquisitions have a risk of undetected errors. Any undetected errors, difficulties in installing and maintaining our software products or upgrade releases, or the failure to achieve the client's desired objectives, may result in a delay or loss of revenue, diversion of development resources, damage to our reputation, the loss of that client, loss of future business, increased service costs, potential litigation claims against us, or impaired market acceptance of our products.

We may not be able to compete effectively against others in our patent risk management or legal discovery services businesses. 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 services and the value and cost savings they 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 Wi-LAN, Allied Security Trust, and PanOptis. 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 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.

In addition, the discovery services market is highly fragmented, extremely competitive, and continually changing as technology and the legal and regulatory environments evolve around the world. Our competitors include larger businesses that offer a distinct discovery service offering such as Epiq, KLDiscovery, Consilio, and FTI Consulting. We also compete with smaller regional discovery services businesses as well as discovery services practices inside large and mid-sized law firms and professional services firms. Many of our competitors in this market have a greater national and international presence, as well as have a significantly greater number of personnel, financial, technical, and marketing resources. In addition, these competitors may generate greater revenues and have greater name recognition than we do.

We expect to face more direct competition in the future in both our patent risk management business and legal discovery services business from other established and emerging companies. In addition, as a relatively new company in the patent risk management market and legal discovery services market, we have limited insight into trends that may develop and affect our businesses. 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 in both our patent risk management business and legal discovery services businesses 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 when 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 highly visible. 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.

If we are not perceived as a trusted patent risk manager, our ability to maintain 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.

The unavailability of third-party technology could adversely impact our revenue and results of operations.

We license certain discovery-related software from third parties and incorporate such software into our discovery services. Most of our third-party software license contracts expire within one year and may be renewed only by mutual consent. There is no assurance that we will be able to renew these contracts as they expire or that such renewals will be on the same or substantially similar terms or on conditions that are commercially reasonable to us. If we fail to renew these contracts as they expire, our discovery services offerings may be reduced. In addition, our third-party software licenses are non-exclusive, and therefore, our competitors may obtain the right to license certain of the technology covered by these agreements to compete directly with us. In certain situations, our third party software licensors are themselves also our competitors in the discovery services market.

If certain of our third-party licensors were to change product offerings, cease actively supporting the technologies, fail to update and enhance the technologies to keep pace with changing industry standards, encounter technical difficulties in the continuing development of these technologies, significantly increase prices, terminate our licenses, suffer significant capacity or supply chain constraints or suffer significant disruptions, we would need to seek alternative suppliers and incur additional internal or external development costs to ensure continued performance of our discovery services. Such alternatives may not be available on attractive terms, or may not be as widely accepted or as effective as the current licenses provided by our existing suppliers. If the cost of licensing or maintaining the third party intellectual property significantly increases, our operating earnings could significantly decrease. In addition, interruption in functionality of our services and products as a result of changes in or with third party licensors could adversely affect our commitments to clients, future sales, and negatively affect our revenue and operating earnings.

Interruptions or delays in service at the data centers we utilize for discovery services could impair the delivery of our service and harm our business.

We provide services through computer hardware that is located in co-location data centers operated by unrelated third parties. Although we do own that computer hardware, we do not control the operation of these colocation facilities, which increases our vulnerability to problems with the services they provide. The data centers are subject to damage or interruption from earthquakes, floods, fires, power loss, terrorist attacks, telecommunications failures and similar events. These facilities are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. The occurrence of any of these events or other unanticipated problems at a facility could result in interruptions in certain of our services, although we have established backup recovery data centers to try to minimize this risk. In addition, the failure by our vendor to provide our required data communications capacity could result in poor service or interruptions in our service. Any damage to, or failure of, our systems or services could reduce our revenue, cause us to issue credits or pay penalties, cause clients to terminate their agreements with us and adversely affect our ability to secure business in the future. Our business will be harmed if our clients and potential clients believe our services are unreliable.

If the value of our goodwill or intangible assets become materially impaired, we may be required to record a significant charge to earnings.

We test goodwill for impairment at least annually. If such goodwill is deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill is determined, which would negatively affect our results of operations. For example, in connection with the preparation of our financial results for the fourth quarter of 2017, we concluded that non-cash impairment losses of $94.1 million would be recorded in the financial information of the fourth quarter of the fiscal year ended December 31, 2017, $89.0 million of which relates to goodwill in our discovery services segment and the remaining impairment is associated with our cost method investments in our patent risk management segment.

Our business model requires 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 relatively 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.

If we fail to manage the risks associated with operating an insurance business, our results of operations and financial condition may be adversely affected.

In August 2012, we began to offer insurance products for patent claims, and therefore face risks associated with the operation of an insurance business. 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 exposes us to additional laws and regulations. Compliance with such laws and regulations may be costly, which could affect our results of operations.

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 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 services 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 or changed in the future, including in the United Kingdom as a result of Brexit. Since a significant portion of the regulatory framework in the United Kingdom is derived from EU directives and regulations, Brexit could materially affect the regulatory regime in the United Kingdom. Changes in laws and regulations regarding data protection, privacy, network security, or encryption may affect our discovery services. 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.

Any failure to maintain or protect our patent assets or other intellectual property rights could impair our ability to attract or retain clients 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 may 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 services 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.

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. If we are unable to effectively remediate control deficiencies which are identified or are otherwise unable to maintain adequate internal controls over our financial reporting in the future, we may not be able to prepare reliable financial statements and comply with our reporting obligations on a timely basis, which could materially adversely affect our business and subject us to legal and regulatory action.

Global economic conditions may adversely affect demand for our services 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. In particular, the economics of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector, and uncertainty over the future of the Euro zone, including instability surrounding Brexit. 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 services. 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.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the NASDAQ Stock Market and other applicable securities rules and regulations. Compliance with these rules and regulations has increased, and will likely continue to increase, our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and place significant strain on our personnel, systems and resources. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time. This could result in continuing uncertainty regarding compliance matters, higher administrative expenses and a diversion of management's time and attention. Further, if our compliance efforts differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. Being a public company that is subject to these rules and regulations also makes it more expensive for us to obtain and retain director and officer liability insurance, and we may in the future be required to accept reduced coverage or incur substantially higher costs to obtain or retain adequate coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors and qualified executive officers.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our business may be perceived as not being secure, customers may reduce the use of or stop using our services and we may incur significant liabilities.

Our business involves the storage and transmission of our and our customers' sensitive proprietary information. As a result, unauthorized access or security breaches could result in the loss of information, litigation, indemnity obligations and other liability. While we have security measures in place that are designed to protect customer information and prevent data loss and other security breaches, if these measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and someone obtains unauthorized access to our data or our our customers' data, we could face loss of business, regulatory investigations or orders, our reputation could be severely damaged, we could be required to expend significant capital and other resources to alleviate the problem, as well as incur significant costs and liabilities, including due to litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, and costs for remediation and other incentives offered to customers or other business partners in an effort to maintain business relationships after a breach.

We cannot assure you that any limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security lapse or breach. We also cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims related to a security breach, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Cyber-attacks and other malicious Internet-based activities continue to increase generally. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, third parties may attempt to fraudulently induce employees or users to disclose information to gain access to our data or our customers' data. If any of these events occur, our or our customers' information could be accessed or disclosed improperly. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our operating results.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our business and adversely affect our business.

Our business, particularly our discovery services business, may involve the collection, use and storage of certain types of personal or identifying information regarding our customers, their employees and partners. Federal, state and foreign government bodies and agencies have adopted, are considering adopting or may adopt laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from consumers and individuals, such as compliance with the Health Insurance Portability and Accountability Act and the recently created EU-U.S. Privacy Shield. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our business and reduce overall demand or lead to significant fines, penalties or liabilities for any noncompliance with such privacy laws. Even the perception of privacy concerns, whether or not valid, may inhibit adoption of our business in certain industries.

All of these domestic and international legislative and regulatory initiatives may adversely affect our customers' ability to process, handle, store, use and transmit demographic and personal information from their employees, customers and partners, which could reduce demand for our business. The European Union ("EU") and many countries in Europe have stringent privacy laws and regulations, which may affect our ability to operate cost effectively in certain European countries. In particular, the EU has adopted the General Data Protection Regulation ("GDPR") which will go into effect in early 2018 and contains numerous requirements and changes, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. Complying with the GDPR may cause us to incur substantial operational costs or require us to change our business practices. Despite our efforts to bring practices into compliance before the effective date of the GDPR, we may not be successful either due to internal or external factors such as resource allocation limitations or a lack of vendor cooperation. Non-compliance could result in proceedings against us by governmental entities or others. We may also experience difficulty retaining or obtaining new European or multi-national customers due to the compliance cost, potential risk exposure, and uncertainty for these entities.

Sales to customers outside the United States or with international operations expose us to risks inherent in international sales.

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. The combined revenues from non-U.S. regions, based on the country in which the client is domiciled, constituted 40% and 43% of our total revenues for the three months ended March 31, 2018 and 2017, respectively. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the United States. Because of our limited experience with international operations, our international expansion efforts may not be successful in creating additional demand for our services outside of the United States or in effectively selling our services in all of the international markets we enter. There can be no assurance that we will be able to continue to grow our combined revenues from non-U.S. regions as a percentage of our total revenues. In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our services for specific countries, including translation into foreign languages and associated expenses;
- data privacy laws that require customer data to be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations and working with foreign partners;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- fluctuations in currency exchange rates, which could increase the price of our services outside of the United States, increase the expenses of our international operations and expose us to foreign currency exchange rate risk;
- adverse tax consequences; and
- unstable regional and economic political conditions.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international sales and operations. Our failure to manage any of these risks successfully, or to comply with these laws and regulations, could harm our operations, reduce our sales and harm our business, 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 services or enhance our existing service offering, 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 insurance product.

In May 2014, we began offering an “A” rated 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 insurance product, which could have an adverse effect on new insurance business growth and retention of our existing insurance business.

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;
- factors regarding the previously-announced process to explore and evaluate strategic alternatives to maximize shareholder value;
- recruitment or departure of members of our Board of Directors, management team or other key personnel;
- market conditions in our industry;
- the impact of macroeconomic, market, and political factors and trends, including in light of Brexit, and other recent political developments;
- 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;
- the abandonment of our quarterly dividend or any change in our stock repurchase program;
- 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.

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.

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 2015, our Board of Directors approved a share repurchase program of up to $75.0 million. In March 2016 and May 2016, our Board of Directors further increased the amount authorized to repurchase by $25.0 million and $50.0 million, respectively, to an aggregate authorized amount of $150.0 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Stock repurchase activity during the three months ended March 31, 2018 was as follows:

Period Ended	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value that May Yet be Purchased Under the Programs [(1)]
January 31, 2018	—	$ —	—	$ 55,434,742
February 28, 2018	—	—	—	55,434,742
March 31, 2018	—	—	—	55,434,742
	—		—	

(1) On February 10, 2015, we announced that our Board of Directors had authorized a share repurchase program under which we are authorized to repurchase up to $75.0 million of our outstanding common stock with no expiration date from the date of authorization. In March 2016 and May 2016, we increased our share repurchase program by $25.0 million and $50.0 million, respectively, for a total amount authorized of $150.0 million. As of March 31, 2018, we had repurchased $94.6 million of our outstanding common stock. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act. Our share repurchase program does not obligate us to acquire any specific number of shares.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Exhibit Title	Incorporated by Reference Form	File No.	Exhibit No.	Filing Date	Provided Herewith
2.1	Agreement and Plan of Merger by and among RPX Corporation, Riptide Parent LLC, and Riptide Purchaser, Inc. dated as of April 30, 2018	8-K	001-35146	2.1	5/1/2018	
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	8-K	001-35146	3.1	12/11/2015	
10.1*	Separation Agreement by and between the Registrant and Steven S. Swank dated as of February 1, 2018	8-K	001-35146	10.1	2/5/2018	
10.2*	Severance and Change of Control Agreement by and between the Registrant and Martin E. Roberts dated as of March 21, 2018					X
10.3*	Severance and Change of Control Agreement by and between the Registrant and David J. Anderson dated as of March 21, 2018					X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13-14(a) or 15(d)-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) or 15(d)-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

* Indicates a management contract or compensatory plan.

SIGNATURES

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

RPX CORPORATION
(Registrant)

Date:	May 8, 2018	By:	/s/ MARTIN E. ROBERTS
			Martin E. Roberts
			Chief Executive Officer
			(Principal Executive Officer)
Date:	May 8, 2018	By:	/s/ DAVID J. ANDERSON
			David J. Anderson
			Chief Financial Officer
			(Principal Financial Officer)

Exhibit 10.2

RPX CORPORATION

SEVERANCE AND CHANGE IN CONTROL AGREEMENT

This Severance and Change in Control Agreement (the "**Agreement**") is made and entered into, as of March 21, 2018 (the "**Effective Date**"), by and between Martin Roberts (the "**Executive**") and RPX Corporation, a Delaware corporation (the "**Company**").

This Agreement provides severance and acceleration benefits in connection with certain qualifying terminations of Executive's employment with the Company. Upon its effectiveness and for its duration, this Agreement shall supersede any existing agreements between Executive and the Company relating to severance and/or accelerated vesting of equity awards in connection with Executive's termination of employment with the Company.

Certain capitalized terms are defined in Section 8.

The Company and Executive agree as follows:

1. Term. Unless terminated sooner or renewed by the Company's Board of Directors or its Compensation Committee, this Agreement will terminate automatically if a Change in Control has not occurred on or prior to March 21, 2019.

2. Severance Benefits.

(a) Severance Benefits. If Executive is subject to an Involuntary Termination which occurs within twelve (12) months following a Change in Control and Executive satisfies the conditions described in Section 2(b) below, then Executive shall be entitled to the following severance benefits: (i) the Company will pay Executive an amount equal to one and one-half (1.5) times his Base Salary, (ii) the Company will pay Executive an amount equal to 100% of Executive's target bonus as calculated assuming 100% achievement of plan, (iii) the Company will pay Executive an additional lump sum payment equal to the amount required to maintain Executive's current benefits pursuant to COBRA for a period of twelve (12) months, and (iv) one hundred percent of the unvested portion of each outstanding equity award that Executive holds as of the Involuntary Termination will vest and, if applicable, become exercisable. Subject to Section 2(b) below, the amounts described in clauses (i) and (ii) of this Section 2(a) will be paid in equal installments over the twelve-month period following Executive's Involuntary Termination, in accordance with the Company's standard payroll procedures.

(b) Preconditions to Severance Benefits / Timing of Benefits. As a condition to Executive's receipt of any benefits described in Section 2, Executive shall execute and allow to become effective a general release of claims in substantially the form attached hereto and, if requested by the Company's Board of Directors, must immediately resign as a member of the Company's Board of Directors and as a member of the board of directors of any subsidiaries of the Company. Executive must execute and return the release on or before the date specified by the Company, which will in no event be later than fifty (50) days after Executive's employment terminates. If Executive fails to return the release by the deadline or if Executive revokes the release, then Executive will not be entitled to the benefits described in this Section 2. Assuming compliance with this Section 2(b), all such benefits will be paid or commence within 60 days after Executive's Involuntary Termination and, once they commence, will include any unpaid amounts accrued from the date of Executive's Involuntary Termination. However, if such 60-day period spans calendar years, then payment will in any event be made or commence in the second calendar year. In addition, if during the period Executive is receiving benefits hereunder, Executive fails to comply with the provisions of his Proprietary Information and Inventions Agreement that lawfully restrict Executive's use of the Company's trade secrets or that restrict

Executive from soliciting the Company's employees, or Executive engages in any activity, whether directly or indirectly and whether as an employee, agent, consultant, advisor, independent contractor, general partner, officer, director, stockholder, investor, lender or guarantor of any corporation or other entity, in the patent risk management or discovery services business, then the Company's obligation to pay any unpaid benefits hereunder will immediately terminate. Consistent with the provisions of the previous sentence, Executive may own (solely as a passive investor) securities in any publicly-held corporation that may be engaged in the patent risk management or discovery services business, but only to the extent Employee does not own, of record or beneficially, more than an aggregate of one percent (1%) of the outstanding beneficial ownership of such corporation.

3. Section 409A. The Company intends that all payments and benefits provided under this Agreement or otherwise are exempt from, or comply with, with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") so that none of the payments or benefits will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted in accordance with such intent. For purposes of Code Section 409A, each payment, installment or benefit payable under this Agreement is hereby designated as a separate payment. In addition, if the Company determines that Executive is a "specified employee" under Code Section 409A(a)(2)(B)(i) at the time of Executive's Separation, then (i) any severance payments or benefits, to the extent that they are subject to Code Section 409A, will not be paid or otherwise provided until the first business day following (A) expiration of the six-month period measured from Executive's Separation or (B) the date of Executive's death and (ii) any installments that otherwise would have been paid or provided prior to such date will be paid or provided in a lump sum when the severance payments or benefits commence.

4. Section 280G. Notwithstanding anything contained in this Agreement to the contrary, in the event that the payments and benefits provided pursuant to this Agreement, together with all other payments and benefits received or to be received by Executive ("**Payments**"), constitute "parachute payments" within the meaning of Code Section 280G, and, but for this Section 4, would be subject to the excise tax imposed by Code Section 4999 (the "**Excise Tax**"), then the Payments shall be made to Executive either (i) in full or (ii) as to such lesser amount as would result in no portion of the Payments being subject to the Excise Tax (a "**Reduced Payment**"), whichever of the foregoing amounts, taking into account applicable federal, state and local income taxes and the Excise Tax, results in Executive's receipt on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. If a Reduced Payment is to be made under this section, reduction of Payments will occur in the following order: reduction of cash payments, then cancellation of equity-based payments and accelerated vesting of equity awards, and then reduction of employee benefits. If accelerated vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant. In the event that cash payments or other benefits are reduced, such reduction shall occur in reverse order beginning with the payments and benefits which are to be paid furthest away in time. All determinations required to be made under this Section 4 (including whether any of the Payments are parachute payments and whether to make a Reduced Payment) will be made by an independent accounting firm selected by the Company. For purposes of making the calculations required by this section, the accounting firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonably, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company will bear the costs that the accounting firm may reasonably incur in connection with the calculations contemplated by this Section 4. The accounting firm's determination will be binding on both Executive and the Company absent manifest error.

5. Company's Successors. Any successor to the Company to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession.

6. Miscellaneous Provisions.

(a) Modification or Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(b) Integration. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements, whether written or oral, with respect to the subject matter of this Agreement.

(c) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(d) Tax Withholding. Any payments provided for hereunder are subject to reduction to reflect applicable withholding and payroll taxes and other reductions required under federal, state or local law.

(e) Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office (attention General Counsel) and to the Executive at the address that he or she most recently provided to the Company in accordance with this Subsection (e).

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7. At-Will Employment. Nothing contained in this Agreement shall (a) confer upon Executive any right to continue in the employ of the Company, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the at-will nature of Executive’s employment with the Company.

8. Definitions. The following terms referred to in this Agreement shall have the following meanings:

(a) “**Base Salary**” means Executive’s annual base salary as in effect immediately prior to an Involuntary Termination; provided, however, that in the event of a Resignation for Good Reason due to a reduction in Executive’s base salary, “Base Salary” means Executive’s annual base salary as in effect immediately prior to such reduction or as in effect immediately prior to a Change in Control, whichever is greater.

(b) “**Cause**” means (i) Executive’s intentional and unauthorized use or disclosure of the Company’s confidential information or trade secrets, which use or disclosure causes material harm to the Company, (ii) Executive’s material breach of any agreement with the Company, (iii) Executive’s material failure to comply with the Company’s written policies or rules, (iv) Executive’s conviction of, or plea of “guilty” or “no contest” to, a felony under the laws of the United States or any State, (v) Executive’s gross negligence or willful misconduct relating to the Company, (vi) Executive’s continuing failure to perform assigned duties after receiving written notification of the failure from the Company’s Board of Directors or (vii) Executive’s failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested such cooperation. To the extent Executive commits an act that would constitute Cause pursuant to (ii), (iii), (vi) or (vii), Executive will be given notice and an opportunity to cure within thirty (30) days of receiving notice and, if Executive reasonably cures such act as determined by the Audit Committee of the Company's Board of Directors, it will not constitute Cause.

(c) "**Change in Control**" shall have the meaning set forth in the Company's 2011 Equity Incentive Plan, as in effect on the Effective Date.

(d) "**Disability**" means the Executive's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(e) "**Involuntary Termination**" means either (i) a Termination without Cause or (ii) a Resignation for Good Reason.

(f) "**Resignation for Good Reason**" means a Separation as a result of Executive's resignation from employment after one of the following conditions has come into existence without Executive's consent: (i) a material diminution in Executive's duties, authority or responsibilities with the Company, as determined by the Compensation Committee of the Company's Board of Directors as constituted immediately prior to a Change in Control (the "Compensation Committee"), acting reasonably and in good faith; provided that it shall not be deemed a material diminution if Executive continues to perform duties that are substantially similar, in the aggregate, to the duties performed by Executive immediately prior to a Change in Control, as determined by the Compensation Committee, acting reasonably and in good faith, (ii) a reduction in Executive's total compensation by more than 10%, other than as part of a Company-wide compensation adjustment, or (iii) a relocation of the Executive's place of employment by more than fifty (50) miles from the Company's current offices in San Francisco, California. In order to constitute a Resignation for Good Reason, Executive must give the Company written notice of the condition within ninety (90) days after it comes into existence, the Company must fail to remedy the condition within thirty (30) days after receiving Executive's written notice and Executive must terminate his or her employment within thirty (30) days after expiration of the cure period.

(g) "**Separation**" means a "separation from service" as defined in the regulations under Code Section 409A.

(h) "**Termination Without Cause**" means a Separation as a result of the termination of Executive's employment by the Company without Cause and not as a result of Executive's death or Disability.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year indicated below.

COMPANY

By: ______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

EXECUTIVE

By:_______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

GENERAL RELEASE OF ALL CLAIMS

In consideration of the severance benefits to be paid to Martin Roberts ("Executive") by RPX Corporation (the "Company"), as described in Paragraph 1 below, Executive, on Executive's own behalf and on behalf of Executive's heirs, executors, administrators and assigns, to the fullest extent permitted by applicable law, hereby fully and forever releases and discharges the Company and its directors, officers, employees, agents, successors, predecessors, subsidiaries, parent, shareholders, employee benefit plans and assigns (together called "the Releasees"), from all known and unknown claims and causes of action including, without limitation, any claims or causes of action arising out of or relating in any way to Executive's employment with the Company, including the termination of that employment.

1. If Executive signs (and does not revoke) this General Release of All Claims ("Release"), the Company will provide Executive with the severance benefits described in Section 2 of the Severance and Change in Control Agreement, effective as of March 12, 2018, between the Company and Executive (the "Severance Agreement").

2. Executive's Company equity awards, to the extent vested and outstanding as of Executive's employment termination date, will be treated as provided in the applicable equity plan and the related award agreements. Such agreements will remain in effect in accordance with their terms, and Executive acknowledges that Executive will remain bound by them. Except as provided in Section 2(a) of the Severance Agreement, any Company equity awards that are unvested as of Executive's employment termination date will be automatically forfeited, and Executive will have no further rights to such awards. Executive acknowledges that the enclosed report accurately reflects a summary of Executive's outstanding equity awards.

3. Executive understands and agrees that this Release is a full and complete waiver of all claims including, without limitation, claims of wrongful discharge, constructive discharge, breach of contract, breach of the covenant of good faith and fair dealing, harassment, retaliation, discrimination, violation of public policy, defamation, invasion of privacy, interference with a leave of absence, personal injury or emotional distress and claims under Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1866, the Age Discrimination in Employment Act of 1967 (ADEA), the California Labor Code, the California Fair Employment and Housing Act, the California Family Rights Act, the Family Medical Leave Act or any other federal or state law or regulation relating to employment or employment discrimination. Executive further understands and agrees that this waiver includes all claims, known and unknown, to the greatest extent permitted by applicable law. However, this release covers only those claims that arose prior to the execution of this Release. Execution of this Release does not bar any claim that arises hereafter, including (without limitation) a claim for breach of this Release. In addition, this Release does not cover any claim for indemnification Executive may have pursuant to a written indemnification agreement with the Company, the Company's bylaws or applicable law or Executive's right to coverage under any applicable D&O insurance policy with the Company.

4. Executive understands that this Agreement does not limit Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). Executive further understands that this Agreement does not limit Executive's ability to communicate with, or otherwise participate in any investigation or proceeding that may be conducted by, a Government Agency.

5. Executive also hereby agrees that nothing contained in this Release shall constitute or be treated as an admission of liability or wrongdoing by the Releasees or Executive.

6. In addition, Executive hereby expressly waives any and all rights and benefits conferred upon Executive by the provisions of Section 1542 of the Civil Code of the State of California, which states as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

7. If any provision of this Release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and the court shall enforce all remaining provisions to the full extent permitted by law.

8. This Release constitutes the entire agreement between Executive and Releasees with regard to the subject matter of this Release. It supersedes any other agreements, representations or understandings, whether oral or written and whether express or implied, which relate to the subject matter of this Release. Executive understands and agrees that this Release may be modified only in a written document signed by Executive and a duly authorized officer of the Company.

9. Executive understands and agrees that the Company shall have no obligation to provide to Executive any severance benefits described in the Severance Agreement unless and until Executive has complied with the requirements described in Section 2(b) of the Severance Agreement, including executing this Release within the time period specified in Paragraph 13 below and allowing this Release to become effective. Executive further understands and agrees that the Company's obligation to provide to Executive any unpaid severance benefits described in the Severance Agreement may terminate as described in Section 2(b) of the Severance Agreement.

10. Executive understands and agrees that at all times in the future Executive shall remain bound by the Executive's Proprietary Information and Inventions Agreement with the Company (the "PIIA"), a copy of which is enclosed herewith. This Release, the Severance Agreement, the PIIA, and the Indemnification Agreement you signed with the Company dated as of October 11, 2010 constitute the entire agreement between you and Releasees with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter.

11. Executive agrees that Executive will never make any negative or disparaging statements (orally or in writing) about the Company or its stockholders, directors, officers, employees, products, services or business practices, except as required by law. The Company agrees to instruct its executive officers and directors not to disparage Executive in any manner likely to be harmful to Executive's personal or business reputation; provided that the Company (and its executive officers and directors) may respond accurately and fully to any question, inquiry or request for information when required by legal process.

12. This Release shall be governed by and its provisions interpreted under the laws of the State of California.

13. Executive understands that Executive has the right to consult with an attorney before signing this Release. Executive also understands that Executive has twenty-one (21) days after receipt of this Release to review and consider this Release, discuss it with an attorney of Executive's own choosing, and decide to execute it or not execute it. Executive also understands that Executive may revoke this Release during a period of seven (7) days after Executive signs it and that this Release will not become effective for seven days after Executive signs it (and then only if Executive does not revoke it). In order to revoke this Release, within seven days after Executive executes this Release Executive must deliver to the General Counsel at the Company a letter stating that Executive is revoking it. Executive understands that if Executive chooses to revoke this Release within seven (7) days after Executive signs it, Executive will not receive any severance benefits and the Release will have no effect.

14. Executive states that before signing this Release, Executive:

- Has read it,
- Understands it,

- Knows that he or she is giving up important rights,
- Is aware of his or her right to consult an attorney before signing it, and
- Has signed it knowingly and voluntarily.

Date: ___________________________

____

Signature

____

Print Full Name

Enclosures:

Equity Report

Proprietary Information and Inventions Agreement

Indemnification Agreement

Exhibit 10.3

RPX CORPORATION

SEVERANCE AND CHANGE IN CONTROL AGREEMENT

This Severance and Change in Control Agreement (the "**Agreement**") is made and entered into, as of March 21, 2018 (the "**Effective Date**"), by and between David Anderson (the "**Executive**") and RPX Corporation, a Delaware corporation (the "**Company**").

This Agreement provides severance and acceleration benefits in connection with certain qualifying terminations of Executive's employment with the Company. Upon its effectiveness and for its duration, this Agreement shall supersede any existing agreements between Executive and the Company relating to severance and/or accelerated vesting of equity awards in connection with Executive's termination of employment with the Company.

Certain capitalized terms are defined in Section 8.

The Company and Executive agree as follows:

1. Term. Unless terminated sooner or renewed by the Company's Board of Directors or its Compensation Committee, this Agreement will terminate automatically if a Change in Control has not occurred on or prior to March 21, 2019.

2. Severance Benefits.

(a) Severance Benefits. If Executive is subject to an Involuntary Termination which occurs within twelve (12) months following a Change in Control and Executive satisfies the conditions described in Section 2(b) below, then Executive shall be entitled to the following severance benefits: (i) the Company will pay Executive an amount equal to one and one-quarter (1.25) times his Base Salary, (ii) the Company will pay Executive an amount equal to 75% of Executive's target bonus as calculated assuming 100% achievement of plan, (iii) the Company will pay Executive an additional lump sum payment equal to the amount required to maintain an employee plus family Blue Shield PPO plan and dental and vision under COBRA for a period of twelve (12) months, and (iv) one hundred percent of the unvested portion of each outstanding equity award that Executive holds as of the Involuntary Termination will vest and, if applicable, become exercisable. Subject to Section 2(b) below, the amounts described in clauses (i) and (ii) of this Section 2(a) will be paid in equal installments over the twelve-month period following Executive's Involuntary Termination, in accordance with the Company's standard payroll procedures.

(b) Preconditions to Severance Benefits / Timing of Benefits. As a condition to Executive's receipt of any benefits described in Section 2, Executive shall execute and allow to become effective a general release of claims in substantially the form attached hereto and, if requested by the Company's Board of Directors, must immediately resign as a member of the Company's Board of Directors and as a member of the board of directors of any subsidiaries of the Company. Executive must execute and return the release on or before the date specified by the Company, which will in no event be later than fifty (50) days after Executive's employment terminates. If Executive fails to return the release by the deadline or if Executive revokes the release, then Executive will not be entitled to the benefits described in this Section 2. Assuming compliance with this Section 2(b), all such benefits will be paid or commence within 60 days after Executive's Involuntary Termination and, once they commence, will include any unpaid amounts accrued from the date of Executive's Involuntary Termination. However, if such 60-day period spans calendar years, then payment will in any event be made or commence in the second calendar year. In addition, if during the period Executive is receiving benefits hereunder, Executive fails to comply with the provisions of his Proprietary Information and Inventions Agreement that lawfully restrict Executive's use of the Company's trade secrets or that restrict

Executive from soliciting the Company's employees, then the Company's obligation to pay any unpaid benefits hereunder will immediately terminate.

3. Section 409A. The Company intends that all payments and benefits provided under this Agreement or otherwise are exempt from, or comply with, with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") so that none of the payments or benefits will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted in accordance with such intent. For purposes of Code Section 409A, each payment, installment or benefit payable under this Agreement is hereby designated as a separate payment. In addition, if the Company determines that Executive is a "specified employee" under Code Section 409A(a)(2)(B)(i) at the time of Executive's Separation, then (i) any severance payments or benefits, to the extent that they are subject to Code Section 409A, will not be paid or otherwise provided until the first business day following (A) expiration of the six-month period measured from Executive's Separation or (B) the date of Executive's death and (ii) any installments that otherwise would have been paid or provided prior to such date will be paid or provided in a lump sum when the severance payments or benefits commence.

4. Section 280G. Notwithstanding anything contained in this Agreement to the contrary, in the event that the payments and benefits provided pursuant to this Agreement, together with all other payments and benefits received or to be received by Executive ("**Payments**"), constitute "parachute payments" within the meaning of Code Section 280G, and, but for this Section 4, would be subject to the excise tax imposed by Code Section 4999 (the "**Excise Tax**"), then the Payments shall be made to Executive either (i) in full or (ii) as to such lesser amount as would result in no portion of the Payments being subject to the Excise Tax (a "**Reduced Payment**"), whichever of the foregoing amounts, taking into account applicable federal, state and local income taxes and the Excise Tax, results in Executive's receipt on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. If a Reduced Payment is to be made under this section, reduction of Payments will occur in the following order: reduction of cash payments, then cancellation of equity-based payments and accelerated vesting of equity awards, and then reduction of employee benefits. If accelerated vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant. In the event that cash payments or other benefits are reduced, such reduction shall occur in reverse order beginning with the payments and benefits which are to be paid furthest away in time. All determinations required to be made under this Section 4 (including whether any of the Payments are parachute payments and whether to make a Reduced Payment) will be made by an independent accounting firm selected by the Company. For purposes of making the calculations required by this section, the accounting firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonably, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company will bear the costs that the accounting firm may reasonably incur in connection with the calculations contemplated by this Section 4. The accounting firm's determination will be binding on both Executive and the Company absent manifest error.

5. Company's Successors. Any successor to the Company to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession.

6. Miscellaneous Provisions.

(a) Modification or Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(b) Integration. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements, whether written or oral, with respect to the subject matter of this Agreement.

(c) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(d) Tax Withholding. Any payments provided for hereunder are subject to reduction to reflect applicable withholding and payroll taxes and other reductions required under federal, state or local law.

(e) Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office (attention General Counsel) and to the Executive at the address that he or she most recently provided to the Company in accordance with this Subsection (e).

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7. At-Will Employment. Nothing contained in this Agreement shall (a) confer upon Executive any right to continue in the employ of the Company, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the at-will nature of Executive's employment with the Company.

8. Definitions. The following terms referred to in this Agreement shall have the following meanings:

(a) "**Base Salary**" means Executive's annual base salary as in effect immediately prior to an Involuntary Termination; provided, however, that in the event of a Resignation for Good Reason due to a reduction in Executive's base salary, "Base Salary" means Executive's annual base salary as in effect immediately prior to such reduction or as in effect immediately prior to a Change in Control, whichever is greater.

(b) "**Cause**" means (i) Executive's intentional and unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company, (ii) Executive's material breach of any agreement with the Company, (iii) Executive's material failure to comply with the Company's written policies or rules, (iv) Executive's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State, (v) Executive's gross negligence or willful misconduct relating to the Company, (vi) Executive's continuing failure to perform assigned duties after receiving written notification of the failure from the Company's Board of Directors or (vii) Executive's failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested such cooperation. To the extent Executive commits an act that would constitute Cause pursuant to (ii), (iii), (vi) or (vii), Executive will be given notice and an opportunity to cure within thirty (30) days of receiving notice and, if Executive reasonably cures such act as determined by the Audit Committee of the Company's Board of Directors, it will not constitute Cause.

(c) "**Change in Control**" shall have the meaning set forth in the Company's 2011 Equity Incentive Plan, as in effect on the Effective Date.

(d) "**Disability**" means the Executive's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(e) "**Involuntary Termination**" means either (i) a Termination without Cause or (ii) a Resignation for Good Reason.

(f) "**Resignation for Good Reason**" means a Separation as a result of Executive's resignation from employment after one of the following conditions has come into existence without Executive's consent: (i) a material diminution in Executive's duties, authority or responsibilities with the Company, as determined by the Compensation Committee of the Company's Board of Directors as constituted immediately prior to a Change in Control (the "Compensation Committee"), acting reasonably and in good faith; provided that it shall not be deemed a material diminution if Executive continues to perform duties that are substantially similar, in the aggregate, to the duties performed by Executive immediately prior to a Change in Control, as determined by the Compensation Committee, acting reasonably and in good faith, (ii) a reduction in Executive's total compensation by more than 10%, other than as part of a Company-wide compensation adjustment, or (iii) a relocation of the Executive's place of employment by more than fifty (50) miles from the Company's current offices in San Francisco, California. In order to constitute a Resignation for Good Reason, Executive must give the Company written notice of the condition within ninety (90) days after it comes into existence, the Company must fail to remedy the condition within thirty (30) days after receiving Executive's written notice and Executive must terminate his or her employment within thirty (30) days after expiration of the cure period.

(g) "**Separation**" means a "separation from service" as defined in the regulations under Code Section 409A.

(h) "**Termination Without Cause**" means a Separation as a result of the termination of Executive's employment by the Company without Cause and not as a result of Executive's death or Disability.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year indicated below.

COMPANY

By: ______________________

Name: ____________________

Title:______________________

Date:______________________

EXECUTIVE

By:_______________________

Name:_____________________

Title:______________________

Date:______________________

GENERAL RELEASE OF ALL CLAIMS

In consideration of the severance benefits to be paid to David Anderson ("Executive") by RPX Corporation (the "Company"), as described in Paragraph 1 below, Executive, on Executive's own behalf and on behalf of Executive's heirs, executors, administrators and assigns, to the fullest extent permitted by applicable law, hereby fully and forever releases and discharges the Company and its directors, officers, employees, agents, successors, predecessors, subsidiaries, parent, shareholders, employee benefit plans and assigns (together called "the Releasees"), from all known and unknown claims and causes of action including, without limitation, any claims or causes of action arising out of or relating in any way to Executive's employment with the Company, including the termination of that employment.

1. If Executive signs (and does not revoke) this General Release of All Claims ("Release"), the Company will provide Executive with the severance benefits described in Section 2 of the Severance and Change in Control Agreement, effective as of March 12, 2018, between the Company and Executive (the "Severance Agreement").

2. Executive's Company equity awards, to the extent vested and outstanding as of Executive's employment termination date, will be treated as provided in the applicable equity plan and the related award agreements. Such agreements will remain in effect in accordance with their terms, and Executive acknowledges that Executive will remain bound by them. Except as provided in Section 2(a) of the Severance Agreement, any Company equity awards that are unvested as of Executive's employment termination date will be automatically forfeited, and Executive will have no further rights to such awards. Executive acknowledges that the enclosed report accurately reflects a summary of Executive's outstanding equity awards.

3. Executive understands and agrees that this Release is a full and complete waiver of all claims including, without limitation, claims of wrongful discharge, constructive discharge, breach of contract, breach of the covenant of good faith and fair dealing, harassment, retaliation, discrimination, violation of public policy, defamation, invasion of privacy, interference with a leave of absence, personal injury or emotional distress and claims under Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1866, the Age Discrimination in Employment Act of 1967 (ADEA), the California Labor Code, the California Fair Employment and Housing Act, the California Family Rights Act, the Family Medical Leave Act or any other federal or state law or regulation relating to employment or employment discrimination. Executive further understands and agrees that this waiver includes all claims, known and unknown, to the greatest extent permitted by applicable law. However, this release covers only those claims that arose prior to the execution of this Release. Execution of this Release does not bar any claim that arises hereafter, including (without limitation) a claim for breach of this Release. In addition, this Release does not cover any claim for indemnification Executive may have pursuant to a written indemnification agreement with the Company, the Company's bylaws or applicable law or Executive's right to coverage under any applicable D&O insurance policy with the Company.

4. Executive understands that this Agreement does not limit Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). Executive further understands that this Agreement does not limit Executive's ability to communicate with, or otherwise participate in any investigation or proceeding that may be conducted by, a Government Agency.

5. Executive also hereby agrees that nothing contained in this Release shall constitute or be treated as an admission of liability or wrongdoing by the Releasees or Executive.

6. In addition, Executive hereby expressly waives any and all rights and benefits conferred upon Executive by the provisions of Section 1542 of the Civil Code of the State of California, which states as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

7. If any provision of this Release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and the court shall enforce all remaining provisions to the full extent permitted by law.

8. This Release constitutes the entire agreement between Executive and Releasees with regard to the subject matter of this Release. It supersedes any other agreements, representations or understandings, whether oral or written and whether express or implied, which relate to the subject matter of this Release. Executive understands and agrees that this Release may be modified only in a written document signed by Executive and a duly authorized officer of the Company.

9. Executive understands and agrees that the Company shall have no obligation to provide to Executive any severance benefits described in the Severance Agreement unless and until Executive has complied with the requirements described in Section 2(b) of the Severance Agreement, including executing this Release within the time period specified in Paragraph 13 below and allowing this Release to become effective. Executive further understands and agrees that the Company's obligation to provide to Executive any unpaid severance benefits described in the Severance Agreement may terminate as described in Section 2(b) of the Severance Agreement.

10. Executive understands and agrees that at all times in the future Executive shall remain bound by the Executive's Proprietary Information and Inventions Agreement with the Company (the "PIIA"), a copy of which is enclosed herewith. This Release, the Severance Agreement, the PIIA, and the Indemnification Agreement you signed with the Company dated as of April 30, 2017 constitute the entire agreement between you and Releasees with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter.

11. Executive agrees that Executive will never make any negative or disparaging statements (orally or in writing) about the Company or its stockholders, directors, officers, employees, products, services or business practices, except as required by law. The Company agrees to instruct its executive officers and directors not to disparage Executive in any manner likely to be harmful to Executive's personal or business reputation; provided that the Company (and its executive officers and directors) may respond accurately and fully to any question, inquiry or request for information when required by legal process.

12. This Release shall be governed by and its provisions interpreted under the laws of the State of California.

13. Executive understands that Executive has the right to consult with an attorney before signing this Release. Executive also understands that Executive has twenty-one (21) days after receipt of this Release to review and consider this Release, discuss it with an attorney of Executive's own choosing, and decide to execute it or not execute it. Executive also understands that Executive may revoke this Release during a period of seven (7) days after Executive signs it and that this Release will not become effective for seven days after Executive signs it (and then only if Executive does not revoke it). In order to revoke this Release, within seven days after Executive executes this Release Executive must deliver to the General Counsel at the Company a letter stating that Executive is revoking it. Executive understands that if Executive chooses to revoke this Release within seven (7) days after Executive signs it, Executive will not receive any severance benefits and the Release will have no effect.

14. Executive states that before signing this Release, Executive:

- Has read it,
- Understands it,

- Knows that he or she is giving up important rights,
- Is aware of his or her right to consult an attorney before signing it, and
- Has signed it knowingly and voluntarily.

Date: ______________________

____

Signature

____

Print Full Name

Enclosures:

Equity Report

Proprietary Information and Inventions Agreement

Indemnification Agreement

Exhibit 31.1

CERTIFICATIONS

I, Martin E. Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) 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(s) 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: May 8, 2018

/s/ MARTIN E. ROBERTS

Martin E. Roberts

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, David J. Anderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) 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(s) 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: May 8, 2018

/s/ DAVID J. ANDERSON

David J. Anderson

Senior Vice President & Chief Financial Officer

(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 Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018 of RPX Corporation, (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Martin E. Roberts, 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:

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: May 8, 2018

/s/ MARTIN E. ROBERTS

Martin E. Roberts
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018 of RPX Corporation, (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David J. Anderson, Senior Vice President & Chief Financial 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:

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: May 8, 2018

/s/ DAVID J. ANDERSON

David J. Anderson

Senior Vice President & Chief Financial Officer
(Principal Financial Officer)