

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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: 001-34785

**VRINGO, INC.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

20-4988129

(I.R.S. Employer  
Identification No.)

780 3rd Avenue, 12th Floor, New York, NY

(Address of principal executive offices)

10017

(Zip Code)

(212) 309-7549

(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  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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of July 25, 2014, 92,545,862 shares of the registrant's common stock were outstanding.

VRINGO, INC.

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

Vringo, Inc. and Subsidiaries  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	June 30, 2014 (Unaudited)	December 31, 2013
<b>Current assets</b>		
Cash and cash equivalents	\$ 31,654	\$ 33,586
Assets held for sale	—	787
Deposits with courts	2,304	—
Other current assets	224	455
<b>Total current assets</b>	<u>34,182</u>	<u>34,828</u>
Property and equipment, at cost, net of \$348 and \$134 accumulated depreciation, as of June 30, 2014 and December 31, 2013, respectively	161	230
Intangible assets, net	20,823	22,748
Goodwill	65,757	65,757
Other assets	1,034	247
<b>Total assets</b>	<u>\$ 121,957</u>	<u>\$ 123,810</u>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 4,582	\$ 5,146
Accrued employee compensation	36	299
Derivative warrant liabilities	89	43
<b>Total current liabilities</b>	<u>4,707</u>	<u>5,488</u>
<b>Long-term liabilities</b>		
Derivative warrant liabilities	\$ 3,015	\$ 4,040
Other liabilities	69	—
<b>Commitments and contingencies (Note 10)</b>		
<b>Stockholders' equity</b>		
Series A Convertible Preferred stock, \$0.01 par value per share; 5,000,000 authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value per share 150,000,000 authorized; 92,545,862 and 84,502,653 issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	925	845
Additional paid-in capital	210,427	189,465
Accumulated deficit	(97,186)	(76,028)
<b>Total stockholders' equity</b>	<u>\$ 114,166</u>	<u>\$ 114,282</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 121,957</u>	<u>\$ 123,810</u>

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

**Vringo, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except share and per share data)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<b>Revenue</b>	\$ 800	\$ 1,100	\$ 1,050	\$ 1,100
<b>Costs and Expenses*</b>				
Operating legal costs	5,982	4,790	10,857	10,189
Amortization of intangibles	968	839	1,925	1,678
Research and development	217	467	442	737
General and administrative	3,986	3,759	8,004	7,750
<b>Total operating expenses</b>	<u>11,153</u>	<u>9,855</u>	<u>21,228</u>	<u>20,354</u>
<b>Operating loss from continuing operations</b>	<u>(10,353)</u>	<u>(8,755)</u>	<u>(20,178)</u>	<u>(19,254)</u>
Non-operating income, net	21	17	22	32
Gain (loss) on revaluation of warrants	348	(1,491)	(728)	(1,866)
Issuance of warrants	(65)	—	(65)	—
<b>Loss from continuing operations before income taxes</b>	<u>(10,049)</u>	<u>(10,229)</u>	<u>(20,949)</u>	<u>(21,088)</u>
Income tax expense	—	—	—	—
<b>Loss from continuing operations</b>	<u>(10,049)</u>	<u>(10,229)</u>	<u>(20,949)</u>	<u>(21,088)</u>
<b>Loss from discontinued operations before income taxes*</b>	—	(709)	(209)	(1,798)
Income tax expense	—	(2)	—	(18)
<b>Loss from discontinued operations</b>	<u>—</u>	<u>(711)</u>	<u>(209)</u>	<u>(1,816)</u>
<b>Net loss</b>	<u>\$ (10,049)</u>	<u>\$ (10,940)</u>	<u>\$ (21,158)</u>	<u>\$ (22,904)</u>
Loss per share:				
Basic				
Loss per share from continuing operations	(0.12)	(0.12)	(0.24)	(0.26)
Loss per share from discontinued operations	(0.00)	(0.01)	(0.00)	(0.02)
Total net loss per share	<u>\$ (0.12)</u>	<u>\$ (0.13)</u>	<u>\$ (0.24)</u>	<u>\$ (0.28)</u>
Diluted				
Loss per share from continuing operations	(0.12)	(0.12)	(0.24)	(0.26)
Loss per share from discontinued operations	(0.00)	(0.01)	(0.00)	(0.02)
Total net loss per share	<u>\$ (0.12)</u>	<u>\$ (0.13)</u>	<u>\$ (0.24)</u>	<u>\$ (0.28)</u>
Weighted-average number of shares outstanding during the period:				
Basic	87,210,483	82,739,447	86,337,006	82,552,710
Diluted	<u>88,515,948</u>	<u>82,739,447</u>	<u>86,337,006</u>	<u>82,552,710</u>
<b>* Includes stock-based compensation expense, as follows:</b>				
Operating legal costs	\$ 385	\$ 301	\$ 728	\$ 595
Research and development	108	114	215	248
General and administrative	2,525	2,515	4,724	5,043
Discontinued operations	—	92	151	230
	<u>\$ 3,018</u>	<u>\$ 3,022</u>	<u>\$ 5,818</u>	<u>\$ 6,116</u>

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

**Vringo, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(In thousands)**

	Common stock	Additional paid-in capital	Accumulated deficit	Total
<b>Balance as of December 31, 2013</b>	\$ 845	\$ 189,465	\$ (76,028)	\$ 114,282
Exercise of stock options and vesting of restricted stock units ("RSU")	16	2,144	—	2,160
Issuance of warrants (Note 8)	—	65	—	65
Exercise of warrants	64	12,935	—	12,999
Stock-based compensation	—	5,818	—	5,818
Net loss for the period	—	—	(21,158)	(21,158)
<b>Balance as of June 30, 2014</b>	<b>\$ 925</b>	<b>\$ 210,427</b>	<b>\$ (97,186)</b>	<b>\$ 114,166</b>

	Common stock	Additional paid-in capital	Accumulated deficit	Total
<b>Balance as of December 31, 2012</b>	\$ 819	\$ 171,108	\$ (23,595)	\$ 148,332
Exercise of stock options and vesting of RSU	10	143	—	153
Exercise of warrants	1	249	—	250
Conversion of derivative warrants into equity warrants	—	3,748	—	3,748
Stock-based compensation	—	6,116	—	6,116
Net loss for the period	—	—	(22,904)	(22,904)
<b>Balance as of June 30, 2013</b>	<b>\$ 830</b>	<b>\$ 181,364</b>	<b>\$ (46,499)</b>	<b>\$ 135,695</b>

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

**Vringo, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	Six months ended June 30,	
	2014	2013
<b>Cash flows from operating activities</b>		
Net loss	\$ (21,158)	\$ (22,904)
Adjustments to reconcile net cash flows used in operating activities:		
<b>Items not affecting cash flows</b>		
Depreciation and amortization	2,139	2,567
Stock-based compensation	5,818	6,116
Issuance of warrants	65	—
Assignment of patents	—	(100)
Change in fair value of warrants	728	1,866
Exchange rate loss (gain), net	(35)	4
<b>Changes in current assets and liabilities</b>		
Decrease in other current assets	231	73
Increase (decrease) in payables and accruals	(743)	1,412
<b>Net cash used in operating activities</b>	<u>(12,955)</u>	<u>(10,966)</u>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(145)	(31)
Increase in short-term investments	—	(3,120)
Decrease (increase) in deposits	(2,304)	8
<b>Net cash used in investing activities</b>	<u>(2,449)</u>	<u>(3,143)</u>
<b>Cash flows from financing activities</b>		
Exercise of stock options	2,160	153
Exercise of warrants	11,292	174
<b>Cash provided by financing activities</b>	<u>13,452</u>	<u>327</u>
Effect of exchange rate changes on cash and cash equivalents	20	10
Decrease in cash and cash equivalents	(1,932)	(13,772)
Cash and cash equivalents at beginning of period	33,586	56,960
Cash and cash equivalents at end of period	<u>\$ 31,654</u>	<u>\$ 43,188</u>
<b>Supplemental disclosure of cash flows information</b>		
Income taxes paid	—	3
<b>Non-cash investing and financing transactions</b>		
Non-cash acquisition of cost method investment	787	—
Conversion of derivative warrants into common stock	1,707	76
Conversion of derivative warrants into equity warrants	—	3,748

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

**Vringo, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(In thousands, except for share and per share data)**

**Note 1. General**

Vringo, Inc., together with its consolidated subsidiaries (“Vringo” or the “Company”), is engaged in the development and monetization of intellectual property worldwide. The Company’s intellectual property portfolio consists of over 600 patents and patent applications covering telecom infrastructure, internet search and mobile technologies. The Company’s patents and patent applications have been developed internally or acquired from third parties. Prior to December 31, 2013, the Company operated a global platform for the distribution of mobile social applications and the services that it developed. On February 18, 2014, the Company executed the sale of its mobile social application business to InfoMedia Services Limited (“InfoMedia”), receiving an 8.25% ownership interest as consideration (Note 4).

**Note 2. Accounting and Reporting Policies**

***(a) Basis of presentation and principles of consolidation***

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and the instructions to Rule 10-01 of Regulation S-X, and should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. The results of operations for the three month and six month periods ended June 30, 2014 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period. All significant intercompany balances and transactions have been eliminated in consolidation.

***(b) Use of estimates***

The preparation of accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from such estimates. Significant items subject to such estimates and assumptions include the useful lives of the Company’s intangible assets, the valuation of the Company’s derivative warrants, the valuation of stock-based compensation, the valuation of goodwill, deferred tax assets and liabilities, income tax uncertainties and other contingencies.

***(c) Translation into U.S. dollars***

The Company conducts certain transactions in foreign currencies, which are recorded at the exchange rate as of the transaction date. All exchange gains and losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected as non-operating income or expense in the consolidated statements of operations.

***(d) Cash and cash equivalents***

The Company invests its cash in money market funds with financial institutions. The Company has established guidelines relating to diversification and maturities of its investments in order to minimize credit risk and maintain high liquidity of funds. All highly liquid investments with original maturities of three months or less at acquisition date are considered cash equivalents.

***(e) Derivative instruments***

The Company recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values. The Company’s derivative instruments, which are discussed in Notes 6 and 8, have been recorded as liabilities at fair value, and are revalued at each reporting date, with changes in the fair value of the instruments included in the consolidated statements of operations as non-operating income (expense).

**(f) Revenue recognition**

Revenue from patent licensing and enforcement is recognized if collectability is reasonably assured, persuasive evidence of an arrangement exists, the sales price is fixed or determinable and delivery of the service has been rendered. The Company uses management's best estimate of selling price for individual elements in multiple-element arrangements, where vendor specific evidence or third party evidence of selling price is not available.

Currently, the Company's revenue arrangements provide for the payment of contractually determined fees and other consideration for the grant of certain intellectual property rights related to the Company's patents. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patents, (ii) the release of the licensee from certain claims, and (iii) the dismissal of any pending litigation. The intellectual property rights granted typically extend until the expiration of the related patents. Pursuant to the terms of these agreements, the Company has no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on the Company's part to maintain or upgrade the related technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement, or upon receipt of the upfront payment. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, upon receipt of the upfront fee, and when all other revenue recognition criteria have been met.

**(g) Operating legal costs**

Operating legal costs mainly include expenses incurred in connection with the Company's patent licensing and enforcement activities, patent-related legal expenses paid to external patent counsel (including contingent legal fees), licensing and enforcement related research, consulting and other expenses paid to third parties, as well as internal payroll expenses and stock-based compensation.

**(h) Recently Issued Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which provides guidance on the presentation of unrecognized tax benefits. This guidance requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows: to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This guidance is effective beginning January 1, 2014 and is to be applied prospectively with retroactive application permitted. The Company adopted this guidance as of January 1, 2014, as required. There was no material impact of the consolidated financial statements resulting from the adoption.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This guidance changes the criteria for reporting a discontinued operation while enhancing disclosures in this area. This standard will be effective for the Company beginning January 1, 2015. Early adoption of the standard is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.



In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which impacts virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*, which removes the definition of development stage entity, as was previously defined under U.S. GAAP, thereby removing the financial reporting distinction between development stage entities and other reporting entities. In addition, the ASU eliminates the requirements for development stage entities to (i) present inception-to-date information in their financial statements, (ii) label the financial statements as those of a development stage entity, (iii) disclose a description of the development stage activities in which the entity is engaged, and (iv) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. This guidance is effective for annual reporting periods beginning after December 31, 2014 and early adoption of the standard is permitted. The Company adopted this guidance during the second quarter of 2014.

#### (i) Reclassification

Certain balances have been reclassified to conform to presentation requirements including discontinued operations.

### Note 3. Computation of Net Loss per Common Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock plus dilutive potential common stock considered outstanding during the period. However, as the Company generated net losses in all periods presented, some potentially dilutive securities that relate to the continuing operations, including certain warrants and stock options, were not reflected in diluted net loss per share, because the impact of such instruments was anti-dilutive. The table below presents the computation of basic and diluted net losses per common share:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<b>Basic Numerator:</b>				
Loss from continuing operations attributable to shares of common stock	\$ (10,049)	\$ (10,229)	\$ (20,949)	\$ (21,088)
Loss from discontinued operations attributable to shares of common stock	—	(711)	\$ (209)	\$ (1,816)
<b>Net loss attributable to shares of common stock</b>	<b>\$ (10,049)</b>	<b>\$ (10,940)</b>	<b>\$ (21,158)</b>	<b>\$ (22,904)</b>
<b>Basic Denominator:</b>				
Weighted average number of shares of common stock outstanding during the period	87,210,483	82,625,295	86,337,006	82,406,883
Weighted average number of penny stock options	—	114,152	—	145,827
<b>Basic common stock shares outstanding</b>	<b>87,210,483</b>	<b>82,739,447</b>	<b>86,337,006</b>	<b>82,552,710</b>
Basic loss per common stock share from continuing operations	\$ (0.12)	\$ (0.12)	\$ (0.24)	\$ (0.26)
Basic loss per common stock share from discontinued operations	\$ (0.00)	(0.01)	\$ (0.00)	\$ (0.02)
<b>Basic net loss per common stock share</b>	<b>\$ (0.12)</b>	<b>\$ (0.13)</b>	<b>\$ (0.24)</b>	<b>\$ (0.28)</b>
<b>Diluted Numerator:</b>				
Net loss from continuing operations attributable to shares of common stock	\$ (10,049)	\$ (10,229)	\$ (20,949)	\$ (21,088)
Increase in net loss attributable to derivative warrants	\$ (348)	—	—	—
<b>Diluted net loss from continuing operations attributable to shares of common stock</b>	<b>\$ (10,397)</b>	<b>\$ (10,229)</b>	<b>\$ (20,949)</b>	<b>\$ (21,088)</b>
<b>Diluted net loss from discontinued operations attributable to shares of common stock</b>	<b>\$ —</b>	<b>\$ (711)</b>	<b>\$ (209)</b>	<b>\$ (1,816)</b>
<b>Diluted net loss attributable to shares of common stock</b>	<b>\$ (10,397)</b>	<b>\$ (10,940)</b>	<b>\$ (21,158)</b>	<b>\$ (22,904)</b>
<b>Diluted Denominator:</b>				
Basic common stock shares outstanding	87,210,483	82,739,447	86,337,006	82,552,710
Weighted average number of derivative warrants outstanding during the period	1,305,465	—	—	—
<b>Diluted common stock shares outstanding</b>	<b>88,515,948</b>	<b>82,739,447</b>	<b>86,337,006</b>	<b>82,552,710</b>
<b>Diluted loss per common stock share from continuing operations</b>	<b>\$ (0.12)</b>	<b>\$ (0.12)</b>	<b>\$ (0.24)</b>	<b>\$ (0.26)</b>
<b>Diluted loss per common stock share from discontinued operations</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Diluted net loss per common stock share</b>	<b>\$ (0.12)</b>	<b>\$ (0.13)</b>	<b>\$ (0.24)</b>	<b>\$ (0.28)</b>

**Net loss per share data presented excludes from the calculation of diluted net loss the following potentially dilutive securities, as they had an anti-dilutive impact:**

Both vested and unvested options at \$0.96-\$5.50 exercise price, to purchase an equal number of shares of common stock of the Company	10,102,094	11,805,940	10,102,094	11,805,940
Unvested penny options to purchase an equal number of shares of common stock of the Company	—	2,375	—	2,375
Unvested RSUs to issue an equal number of shares of common stock of the Company	1,657,890	2,815,794	1,657,890	2,815,794
Common stock shares granted, but not yet vested	—	61,478	—	61,478

Warrants to purchase an equal number of shares of common stock of the Company	15,801,923	18,764,114	17,423,851	18,764,114
<b>Total number of potentially dilutive instruments, excluded from the calculation of net loss per share</b>	<u>27,561,907</u>	<u>33,449,701</u>	<u>29,183,835</u>	<u>33,449,701</u>

**Note 4. Discontinued Operations and Assets Held For Sale**

On December 31, 2013, the Company entered into a definitive asset purchase agreement with InfoMedia for the sale of all assets and the assignment of all agreements related to the Company's mobile social application business. The closing of the transaction occurred on February 18, 2014 ("Closing").

Upon Closing, as consideration for the assets and agreements related to the Company's mobile social application business, the Company received 18 Class B shares of InfoMedia, which represent an 8.25% ownership interest in InfoMedia. Additionally, the Company's Chief Executive Officer was appointed as a full voting member on InfoMedia's board of directors and the Company received a number of customary protective rights. The InfoMedia Class B shares were accounted for as a cost-method investment at the carrying amount of \$787 and are included in Other assets in the consolidated balance sheet as of June 30, 2014. During the six month period ended June 30, 2014, there were no events or changes in circumstances that would indicate that the carrying amount of this investment may no longer be recoverable.

In connection with the asset purchase agreement, the requirement to report the results of the Company's mobile social application business as discontinued operations was triggered. The following tables represent the components of operating results from discontinued operations, as presented in the consolidated statements of operations:

	Three months ended June 30,	
	2014	2013
Revenue	\$ —	\$ 61
Operating expenses	—	(748)
Operating loss	—	(687)
Non-operating expense	—	(22)
Loss before taxes on income	—	(709)
Income tax expense	—	(2)
Loss from discontinued operations	\$ —	\$ (711)

  

	Six months ended June 30,	
	2014	2013
Revenue	\$ 37	\$ 126
Operating expenses	(266)	(1,893)
Operating loss	(229)	(1,767)
Non-operating income (expense)	20	(31)
Loss before taxes on income	(209)	(1,798)
Income tax expense	—	(18)
Loss from discontinued operations	\$ (209)	\$ (1,816)

In addition, the following table presents the carrying amounts of the major classes of assets from the discontinued mobile social application business in the Company's consolidated balance sheet as of December 31, 2013. These assets were transferred to InfoMedia upon Closing. As of December 31, 2013, there were no liabilities classified as held for sale and no liabilities were transferred to InfoMedia upon Closing.

	As of December 31, 2013
Cash	\$ 48
Accounts receivable	102
Goodwill at carrying amount of \$208, net of \$208 loss on impairment	—
Acquired technology at carrying amount of \$10,133, net of \$2,451 accumulated amortization and \$7,045 loss on impairment	637
Total assets held for sale	\$ 787

#### Note 5. Intangible Assets

	As of June 30, 2014	As of December 31, 2013	Weighted average amortization period (years)
Patents	28,213	28,213	8.3
Less: accumulated amortization	(7,390)	(5,465)	
	\$ 20,823	\$ 22,748	

The Company's intangible assets consist of its patents which are amortized over their expected useful lives (i.e., through the expiration date of the patent). During the three and six month periods ended June 30, 2014, the Company recorded amortization expense of \$968 and \$1,925, respectively, related to its patents. During the three and six month periods ended June 30, 2013, the Company recorded amortization expense of \$839 and \$1,678, respectively, related to its patents.

## Note 6. Fair Value Measurements

The Company measures fair value in accordance with FASB Accounting Standards Codification (“ASC”) 820-10, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, FASB ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

**Level 2:** Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents the placement in the fair value hierarchy of liabilities measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013:

	Balance	Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative warrant liabilities				
As of June 30, 2014	\$ 3,104	—	—	\$ 3,104
As of December 31, 2013	\$ 4,083	—	—	\$ 4,083

The Company measures its derivative liabilities at fair value. The Special Bridge Warrants, Conversion Warrants, the derivative Reload Warrants and the derivative Series 1 Warrants (as defined in Note 8) are classified within Level 3 because they are valued using the Black-Scholes-Merton and the Monte-Carlo models (as these warrants include down-round protection clauses), which utilize significant inputs that are unobservable in the market.

The following table presents the placement in the fair value hierarchy of assets that are measured at fair value on a non-recurring basis as of December 31, 2013 (there were no such assets or liabilities as of June 30, 2014):

	Balance	Fair value measurement at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets held for sale	\$ 787	\$ 150	—	\$ 637

In addition to the above, the Company’s financial instruments as of June 30, 2014 and December 31, 2013 consisted of cash, cash equivalents, receivables, accounts payable and deposits. The carrying amounts of all the aforementioned financial instruments approximate fair value. The following table summarizes the changes in the Company’s liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six month period ended June 30, 2014:

	Level 3
Balance at December 31, 2013	\$ 4,083
Fair value adjustment, prior to exercise of warrants, included in Consolidated Statement of Operations	56
Exercise of derivative warrants	(1,707)
Fair value adjustment at end of period, included in Consolidated Statement of Operations	672
Balance at June 30, 2014	\$ 3,104

### **Valuation processes for Level 3 Fair Value Measurements**

Fair value measurement of the derivative warrant liabilities related to the Special Bridge Warrants, Conversion Warrants, Reload Warrants and Series 1 Warrants (as defined in Note 8) fall within Level 3 of the fair value hierarchy. The fair value measurements are evaluated by management to ensure that changes are consistent with expectations of management based upon the sensitivity and nature of the inputs.

Description	Valuation technique	Unobservable inputs	Range
Special Bridge Warrants, Conversion Warrants, derivative	Black-Scholes-Merton and the	Volatility	32.83% – 46.41%
Reload Warrants and derivative Series 1 Warrants	Monte-Carlo models	Risk free interest rate	0.08% – 0.88%
		Expected term, in years	0.50 – 3.05
		Dividend yield	0%
		Probability and timing of down-round triggering event	5% occurrence in December 2014

The fair value of the assets held for sale as of December 31, 2013 (Note 4) was determined by estimating the present value of the expected future cash flows associated with that asset or asset group by using certain unobservable market inputs. These inputs included discount rates, estimated future cash flows and certain continuing growth rate assumptions. The discount rates are intended to reflect the risk inherent in the projected future cash flows generated by the respective asset or asset group. The inputs used in the valuation were sensitive to certain factors related to mobile social application technology such as rapid changes in the industry and technological advances.

### **Sensitivity of Level 3 measurements to changes in significant unobservable inputs**

The inputs to estimate the fair value of the Company's derivative warrant liabilities are the current market price of the Company's common stock, the exercise price of the warrant, its remaining expected term, the volatility of the Company's common stock price, the Company's assumptions regarding the probability and timing of a down-round protection triggering event and the risk-free interest rate. Significant changes in any of those inputs in isolation can result in a significant change in the fair value measurement. Generally, an increase in the market price of the Company's common stock, an increase in the volatility of the Company's shares of common stock, an increase in the remaining term of the warrant, or an increase of a probability of a down-round triggering event would each result in a directionally similar change in the estimated fair value of the Company's warrants. Such changes would increase the associated liability while decreases in these assumptions would decrease the associated liability. An increase in the risk-free interest rate or a decrease in the positive differential between the warrant's exercise price and the market price of the Company's shares of common stock would result in a decrease in the estimated fair value measurement of the warrants and thus a decrease in the associated liability. The Company has not, and does not plan to, declare dividends on its common stock, and as such, there is no change in the estimated fair value of the warrants due to the dividend assumption.

### **Note 7. Stock-based Compensation**

The Company has a stock-based compensation plan available to grant stock options and RSU to the Company's directors, employees and consultants. Under the 2012 Employee, Director and Consultant Equity Incentive Plan (the "Plan"), a maximum of 15,600,000 shares of common stock may be awarded. As of June 30, 2014, 3,741,170 shares were available for future grants under the Plan.

The following table illustrates the stock options granted for the six month period ended June 30, 2014:

Title	Grant date	No. of options	Exercise price	FMV at grant date	Vesting terms	Assumptions used in Black-Scholes option pricing model
Directors, Management, and Employees	January - June 2014	1,200,000	\$ 3.12 - \$ 4.10	\$ 1.76 - \$ 2.32	Over 1 year for Directors; Over 3 years for Management and Employees	Volatility: 57.75 % - 62.00% Risk free interest rate: 1.82% - 2.06% Expected term, in years: 5.31-5.81 Dividend yield: 0.00%

Certain options granted to officers, directors and certain key employees are subject to acceleration of vesting of 75% - 100% (according to the agreement signed with each grantee), upon a subsequent change of control.

The activity related to stock options and RSU for the six month period ended June 30, 2014 consisted of the following:

	RSUs		Options			
	No. of RSUs	Weighted average grant date fair value	No. of options	Weighted average exercise price	Exercise price range	Weighted average grant date fair value
Outstanding at January 1, 2014	2,161,403	\$ 3.61	10,457,159	\$ 3.23	\$0.01 - \$5.50	\$ 2.50
Granted	—	—	1,200,000	\$ 3.98	\$3.12 - \$4.10	\$ 2.16
Vested/Exercised	(500,388)	\$ 3.59	(1,126,815)	\$ 1.92	\$0.01 - \$3.72	\$ 1.31
Forfeited	(3,125)	\$ 3.72	(95,833)	\$ 3.71	\$3.24 - \$3.72	\$ 2.19
Expired	—	—	(332,416)	\$ 4.60	\$0.96 - \$5.50	\$ 1.97
Outstanding at June 30, 2014	1,657,890	\$ 3.62	10,102,095	\$ 3.41	\$0.96 - \$5.50	\$ 2.30
Exercisable at June 30, 2014	—	—	6,099,385	\$ 2.28	\$0.96 - \$5.50	

The Company did not recognize tax benefits related to its stock-based compensation as there is a full valuation allowance recorded.

#### Note 8. Warrants

The following table summarizes information about warrant activity for the six month period ended June 30, 2014:

	No. of warrants	Weighted average exercise price	Exercise price range
Outstanding at January 1, 2014	18,427,478	\$ 3.15	\$ 0.94 - \$5.06
Granted	5,412,366	\$ 5.06	\$ 5.06
Exercised	(6,415,992)	\$ 1.76	\$ 1.76
Outstanding at June 30, 2014	17,423,852	\$ 4.26	\$ 0.94 - \$5.06

On June 19, 2014, the Company entered into agreements with certain of its warrant holders, pursuant to which the warrant holders exercised for cash 5,697,227 of their outstanding Series 1 and Series 2 warrants, with an exercise price of \$1.76 per share. The Company granted such warrant holders unregistered warrants of the Company to purchase an aggregate of 5,412,366 shares of the Company's common stock, par value \$0.01 per share, at an exercise price of \$5.06 per share (the "June 2014 Warrants"). The June 2014 Warrants expire on June 21, 2015 and because such warrants do not bear any down-round protection clauses, they are classified as equity instruments. As a result of these transactions, the Company received \$10,027 of proceeds.

The Company's outstanding warrants consist of the following:

	No. outstanding	No. outstanding classified as equity	No. outstanding classified as liabilities*	Exercise price	Remaining contractual life
Series 1 Warrants	1,490,250	64,621	1,425,629	\$ 1.76	3.05 years
Series 2 Warrants	1,943,523	1,943,523	—	\$ 1.76	3.05 years
Conversion Warrants	14,492	—	14,492	\$ 0.94	0.98 years
Special Bridge Warrants	21,198	—	21,198	\$ 0.94	0.50 years
Reload Warrants	758,023	597,414	160,609	\$ 1.76	2.61 years
Initial Public Offering Warrants	4,784,000	4,784,000	—	\$ 5.06	0.98 years
October 2012 Warrants	3,000,000	3,000,000	—	\$ 5.06	0.98 years
June 2014 Warrants**	5,412,366	5,412,366	—	\$ 5.06	0.98 years
Outstanding at June 30, 2014	17,423,852	15,801,924	1,621,928		

\* These warrants bear down-round protection clauses and as a result, they are classified as derivative liabilities and recorded at fair value.

\*\* The June 2014 Warrants were valued on the grant date (June 20, 2014) using the following assumptions: volatility: 40.05%, stock price: \$3.33, risk free interest rate: 0.15% and dividend yield: 0%. The new warrants issued in connection with the exercise of warrants classified as liabilities were accounted for as an inducement and therefore an amount of \$65, which is based on the fair value of the new warrants, was recorded as a non-operating expense during the second quarter of 2014. The new warrants issued in connection with the exercise of warrants classified as equity, which were fair valued at \$611, were recorded as equity.

#### Note 9. Revenue from Settlements and Licensing Agreements

On April 28, 2014, the Company entered into a confidential agreement with Tyco that resolved all litigation pending between the parties.

#### Note 10. Commitments and Contingencies

##### *Litigation and legal proceedings*

The Company retains the services of professional service providers, including law firms that specialize in intellectual property licensing, enforcement and patent law. These service providers are often retained on an hourly, monthly, project, contingent or a blended fee basis. In contingency fee arrangements, a portion of the legal fee is based on predetermined milestones or the Company's actual collection of funds. The Company accrues contingent fees when it is probable that the milestones will be achieved and the fees can be reasonably estimated.

The Company's subsidiaries have filed patent infringement lawsuits against the subsidiaries of ZTE Corporation in the United Kingdom, France, Germany, Australia, India, Brazil, Malaysia, and Romania, and against ASUSTeK Computer, Inc. and ASUS Computer GmbH in Germany, Spain and India. In such jurisdictions, an unsuccessful plaintiff may be required to pay a portion of the other party's legal fees. Pursuant to negotiation with ZTE's United Kingdom subsidiary, the Company made two written commitments, in November 2012 and May 2013, representing payment should a liability by Vringo Infrastructure arise as a result of the two cases it has filed. The defendants estimated the total possible liability to be no more than approximately \$2,900 for each case. In addition, ZTE's German subsidiary started three revocation (invalidity) proceedings against the Company; two in the first half of 2013 and one in the first quarter of 2014. Should ZTE be successful in any of those actions, the Company would be liable for some portion of ZTE's fees. The total amount the Company would have to pay is a statutorily determined percentage based on the estimated value in dispute for these proceedings. ZTE has estimated the value of the revocation proceeding at approximately \$1,700 for each of the three revocation cases on file; the Company assesses the likelihood of such payment as remote. The value of each of the four infringement proceedings against ZTE on file and of each of the two infringement proceedings against ASUS on file has been estimated at approximately \$1,400 by the Company. On May 5, 2014, the Company deposited a bond of approximately \$1,400 to enforce an injunction against ZTE in Germany. Should the injunction be successfully overturned on appeal, the Company may be obligated to compensate ZTE for any damages allegedly suffered as a result of the enforcement of the injunction, which would be ascertained through separate damages proceedings. Should the judgment which granted the injunction be affirmed on appeal, however, the amount paid as security would be returnable to the Company in full.



Pursuant to negotiations with ZTE's Australian subsidiary, the Company placed a written commitment in April 2014 to ensure payment should a liability by Vringo Infrastructure arise as a result of the case filed. The amount of such commitment cannot be reasonably estimated at this time and the Company assesses the likelihood of such payment as remote. In addition, in Brazil, as a condition of the relief requested, the Company deposited approximately \$904 as a surety against the truth of allegations contained in the complaint. Unless ZTE is the prevailing party and proves that actual material damages were suffered while the requested relief was in place, the funds are returnable at the end of the litigation. The \$1,400 bond deposit in Germany and the \$904 surety deposit in Brazil are included in Deposits with courts in the consolidated balance sheet as of June 30, 2014.

In addition, the Company may be required to grant additional written commitments, as necessary, in connection with its commenced proceedings against ZTE Corporation and its subsidiaries in various countries. It should be noted, however, that if the Company were successful on any court applications or the entirety of any litigation, ZTE Corporation may be responsible for a substantial portion of the Company's legal fees.

### **Leases**

In July 2012, the Company signed a rental agreement for its corporate executive office in New York for an annual rental fee of approximately \$137 (subject to certain adjustments) which was to expire in September 2015. However, in January 2014, the Company entered into an amended lease agreement with the landlord for a different office space within the same building. The initial annual rental fee for this new office is approximately \$403 (subject to certain future escalations and adjustments) beginning when the new office space is available, which is expected to be in the third quarter of 2014. This lease will expire five years and three months after the new office space is available. Rent expense for operating leases for the three and six month periods ended June 30, 2014 were \$70 and \$182, respectively. Rent expense for operating leases for the three and six month periods ended June 30, 2013 were \$63 and \$107, respectively.

### **Note 11. Risks and Uncertainties**

- (a) New legislation, regulations or rulings that impact the patent enforcement process or the rights of patent holders, could negatively affect the Company's current business model. For example, limitations on the ability to bring patent enforcement claims, limitations on potential liability for patent infringement, lower evidentiary standards for invalidating patents, increases in the cost to resolve patent disputes and other similar developments could negatively affect the Company's ability to assert its patent or other intellectual property rights.
- (b) The patents owned by the Company are presumed to be valid and enforceable. As part of the Company's ongoing legal proceedings, the validity and/or enforceability of its patents is often challenged in a court or an administrative proceeding. To date, none of the Company's patents have been declared to be invalid or unenforceable.
- (c) Financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. The Company maintains its cash and cash equivalents with various major financial institutions. These major financial institutions are located in the United States and the Company's policy is designed to limit exposure to any one institution.
- (d) A portion of the Company's expenses are denominated in foreign currencies. If the value of the U.S. dollar weakens against the value of these currencies, there will be a negative impact on the Company's operating costs. In addition, the Company is subject to the risk of exchange rate fluctuations to the extent it holds monetary assets and liabilities in these currencies.

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

*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 herein 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 Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipates,” “believes,” “can,” “continues,” “could,” “estimates,” “expects,” “intends,” “may,” “will be,” “plans,” “projects,” “seeks,” “should,” “targets,” “will,” “would,” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. 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 our Annual Report on Form 10-K filed on March 10, 2014 and any future reports we file with the Securities and Exchange Commission (“SEC”). The forward-looking statements set forth herein 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, except as required by law.*

*All references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to Vringo, Inc., a Delaware corporation, and its consolidated subsidiaries.*

### **Overview**

Vringo, Inc. (“Vringo”) strives to develop, acquire, license and protect innovation worldwide. We are currently focused on identifying, generating, acquiring, and deriving economic benefits from intellectual property assets. We plan to continue to expand our portfolio of intellectual property assets through acquiring and internally developing new technologies. We intend to monetize our technology portfolio through a variety of value enhancing initiatives, including, but not limited to:

- licensing,
- strategic partnerships, and
- litigation.

The accompanying interim consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). All significant intercompany balances and transactions have been eliminated in consolidation.

### **Our Strategy**

We manage an intellectual property portfolio consisting of over 600 patents and patent applications, covering telecom infrastructure, internet search and mobile technologies. These patents and patent applications have been developed internally or acquired from third parties. We innovate, acquire, license and protect technology and intellectual property rights worldwide. We seek to expand our portfolio of intellectual property through acquisition and development both internally and with the assistance of third parties. Our goal is to partner with innovators of compelling technologies.

In potential acquisitions, we seek to purchase all of, or interests in, technology and intellectual property in exchange for cash, our securities and/or interests in the monetization of those assets. Our revenue from this aspect of our business can be generated through licensing and litigation efforts. We engage in robust due diligence and a principled risk underwriting process to evaluate the merits and potential value of any acquisition or partnership. We seek to structure the terms of our acquisitions and partnerships in a manner that will achieve the highest risk-adjusted returns possible. We believe that our capital resources and potential access to capital, together with the experience of our management team and board of directors, will allow us to assemble a portfolio of quality assets with short and long-term revenue opportunities.

## **Intellectual Property**

### ***Search Patents***

In June 2011, I/P Engine acquired eight patents from Lycos, Inc. (“Lycos”) through its wholly-owned subsidiary, I/P Engine. On September 15, 2011, I/P Engine initiated litigation in the United States District Court, Eastern District of Virginia, against Google Inc., and certain of its customers (“Defendants”) for infringement of two of the patents acquired from Lycos.

On November 6, 2012, a jury in Norfolk, Virginia unanimously returned a verdict in favor of I/P Engine. The jury verdict is available at <http://bit.ly/QBRt5S>. On November 20, 2012, the District Court issued a ruling that asserted patents were not invalid as obvious, and the Court entered final judgment which can be found at <http://bit.ly/1hqIUjD>.

On January 3, 2014, the District Court ordered that I/P Engine recover an additional sum from the Defendants for supplemental damages and prejudgment interest. This ruling can be found at <http://bit.ly/1iRY5rc>. On January 21, 2014, the District Court ruled that the Defendants' alleged design-around was “nothing more than a colorable variation of the system adjudged to infringe,” and accordingly I/P Engine “is entitled to ongoing royalties as long as [the] Defendants continue to use the modified system.” This ruling can be found at <http://bit.ly/1rpVeZp>. On January 28, 2014, the District Court ruled that the appropriate ongoing royalty rate for Defendants' continued infringement of the patents-in-suit that “would reasonably compensate [I/P Engine] for giving up [its] right to exclude yet allow an ongoing willful infringer to make a reasonable profit” is a rate of 6.5% of the 20.9% royalty base previously set by the District Court.

Both I/P Engine and the Defendants have appealed the case to the U.S. Court of Appeals for the Federal Circuit. The case number for the District Court case is 2:11 CV 512-RAJ. The case numbers for the cases in the Court of Appeals for the Federal Circuit are 13-1307, 13-1313, 14-1233 and 14-1289. On May 6, 2014, the United States Court of Appeals for the Federal Circuit heard oral argument in I/P Engine, Inc., Plaintiff-Cross Appellant v. AOL Inc., Google Inc., IAC Search & Media, Inc., Gannett Company, Inc. and Target Corporation, Defendants-Appellants, Appeal Nos. 13-1307 and 13-1313. The Court's decision in the case is pending as of the filing date of this Form 10-Q.

Requests for reexamination are a standard tactic used by defendants in patent litigation cases. Google has previously filed four separate requests for reexamination of the two asserted patents at the USPTO, with the two requests on one of the patents being merged. On July 2, 2014, the USPTO mailed a notice that it will issue a certificate that all of the claims of U.S. Patent No. 6,314,420 remain valid and unchanged. This is the second time the USPTO has confirmed the validity of the ‘420 patent. The USPTO has also previously confirmed the validity of U.S. Patent No. 6,775,664, the other patent asserted in litigation with Google. At this time, there are no other pending reexaminations for the patents asserted in the litigation.

On January 31, 2013, I/P Engine initiated litigation in the United States District Court, Southern District of New York, against Microsoft Corporation (“Microsoft”). On May 30, 2013, I/P Engine entered into a settlement and license agreement with Microsoft to resolve the litigation. According to the agreement, Microsoft paid I/P Engine \$1,000,000 and agreed to pay 5% of any future amount Google pays for its use of the patents acquired from Lycos. The parties also agreed to a limitation on Microsoft's total liability, which would not impact us unless the amounts received from Google substantially exceed the judgment previously awarded. In addition, the parties entered into a patent assignment agreement, pursuant to which Microsoft assigned six patents to I/P Engine. The assigned patents relate to telecommunications, data management, and other technology areas. The case number was 1:13 CV 00688.

## **Infrastructure Patents**

On August 9, 2012, we entered into a patent purchase agreement with Nokia Corporation ("Nokia"), comprising of 124 patent families with counterparts world-wide. The total consideration paid for the portfolio was \$22,000,000. Under the terms of the purchase agreement, to the extent that the gross revenue generated by such portfolio exceeds \$22,000,000, we are obligated to pay a royalty of 35% of such excess. The portfolio encompasses technologies relating to telecom infrastructure, including communication management, data and signal transmission, mobility management, radio resources management and services. Declarations were filed by Nokia indicating that 31 of the 124 patent families acquired may be essential to wireless communications standards. Copies of the declarations are available on our website at [http://www.vringoip.com/documents/FG/vringo/ip/99208\\_Nokia\\_ETSI\\_Declarations.pdf](http://www.vringoip.com/documents/FG/vringo/ip/99208_Nokia_ETSI_Declarations.pdf).

As one of the means of realizing the value of the patents on telecom infrastructure, our wholly-owned subsidiaries, Vringo Infrastructure, Inc. ("Vringo Infrastructure"), Vringo, Inc. and Vringo Germany GmbH ("Vringo Germany") have filed a number of suits against ZTE Corporation ("ZTE"), ASUSTeK Computer Inc. ("ASUS"), and Tyco Integrated Security, LLC ("Tyco") and certain of their subsidiaries, affiliates and other companies in the United States, European jurisdictions, India, Australia, Brazil, and Malaysia alleging infringement of certain U.S., European, Indian, Australian, Brazilian, and Malaysian patents.

### **ZTE**

#### *United Kingdom*

On October 5, 2012, Vringo Infrastructure, filed a suit in the UK High Court of Justice, Chancery Division, Patents Court, alleging infringement of certain European patents. Subsequently, ZTE responded to the complaint on December 19, 2012 with a counterclaim for invalidity of the patents in suit. Vringo Infrastructure filed a further UK suit on December 3, 2012, alleging infringement of additional European patents. In the first UK suit, trial is scheduled for October 2014 and in the second UK suit, trial is scheduled for June 2015.

#### *Germany*

On November 15, 2012, Vringo Germany filed a suit in the Mannheim Regional Court in Germany, alleging infringement of a European patent. The litigation was expanded to include a second European patent on February 21, 2013. On November 4, 2013, we filed a further brief with respect to the proceedings of the first European patent suit, asserting infringement by ZTE eNode B infrastructure equipment used in 4G networks.

The hearing for the first European patent case has been postponed by mutual agreement with ZTE; no date has been set for reinstatement. On December 17, 2013, the Court issued its judgment in the second European patent case, finding that ZTE infringed that patent and ordered an accounting and an injunction upon payment of the appropriate bonds. On February 19, 2014, Vringo Germany filed suit in the Mannheim Regional Court seeking enforcement of the accounting ordered and a further order that non-compliance be subject to civil and criminal penalties. On May 5, 2014, we paid a bond of approximately \$1,400,000 to the Court in order to enforce the injunction against ZTE. Trial in the suit to enforce the accounting is scheduled for September 2014.

On December 27, 2013, ZTE filed a notice of appeal of the Mannheim Regional Court's judgment in the second European patent case, and on January 24, 2014, ZTE filed an emergency motion with the Court of Appeals seeking a stay of the judge's order pending appeal. On February 24, 2014, ZTE's motion was denied.

On September 13, 2013 and January 28, 2014, Vringo Germany filed two suits in the Regional Court of Düsseldorf, alleging infringement of two additional European patents. Both cases are scheduled to be heard in November 2014. On April 23, 2014, Google commenced the process to intervene in the fourth filed suit as an interested third party. As a result of this process, Google is entitled to file defensive briefs in tandem with ZTE.

ZTE filed nullity suits with respect to the first and second European patents in the Federal Patents Court in Munich, Germany during the second and fourth quarters, respectively, of 2013. Trials in the nullity suits have not been scheduled. ZTE filed a nullity suit with respect to the third European patent in the Federal Patents Court in Munich, Germany, in the fourth quarter of 2013. A schedule has not yet been set and the trial is not anticipated before the third quarter of 2015. In addition, ZTE filed a nullity suit with respect to the fourth European patent in the Federal Patents Court in Munich, Germany in the second quarter of 2014. A schedule has not yet been set and the trial is not anticipated before the third quarter of 2015.

## *China*

In November and December 2012, ZTE filed reexamination requests in China against three Chinese patents owned by Vringo before the Patent Reexamination Board of the Patent Office of the People's Republic of China. On July 3, 2013, the patent rights for one of those patents was upheld. On May 30, 2014, the patent rights for another one of those patents was upheld. The oral hearing for the remaining patent occurred on January 23, 2014, for which the ruling is still pending. Between December 20 and December 28, 2013, ZTE filed four more additional reexamination requests against four other Chinese patents owned by Vringo. Vringo filed responses for these four patents in early May 2014. The oral hearing for one of the patents occurred on June 17, 2014. Oral hearings for the remaining three patents are expected to occur later in the year.

Between May and July of 2014, ZTE filed reexamination requests in China against 25 additional Chinese patents owned by Vringo before the Patent Reexamination Board of the Patent Office of the People's Republic of China. Vringo's initial responses are due in August of 2014. The remaining schedule in these 25 new re-examinations is not yet available.

On February 21, 2014, ZTE filed a civil antitrust complaint against Vringo and Vringo Infrastructure in the Shenzhen Intermediate Court. Vringo received notice of the action on June 26, 2014. Vringo intends to vigorously contest all aspects of this action in the appropriate manner. A schedule for the case has not yet been set.

## *France*

On March 29, 2013, Vringo Infrastructure filed a patent infringement lawsuit in France in the Tribunal de Grande Instance de Paris, alleging infringement of the French part of two European patents. Vringo Infrastructure filed the lawsuit based on particular information uncovered during a seizure to obtain evidence of infringement, known as a saisie-contrefaçon, which was executed at two of ZTE's facilities in France. The oral hearing in relation to these patents has been scheduled for December 2014 before the 3<sup>rd</sup> division of the 3<sup>rd</sup> chamber of the Tribunal de Grande Instance de Paris (specializing in IP matters).

## *Australia*

On June 11, 2013, Vringo Infrastructure filed a patent infringement lawsuit in the Federal Court of Australia in the New South Wales registry, alleging infringement by ZTE of two Australian patents. We currently anticipate that the Court will set a trial date in 2015.

## *Spain*

On September 6, 2013, Vringo Infrastructure filed a preliminary inquiry order against ZTE in the Commercial Court of Madrid, Spain, requiring ZTE to provide discovery relating to alleged infringement of a patent which is the Spanish counter-part of the second European patent filed in Germany. In light of ZTE's non-responsiveness to the order, on March 24, 2014 the Court granted our request to seek discovery of four of ZTE's Spanish customers. We have received responses from all four customers.

## *India*

On November 7, 2013, we, along with our subsidiary, Vringo Infrastructure, filed a patent infringement lawsuit in the High Court of Delhi at New Delhi, India, alleging infringement of an Indian patent related to CDMA. On November 8, 2013, the Court granted an ex-parte preliminary injunction and appointed commissioners to inspect ZTE's facilities and collect evidence. ZTE appealed the preliminary injunction and, on December 12, 2013, the appellate panel instituted an interim arrangement, requiring ZTE to file an accounting affidavit disclosing the number of CDMA devices sold by its entities in India, revenue derived therefrom, and other supporting documentation. The Court also required ZTE to pay a bond approximately \$800,000, directed Indian customs authorities to notify us when all relevant ZTE goods are imported into India, and required ZTE to give us the opportunity to inspect those goods. ZTE filed its accounting affidavit on January 13, 2014.

On February 3, 2014, we filed a motion for contempt for ZTE's failure to comply with the Court's order, and requested that the Court order ZTE to pay an increased bond.

On January 31, 2014, we and our subsidiary, Vringo Infrastructure, filed a patent infringement lawsuit in the High Court of Delhi at New Delhi, alleging infringement of a second Indian patent related to GSM Infrastructure. The Court, finding a *prima facie* case of infringement, granted an ex-parte preliminary injunction, restraining ZTE and its officers, directors, agents, distributors and customers from importing, selling, offering for sale, advertising, installing, or operating any infringing products, and giving us the right to inspect any infringing goods arriving in India, which are to be detained by customs authorities. The judge granted the injunction after ruling that we would suffer an irreparable loss if such an injunction were not put into place. ZTE subsequently appealed the injunction. On August 5, 2014, ZTE's appeal was heard by the Court. A ruling is pending.

#### *Brazil*

On April 14, 2014, Vringo Infrastructure filed a patent infringement lawsuit in the 5th Trial Court of Rio de Janeiro State Court in Brazil, alleging infringement of a Brazilian patent related to 3G/4G/LTE infrastructure. On April 15, 2014, the court granted an ex-parte preliminary injunction restraining ZTE from manufacturing, using, offering for sale, selling, installing, testing, or importing such infrastructure equipment, subject to a fine. To enforce the injunction, the Company posted a bond of approximately \$904,000 with the court on April 17, 2014. On May 9, 2014, ZTE filed an interlocutory appeal against the injunction. This appeal was denied by the Court on June 16, 2014.

On July 17, 2014, ZTE filed a nullity suit in the Federal district court in Rio de Janeiro, Brazil, against both Vringo and the Brazilian patent office, seeking to invalidate Vringo's Brazilian patent.

#### *Malaysia*

On June 23, 2014, Vringo Infrastructure filed a patent infringement lawsuit against ZTE in the High Court of Malaya at Kuala Lumpur. A schedule has not yet been set in this matter.

#### *Romania*

On June 23, 2014, Vringo Infrastructure filed a patent infringement lawsuit against ZTE in the Bucharest Tribunal Civil Section. On July 1, 2014, the court granted an ex-parte preliminary injunction, ordering ZTE to cease any importation, exportation, introduction on the market, offer for sale, storage, sale, trade, distribution, promotion, or any other business activity regarding the infringing product. The remaining schedule has not yet been set in this matter.

#### *Netherlands*

On May 28, 2014, Vringo Infrastructure commenced legal proceedings, pursuant to European Anti-Piracy Regulations, Number 1383/2003, Article 11 against ZTE in the District Court of The Hague. A schedule has not yet been set in this matter.

On June 4, 2014, ZTE filed suit in the District Court of Rotterdam against Vringo and Vringo Infrastructure for the alleged wrongful detention of goods under the relevant anti-piracy regulations. A schedule has not yet been set in this matter.

On July 24, 2014, ZTE filed an action for a preliminary injunction in District Court of The Hague against Vringo Infrastructure for the release of allegedly wrongfully detained goods. This matter will be heard on September 16, 2014.

#### *United States*

On July 2, 2014, Vringo filed suit in the United States District Court for the Southern District of New York seeking a temporary restraining order and preliminary and permanent injunctions against ZTE, enjoining ZTE's use of prohibited materials captured under NDA, including but not limited to ZTE's use of such materials in its antitrust lawsuit in China against Vringo and Vringo Infrastructure. On July 7, 2014, the court granted a temporary restraining order against ZTE's use of such material. On July 23, 2014, ZTE filed a counterclaim against Vringo.

### *European Commission*

On April 10, 2014, ZTE filed a complaint with the European Commission. We believe that the accusations are not accurate. The European Commission has not yet set the schedule for this matter.

### **ASUS**

#### *Germany*

On October 4, 2013 and January 29, 2014, Vringo Germany filed two patent infringement lawsuits against ASUS in the Düsseldorf Regional Court, alleging infringement of two European patents. The cases are scheduled to be heard in November 2014.

ASUS filed nullity suits with respect to the first and second European patents in the Federal Patents Court in Munich, Germany, during the second quarter of 2014. Trials in the nullity suits have not been scheduled but are not anticipated before the second quarter of 2016 for the first patent and the second quarter of 2015 for the second patent.

#### *Spain*

On February 7, 2014, Vringo Infrastructure filed suit in the Commercial Court of Barcelona alleging infringement of a patent which is the Spanish counterpart of the first European patent filed in Germany. The oral hearing for this case is scheduled to be heard before the Commercial Court of Barcelona in November 2014.

#### *India*

On April 15, 2014, Vringo Infrastructure filed suit in the High Court of Delhi, New Delhi alleging infringement of a patent related to use of dictionaries in search engines preloaded on certain ASUS devices. A schedule for the case has not yet been set.

### **Tyco**

On April 28, 2014, the Company entered into a confidential agreement with Tyco that resolved all litigation pending between the parties.

### **Sale of mobile social application business to InfoMedia Services Limited (“InfoMedia”)**

On December 31, 2013, we entered into a definitive asset purchase agreement with InfoMedia for the sale of certain assets (mostly comprised of acquired technology) and the assignment of certain agreements related to our mobile social application business. The closing of the transaction occurred on February 18, 2014 (“Closing”). Upon Closing, as consideration for the assets and agreements related to our mobile social application business, we received 18 Class B shares of InfoMedia, which represent an 8.25% ownership interest in InfoMedia.

InfoMedia is a privately owned, UK based, provider of customer relationship management and monetization technologies to mobile carriers and device manufacturers. As part of the transaction, we will have the opportunity to license certain intellectual property assets and support InfoMedia to identify and protect new intellectual property. Additionally, our Chief Executive Officer was appointed as a full voting member on InfoMedia’s board of directors and we received a number of customary protective rights.

### **June 2014 Warrants**

On June 19, 2014, we entered into agreements with certain of our warrant holders, pursuant to which the warrant holders exercised for cash 5,697,227 of their outstanding Series 1 and Series 2 warrants, with an exercise price of \$1.76 per share. In addition, we granted such warrant holders unregistered warrants of the Company to purchase an aggregate of 5,412,366 shares of our common stock, par value \$0.01 per share, at an exercise price of \$5.06 per share (the “June 2014 Warrants”). The June 2014 Warrants expire on June 21, 2015 and because such warrants do not bear any down-round protection clauses, they are classified as equity instruments. As a result of these transactions, we received approximately \$10 million of proceeds.

## **Results of Operations**

### **Overview**

#### **Revenue**

Revenue from patent licensing and enforcement is recognized when collection is reasonably assured, persuasive evidence of an arrangement exists, the sales price is fixed or determinable and delivery of the service has been rendered. We use management's best estimate of selling price for individual elements in multiple-element arrangements, where vendor specific evidence or third party evidence of selling price is not available.

Currently, our revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights related to our patents. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patents, (ii) the release of the licensee from certain claims, and (iii) the dismissal of any pending litigation. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined, relatively short period of time, with the licensee possessing the right to renew the agreement at the end of each contractual term for an additional minimum upfront payment. Pursuant to the terms of these agreements, we have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our part to maintain or upgrade the related technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement, or upon receipt of the minimum upfront payment for term agreement renewals. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, upon receipt of the minimum upfront fee for term agreement renewals, and when all other revenue recognition criteria have been met.

#### **Operating legal costs**

Operating legal costs mainly include expenses incurred in connection with our patent licensing and enforcement activities, patent-related legal expenses paid to external patent counsel (including contingent legal fees), licensing and enforcement related research, consulting and other expenses paid to third parties, as well as internal payroll expenses and stock-based compensation.

#### **Amortization of intangibles**

Amortization of intangibles represents the amortization expense of our acquired patents which is recognized on a straight-line basis over the remaining legal life of the patents.

#### **Research and development expenses**

Research and development expenses consist primarily of the cost of our development personnel, as well as of the cost of outsourced development services.

#### **General and administrative expenses**

General and administrative expenses include management and administrative personnel, public and investor relations, overhead/office costs and various professional fees, as well as insurance, non-operational depreciation and amortization.

#### **Non-operating income (expenses)**

Non-operating income (expenses) includes transaction gains (losses) from foreign exchange rate differences, interest on deposits, bank charges, as well as fair value adjustments related to our derivative warrant liabilities. The value of such derivative warrant liabilities is highly influenced by assumptions used in its valuation, as well as by our stock price at the period end (revaluation date).



## Income taxes

At June 30, 2014, deferred tax assets generated from our U.S. activities were offset by a valuation allowance because realization depends on generating future taxable income, which, in our estimation, is not more likely than not to be generated before such net operating loss carryforwards expire.

Prior to the sale of our mobile social application business, our subsidiary in Israel generated net taxable income from services it provided to us. The subsidiary in Israel charged us for research, development, certain management and other services provided to us, plus a profit margin on such costs, which was 8%. In the zone where the production facilities of the subsidiary in Israel were located, the statutory tax rate was 12.5% in 2013.

### *Three month period ended June 30, 2014 compared to the three month period ended June 30, 2013*

## Revenue

	Three months ended June 30,		
	2014	2013	Change
Revenue	<u>\$ 800,000</u>	<u>\$ 1,100,000</u>	<u>\$ (300,000)</u>

During the three month period ended June 30, 2014, we recorded total revenue of \$800,000, which represents a decrease of \$300,000 (or 27.3%) as compared to the three month period ended June 30, 2013. The current period revenue was due to a one-time payment in connection with a license and settlement agreement for certain of our owned intellectual property. Revenue during the three month period ended June 30, 2013 of \$1,100,000 mostly relates to a one-time payment in connection with the license and settlement agreement entered into with Microsoft for \$1,000,000.

We seek to generate revenue through the monetization of our intellectual property through licensing, strategic partnerships and litigation, when required, which may be resolved through a settlement or collection. We also intend to continue to expand our planned operations through acquisitions and monetization of additional patents, other intellectual property or operating businesses. In particular, following the incorporation of our subsidiary in Germany and the acquisition of a patent portfolio from Nokia, we intend to continue to expand our intellectual property monetization efforts worldwide.

We anticipate that our legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical.

## Operating legal costs

	Three months ended June 30,		
	2014	2013	Change
Operating legal costs	<u>\$ 5,982,000</u>	<u>\$ 4,790,000</u>	<u>\$ 1,192,000</u>

During the three month period ended June 30, 2014, our operating legal costs were \$5,982,000, which represents an increase of \$1,192,000 (or 24.9%) from operating legal costs recorded for the three months ended June 30, 2013. This increase was primarily due to the timing and nature of consulting and patent litigation costs related to legal proceedings against Google and ZTE. During the three month period ended June 30, 2014, there were costs associated with the oral argument heard in the appeals court in May 2014 in connection with our legal proceedings against Google. With respect to our legal proceedings against ZTE, costs during the three month period ended June 30, 2014 were associated with our continued worldwide litigation efforts including commencement of legal actions in Brazil, Malaysia, Spain, Netherlands, and other countries.

It is uncertain whether our operating legal costs will increase over time. Though we aim to diversify our portfolio of products and increase our intellectual property monetization efforts, we have also increased the size of our in-house legal department staff as mentioned above. The goal is to decrease our overall legal expenses by bringing more work in-house, which we believe will cost less than outsourcing to external firms. There is no guarantee, however, that an in-house team will be less expensive or more efficient than outsourcing this work. Moreover, as we expand the scope of our monetization efforts, the amount of legal work will increase leading to a concomitant increase in our operating legal costs, regardless of whether such work is performed in-house or outsourced.

#### Amortization of intangibles

	Three months ended June 30,		
	2014	2013	Change
Amortization of intangibles	\$ 968,000	\$ 839,000	\$ 129,000

During the three month period ended June 30, 2014, amortization expense related to our intangibles was \$968,000 which represents an increase of \$129,000 (or 15.4%) from amortization of intangibles recorded for the three month period ended June 30, 2013. Currently, our intangible assets consist of our patent portfolios which are amortized over their remaining useful lives (i.e., through the expiration date of the patent). The increase during the current quarter was due to the additional patent portfolios that were acquired during the second half of 2013.

#### Research and development

	Three months ended June 30,		
	2014	2013	Change
Research and development	\$ 217,000	\$ 467,000	\$ (250,000)

During the three month periods ended June 30, 2014 and 2013, our research and development expenses amounted to \$217,000 and \$467,000, respectively. The prior period amount excludes research and development expenses related to our mobile social application business which is presented in discontinued operations. The decrease of \$250,000 (or 53.5%) is primarily due to a decrease in costs related to third party consultants who were engaged on certain projects during 2013. Such projects had ended prior to 2014 and therefore these third party consultants were no longer utilized in the current period.

As mentioned above, in February 2014, we sold our mobile social application business to InfoMedia. As part of the sale agreement, the employment of our mobile products and services personnel were assumed by InfoMedia.

#### General and administrative

	Three months ended June 30,		
	2014	2013	Change
General and administrative	\$ 3,986,000	\$ 3,759,000	\$ 227,000

During the three month period ended June 30, 2014, general and administrative expenses increased by \$227,000 (or 6.0%), to \$3,986,000, compared to \$3,759,000 that was recorded during the three month period ended June 30, 2013. The overall increase in general and administrative expenses was primarily due to increased costs in connection with our efforts to consolidate our executive management and finance functions in a centralized location. In addition, there was an increase in corporate legal and accounting fees as compared to the prior period. The overall increase is partially offset by a decrease in stock-based compensation expense of about \$319,000 as compared to the prior three month period.

**Non-operating income (expense), net**

	Three months ended June 30,		
	2014	2013	Change
Non-operating income (expense), net	\$ 304,000	\$ (1,474,000)	\$ 1,778,000

During the three month period ended June 30, 2014, we recorded non-operating income in the amount of \$304,000 compared to non-operating expense in the amount of \$1,474,000 during the three month period ended June 30, 2013. During the three month period ended June 30, 2014, we recorded approximately \$348,000 of income related to a decrease in the fair value of our derivative warrant liabilities. This income was partially offset by \$65,000 of expense recorded in connection with the issuance of the June 2014 Warrants described above. During the three month period ended June 30, 2013, a charge of \$1,574,000 was recorded related to the removal of the down-round protection clause in certain then outstanding Series 1 Warrants. This expense was partially offset by income of \$77,000 related to a decrease in fair value of our then remaining derivative warrant liabilities.

We expect that our non-operating income (expense) will remain highly volatile, and we may choose to fund our operations through additional financing. In particular, non-operating income (expense) will be affected by the adjustments to fair value of our derivative instruments. Fair value of these derivative instruments depends on a variety of assumptions, such as estimations regarding triggering of down-round protection and estimated future share price. An estimated increase in the price of our common stock increases the value of the warrants and thus results in a loss on our statement of operations. In addition, high estimated probability of a down-round protection increases the value of the warrants and again results in a loss on our statement of operations. Also refer to Note 8 to the accompanying unaudited consolidated financial statements.

**Loss from discontinued mobile social application operations**

	Three months ended June 30,		
	2014	2013	Change
Revenue	\$ —	\$ 61,000	\$ (61,000)
Operating expenses	—	(748,000)	748,000
Operating loss	—	(687,000)	687,000
Non-operating expense	—	(22,000)	22,000
Loss before taxes on income	—	(709,000)	709,000
Income tax expense	—	(2,000)	2,000
Loss from discontinued operations	\$ —	\$ (711,000)	\$ 711,000

On February 18, 2014, we executed the sale of our mobile social application business to InfoMedia, receiving eighteen (18) Class B shares of InfoMedia as consideration, which represent an 8.25% ownership interest. Additionally, our Chief Executive Officer was appointed as a full voting member on InfoMedia's board of directors and we received a number of customary protective rights. The InfoMedia Class B shares are accounted for as a cost-method investment.

During the three month period ended June 30, 2014, there were no results from discontinued operations since all related activities ceased when the sale was executed.

**Six month period ended June 30, 2014 compared to the six month period ended June 30, 2013****Revenue**

	Six months ended June 30,		
	2014	2013	Change
Revenue	\$ 1,050,000	\$ 1,100,000	\$ (50,000)

During the six month period ended June 30, 2014, we recorded total revenue of \$1,050,000, which represents a decrease of \$50,000 (or 4.5%) as compared to the six month period ended June 30, 2013. The current period revenue was due to certain one-time payments in connection with license and settlement agreements for certain of our owned intellectual property. Revenue during the six month period ended June 30, 2013 of \$1,100,000 mostly relates to a one-time payment in connection with the license and settlement agreement entered into with Microsoft for \$1,000,000.

We seek to generate revenue through the monetization of our intellectual property through licensing, strategic partnerships and litigation, when required, which may be resolved through a settlement or collection. We also intend to continue to expand our planned operations through acquisitions and monetization of additional patents, other intellectual property or operating businesses. In particular, following the incorporation of our subsidiary in Germany and the acquisition of a patent portfolio from Nokia, we intend to continue to expand our intellectual property monetization efforts worldwide.

We anticipate that our legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical.

### Operating legal costs

	Six months ended June 30,		
	2014	2013	Change
Operating legal costs	\$ 10,857,000	\$ 10,189,000	\$ 668,000

During the six month period ended June 30, 2014, our operating legal costs were \$10,857,000, which represents an increase of \$668,000 (or 6.6%) from operating legal costs recorded for the six months ended June 30, 2013. This increase was primarily due to the timing and nature of consulting and patent litigation costs related to legal proceedings against Google and ZTE. During the six month period ended June 30, 2014, there were costs associated with the oral argument heard in the appeals court in May 2014 in connection with our legal proceedings against Google. With respect to our legal proceedings against ZTE, costs during the six month period ended June 30, 2014 were associated with our continued worldwide litigation efforts including commencement of legal actions in Brazil, Malaysia, Spain, Netherlands, and other countries. Also, there was an increase in stock-based compensation expense (approximately \$133,000) due to our efforts to expand our in-house legal department staff.

It is uncertain whether our operating legal costs will increase over time. Though we aim to diversify our portfolio of products and increase our intellectual property monetization efforts, we have also increased the size of our in-house legal department staff as mentioned above. The goal is to decrease our overall legal expenses by bringing more work in-house, which we believe will cost less than outsourcing to external firms. There is no guarantee, however, that an in-house team will be less expensive or more efficient than outsourcing this work. Moreover, as we expand the scope of our monetization efforts, the amount of legal work will increase leading to a concomitant increase in our operating legal costs, regardless of if such work is performed in-house or outsourced.

### Amortization of intangibles

	Six months ended June 30,		
	2014	2013	Change
Amortization of intangibles	\$ 1,925,000	\$ 1,678,000	\$ 247,000

During the six month period ended June 30, 2014, amortization expense related to our intangibles was \$1,925,000 which represents an increase of \$247,000 (or 14.7%) from amortization of intangibles recorded for the six month period ended June 30, 2013. Currently, our intangible assets consist of our patent portfolios which are amortized over their remaining useful lives (i.e., through the expiration date of the patent). The increase during the current period was due to the additional patent portfolios that were acquired during the second half of 2013.

### Research and development

	Six months ended June 30,		
	2014	2013	Change
Research and development	\$ 442,000	\$ 737,000	\$ (295,000)

During the six month periods ended June 30, 2014 and 2013, our research and development expenses amounted to \$442,000 and \$737,000, respectively. These amounts exclude research and development expenses related to our mobile social application business which is presented in discontinued operations. The decrease of \$295,000 (or 40.0%) is primarily due to a decrease in costs related to third party consultants who were engaged on certain projects during 2013. Such projects had ended prior to 2014 and therefore these third party consultants were no longer utilized in the current period.

As mentioned above, in February 2014, we sold our mobile social application business to InfoMedia. As part of the sale agreement, the employment of our mobile products and services personnel were assumed by InfoMedia.

#### General and administrative

	Six months ended June 30,		
	2014	2013	Change
General and administrative	\$ 8,004,000	\$ 7,750,000	\$ 254,000

During the six month period ended June 30, 2014, general and administrative expenses increased by \$254,000 (or 3.3%), to \$8,004,000, compared to \$7,750,000 that was recorded during the six month period ended June 30, 2013. The overall increase in general and administrative expenses was primarily due to increased costs in connection with our efforts to consolidate our executive management and finance functions in a centralized location. In addition, there was an increase in corporate legal, insurance, and accounting costs as compared to the prior period.

#### Non-operating income (expense), net

	Six months ended June 30,		
	2014	2013	Change
Non-operating income (expense), net	\$ (771,000)	\$ (1,834,000)	\$ 1,063,000

During the six month period ended June 30, 2014, we recorded non-operating expense in the amount of \$771,000 compared to non-operating expense in the amount of \$1,834,000 recorded during the six month period ended June 30, 2013. During the six month period ended June 30, 2014, we recorded approximately \$728,000 of expense related to an increase in the fair value of our derivative warrant liabilities and \$65,000 of expense recorded in connection with the issuance of the June 2014 Warrants described above. During the six month period ended June 30, 2013, a charge of \$1,574,000 was recorded related to the removal of the down-round protection clause in certain then outstanding Series 1 Warrants. In addition, expense of \$292,000 was recorded related to an increase in fair value of our then remaining derivative warrant liabilities.

We expect that our non-operating income (expense) will remain highly volatile, and we may choose to fund our operations through additional financing. In particular, non-operating income (expense) will be affected by the adjustments to fair value of our derivative instruments. Fair value of these derivative instruments depends on a variety of assumptions, such as estimations regarding triggering of down-round protection and estimated future share price. An estimated increase in the price of our common stock increases the value of the warrants and thus results in a loss on our statement of operations. In addition, high estimated probability of a down-round protection increases the value of the warrants and again results in a loss on our statement of operations. Also refer to Note 8 to the accompanying unaudited consolidated financial statements.

## Loss from discontinued mobile social application operations

	Six months ended June 30,		
	2014	2013	Change
Revenue	\$ 37,000	\$ 126,000	\$ (89,000)
Operating expenses	(266,000)	(1,893,000)	1,627,000
Operating loss	(229,000)	(1,767,000)	1,538,000
Non-operating income (expense)	20,000	(31,000)	51,000
Loss before taxes on income	(209,000)	(1,798,000)	1,589,000
Income tax expense	—	(18,000)	18,000
Loss from discontinued operations	\$ (209,000)	\$ (1,816,000)	\$ 1,607,000

On February 18, 2014, we executed the sale of our mobile social application business to InfoMedia, receiving eighteen (18) Class B shares of InfoMedia as consideration, which represent an 8.25% ownership interest. Additionally, our Chief Executive Officer was appointed as a full voting member on InfoMedia's board of directors and we received a number of customary protective rights. The InfoMedia Class B shares are accounted for as a cost-method investment. Cash requirements for termination of mobile operations included mainly post-employment obligations, were incurred during the six month period ended June, 2014, and are considered to be immaterial.

During the six month period ended June 30, 2014, operating expenses decreased by \$1,627,000 (or 85.9%), to \$266,000, from \$1,893,000 recorded during the six month period ended June 30, 2013. This decrease is primarily due to the fact that there were no substantial operating expenses and no amortization related to acquired technology during the current year as the related asset was classified as held for sale as of December 31, 2013 and was subsequently sold to InfoMedia in February 2014.

### Taxes on Income

As of June 30, 2014, our estimated aggregate total net tax loss carryforwards ("NOL") was approximately \$96 million for U.S. federal, state and local purposes expiring 20 years from the respective tax years to which they relate. The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of NOL and tax credits in the event of an ownership change of a corporation. Thus, our ability to utilize all such NOL and credit carryforwards may be limited.

A valuation allowance has been recorded against the net deferred tax asset in the U.S., as it is in the opinion of our management that it is more likely than not that the operating loss carryforwards will not be utilized in the foreseeable future.

We file our tax returns in the U.S. federal jurisdiction, as well as in various state and local jurisdictions. Vringo, Inc. has open tax years for 2010 through 2013. As of June 30, 2014, all tax years for Innovate/Protect are still open. The Israeli subsidiary files its income tax returns in Israel. As of June 30, 2014, the Israeli subsidiary has open tax years for 2010 through 2013.

We did not have any material unrecognized tax benefits as of June 30, 2014. We do not expect to record any additional material provisions for unrecognized tax benefits within the next year.

### Liquidity and Capital Resources

As of June 30, 2014, we had a cash balance of \$31,654,000. This represents a decrease of \$1,932,000 from our cash balance on December 31, 2013, which is mainly due to net cash used by us in our business operations of approximately \$12,955,000 during the six month period ended June 30, 2014. The majority of these expenditures consisted of costs related to our four litigation campaigns. In our case against Google et al., we incurred costs related to the preparation for the oral argument, which was heard before the United States Court of Appeals for the Federal Circuit on May 6, 2014, in addition to other related costs. In our cases against ZTE and ASUS, we incurred costs related to the preparation and filing of briefs and other court documents, as well as case preparation and management. A large percentage of these costs were incurred in the United Kingdom, Australia, Germany, Brazil, and France. In civil law jurisdictions, such as Germany, France, Spain, and others, the majority of costs are incurred in the early stages of litigation and we anticipate that the costs in these jurisdictions will be lower in future periods. In our case against Tyco, we incurred costs related to the preparation and filing of briefs and other court documents, case preparation and management, and the worldwide resolution of litigation between the parties. In addition, we paid approximately \$2,304,000 in deposits with courts related to proceedings in Germany and Brazil.

The overall decrease in our cash balance from expenditures related to our litigation campaigns was partially offset by approximately \$13,500,000 that was received in connection with the exercises of warrants and stock options that occurred during the six month period ended June 30, 2014, as described below. As of June 30, 2014, our total stockholders' equity was \$114,166,000 which is consistent with the balance as of December 31, 2013.

During the six month period ended June 30, 2014, a total of 6,415,992 warrants to purchase an aggregate of 6,415,992 shares of our common stock, at an exercise price of \$1.76 per share, were exercised by our warrant holders, pursuant to which we received \$11,292,000. These proceeds are most significantly attributable to the execution of the agreements with certain of our warrant holders described above in connection with the June 2014 Warrants. In addition, 1,126,815 options to purchase 1,126,815 shares of our common stock were exercised during the six month period ended June 30, 2014. As a result, we received \$2,160,000 through June 2014.

Based on current operating plans, we expect to have sufficient funds for our operations for at least the next twelve months. In addition, until we generate sufficient revenue, we may need to raise additional funds, which can be achieved through the exercise of our outstanding warrants and options, the issuance of additional equity or through loans from financial institutions. There can be no assurance, however, that any such opportunities will materialize.

We anticipate that we will continue to search for additional sources of liquidity, when needed, until we generate positive cash flows to support our operations. We cannot give any assurance that the necessary capital will be raised or that, if funds are raised, it will be on favorable terms. Any future sales of securities to finance our operations may require stockholder approval and will dilute existing stockholders' ownership. We cannot guarantee when or if we will ever generate positive cash flows.

### ***Cash flows***

	Six months ended June 30,		
	2014	2013	Change
Net cash used in operating activities	\$ (12,955,000)	\$ (10,966,000)	\$ (1,989,000)
Net cash used in investing activities	\$ (2,449,000)	\$ (3,143,000)	\$ 694,000
Cash provided by financing activities	\$ 13,452,000	\$ 327,000	\$ 13,125,000

### ***Operating activities***

During the six month period ended June 30, 2014, net cash used in operating activities totaled \$12,955,000. During the six months period ended June 30, 2013, net cash used in operating activities totaled \$10,966,000. The \$1,989,000 increase in net cash used in operating activities was mainly due to increased litigation costs described above, as well as an increase in cost of our in-house staff, which was expanded during the second half of 2013.

Our net cash used in operating activities could increase if we engage in future business development activities. As we expect to move towards greater revenue generation in the future, we expect that these amounts will be offset over time by the collection of revenues.

### ***Investing activities***

During the six month period ended June 30, 2014, net cash used in investing activities totaled \$2,449,000. During the six month period ended June 30, 2013, net cash used in investing activities totaled \$3,143,000. Net cash used in investing activities during the six month period ended June 30, 2014 is mostly comprised of the \$2,304,000 deposited with courts that is described above. Net cash used in investing activities during the six month period ended June 30, 2013 is related to an investment made in commercial paper during that period in the amount of \$3,120,000. There was also an increase in fixed asset purchases during the six month period ended June 30, 2014 as compared to the six month period ended June 30, 2013.

We expect that net cash used in investing activities will increase as we intend to continue to acquire additional intellectual property assets and invest surplus cash, according to our investment policy.

### ***Financing activities***

During the six month period ended June 30, 2014, cash provided by financing activities totaled \$13,452,000, which relates to funds that we received from the exercises of warrants and stock options in the total amount of \$11,292,000 and \$2,160,000, respectively. During the six month period ended June 30, 2013, cash provided by financing activities totaled \$327,000, which relates to funds received from the exercises of warrants and stock options in the total amount of \$174,000 and \$153,000, respectively.

A significant portion of our issued and outstanding warrants are currently “in the money” and the underlying shares of common stock held by non-affiliates are freely tradable, with the potential of up to \$7.4 million of additional incoming funds as of June 30, 2014, should the warrant holders choose to exercise. We may choose to raise additional funds in connection with any acquisitions of patent portfolios or other intellectual property assets that we may pursue. There can be no assurance, however, that any such opportunity will materialize, and moreover, that any such financing would likely be dilutive to our current stockholders.

### ***Future operations***

We are constantly seeking to identify patent portfolios, other intellectual property assets and operating businesses that we may wish to acquire. In addition, we are continuing to explore further opportunities for strategic business alliances. However, there can be no assurance that any such opportunities will be consummated.

### **Off-Balance Sheet Arrangements**

From October 2012 through the filing date of this Form 10-Q, our subsidiaries filed patent infringement lawsuits against the subsidiaries of ZTE Corporation in the United Kingdom, France, Germany, Australia, India, Brazil, Malaysia, and Romania. Should we be deemed the losing party in any of its applications to the court in the UK, we may be held responsible for a portion of the defendant’s legal fees for the relevant application or for the litigation. Pursuant to negotiation with ZTE’s UK subsidiary, in the United Kingdom, we placed two written commitments to ensure the payment of a potential liability by Vringo Infrastructure resulting for the two cases filed in the fourth quarter of 2012 and second quarter of 2013, which the defendants estimated to be approximately \$2,900,000 each. In addition, we may be required to grant additional written commitments, as necessary, in connection with our commenced proceedings against ZTE Corporation in Europe, Brazil, India and Australia. It should be noted, however, that if we were successful on any court applications or the entirety of any litigation, ZTE Corporation would be responsible for a substantial portion of our legal fees.

Other than the arrangements described in the preceding paragraph, we have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

### **Contractual Obligations**

The following table summarizes our future contractual obligations beginning on July 1, 2014:

	<b>Remainder of 2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
Operating leases	\$ 79,000	\$ 403,000	\$ 403,000	\$ 407,000	\$ 416,000	\$ 347,000	\$ 2,055,000

In July 2012, the Company signed a rental agreement for its corporate executive office in New York for an annual rental fee of approximately \$137,000 (subject to certain adjustments) which was to expire in September 2015. However, in January 2014, the Company entered into an amended lease agreement with the landlord for newly renovated office within the same building. The initial annual rental fee for this new office is approximately \$403,000 (subject to certain future escalations and adjustments) beginning when the renovations are completed and the new office is available. Until the new office is available, the monthly rent payments are based on the previous annual rental fee. The lease for the New York office will expire five years and three months after the new office is available.



## **Critical Accounting Estimates**

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on March 10, 2014, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results. While there have been no material changes to our critical accounting policies as to the methodologies or assumptions we apply under them, we continue to monitor such methodologies and assumptions.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Financial instruments which potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We maintain our cash and cash equivalents with various major financial institutions. These major financial institutions are located in the United States and our policy is designed to limit exposure to any one institution.

The primary objective of our investment activities is to preserve principal while concurrently maximizing the income we receive from our investments without significantly increasing risk. To minimize risks in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in securities such as commercial paper and money market funds. As of June 30, 2014 and December 31, 2013, our cash was mostly held in money market funds. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. Accordingly, a 100 basis point increase in interest rates or a 10% decline in the value of the United States equity markets would not be expected to have a material impact on the value of such money market funds.

A portion of our expenses are denominated in foreign currencies. If the value of the U.S. dollar weakens against the value of these currencies, there will be a negative impact on our operating costs. In addition, we are subject to the risk of exchange rate fluctuations to the extent we hold monetary assets and liabilities in these currencies.

### **Item 4. 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 pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2014, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

### ***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter 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.

#### *Search Patents*

In June 2011, I/P Engine acquired eight patents from Lycos, Inc. (“Lycos”) through its wholly-owned subsidiary, I/P Engine. On September 15, 2011, I/P Engine initiated litigation in the United States District Court, Eastern District of Virginia, against Google Inc., and certain of its customers (“Defendants”) for infringement of two of the patents acquired from Lycos.

On November 6, 2012, a jury in Norfolk, Virginia unanimously returned a verdict in favor of I/P Engine. The jury verdict is available at <http://bit.ly/QBRt5S>. On November 20, 2012, the District Court issued a ruling that asserted patents were not invalid as obvious, and the Court entered final judgment which can be found at <http://bit.ly/1hqUpD>.

On January 3, 2014, the District Court ordered that I/P Engine recover an additional sum from the Defendants for supplemental damages and prejudgment interest. This ruling can be found at <http://bit.ly/1iRY5rc>. On January 21, 2014, the District Court ruled that the Defendants' alleged design-around was “nothing more than a colorable variation of the system adjudged to infringe,” and accordingly I/P Engine “is entitled to ongoing royalties as long as [the] Defendants continue to use the modified system.” This ruling can be found at <http://bit.ly/1rpVeZp>. On January 28, 2014, the District Court ruled that the appropriate ongoing royalty rate for Defendants' continued infringement of the patents-in-suit that “would reasonably compensate [I/P Engine] for giving up [its] right to exclude yet allow an ongoing willful infringer to make a reasonable profit” is a rate of 6.5% of the 20.9% royalty base previously set by the District Court.

Both I/P Engine and the Defendants have appealed the case to the U.S. Court of Appeals for the Federal Circuit. The case number for the District Court case is 2:11 CV 512-RAJ. The case numbers for the cases in the Court of Appeals for the Federal Circuit are 13-1307, 13-1313, 14-1233 and 14-1289. On May 6, 2014, the United States Court of Appeals for the Federal Circuit heard oral argument in I/P Engine, Inc., Plaintiff-Cross Appellant v. AOL Inc., Google Inc., IAC Search & Media, Inc., Gannett Company, Inc. and Target Corporation, Defendants-Appellants, Appeal Nos. 13-1307 and 13-1313. The Court's decision in the case is pending as of the filing date of this Form 10-Q.

Requests for reexamination are a standard tactic used by defendants in patent litigation cases. Google has previously filed four separate requests for reexamination of the two asserted patents at the USPTO, with the two requests on one of the patents being merged. On July 2, 2014, the USPTO mailed a notice that it will issue a certificate that all of the claims of U.S. Patent No. 6,314,420 remain valid and unchanged. This is the second time the USPTO has confirmed the validity of the ‘420 patent. The USPTO has also previously confirmed the validity of U.S. Patent No. 6,775,664, the other patent asserted in litigation with Google. At this time, there are no other pending reexaminations for the patents asserted in the litigation.

On January 31, 2013, I/P Engine initiated litigation in the United States District Court, Southern District of New York, against Microsoft Corporation (“Microsoft”). On May 30, 2013, I/P Engine entered into a settlement and license agreement with Microsoft to resolve the litigation. According to the agreement, Microsoft paid I/P Engine \$1,000,000 and agreed to pay 5% of any future amount Google pays for its use of the patents acquired from Lycos. The parties also agreed to a limitation on Microsoft's total liability, which would not impact us unless the amounts received from Google substantially exceed the judgment previously awarded. In addition, the parties entered into a patent assignment agreement, pursuant to which Microsoft assigned six patents to I/P Engine. The assigned patents relate to telecommunications, data management, and other technology areas. The case number was 1:13 CV 00688.

#### *Infrastructure Patents*

On August 9, 2012, we entered into a patent purchase agreement with Nokia Corporation (“Nokia”), comprising of 124 patent families with counterparts world-wide. The total consideration paid for the portfolio was \$22,000,000. Under the terms of the purchase agreement, to the extent that the gross revenue generated by such portfolio exceeds \$22,000,000, we are obligated to pay a royalty of 35% of such excess. The portfolio encompasses technologies relating to telecom infrastructure, including communication management, data and signal transmission, mobility management, radio resources management and services. Declarations were filed by Nokia indicating that 31 of the 124 patent families acquired may be essential to wireless communications standards. Copies of the declarations are available on our website at [http://www.vringoip.com/documents/FG/vringo/ip/99208\\_Nokia\\_ETSI\\_Declarations.pdf](http://www.vringoip.com/documents/FG/vringo/ip/99208_Nokia_ETSI_Declarations.pdf).

As one of the means of realizing the value of the patents on telecom infrastructure, our wholly-owned subsidiaries, Vringo Infrastructure, Inc. (“Vringo Infrastructure”), Vringo, Inc. and Vringo Germany GmbH (“Vringo Germany”) have filed a number of suits against ZTE Corporation (“ZTE”), ASUSTeK Computer Inc. (“ASUS”), and Tyco Integrated Security, LLC (“Tyco”) and certain of their subsidiaries, affiliates and other companies in the United States, European jurisdictions, India, Australia, Brazil, and Malaysia alleging infringement of certain U.S., European, Indian, Australian, Brazilian, and Malaysian patents.

## **ZTE**

### *United Kingdom*

On October 5, 2012, Vringo Infrastructure, filed a suit in the UK High Court of Justice, Chancery Division, Patents Court, alleging infringement of certain European patents. Subsequently, ZTE responded to the complaint on December 19, 2012 with a counterclaim for invalidity of the patents in suit. Vringo Infrastructure filed a further UK suit on December 3, 2012, alleging infringement of additional European patents. In the first UK suit, trial is scheduled for October 2014 and in the second UK suit, trial is scheduled for June 2015.

### *Germany*

On November 15, 2012, Vringo Germany filed a suit in the Mannheim Regional Court in Germany, alleging infringement of a European patent. The litigation was expanded to include a second European patent on February 21, 2013. On November 4, 2013, we filed a further brief with respect to the proceedings of the first European patent suit, asserting infringement by ZTE eNode B infrastructure equipment used in 4G networks.

The hearing for the first European patent case has been postponed by mutual agreement with ZTE; no date has been set for reinstatement. On December 17, 2013, the Court issued its judgment in the second European patent case, finding that ZTE infringed that patent and ordered an accounting and an injunction upon payment of the appropriate bonds. On February 19, 2014, Vringo Germany filed suit in the Mannheim Regional Court seeking enforcement of the accounting ordered and a further order that non-compliance be subject to civil and criminal penalties. On May 5, 2014, we paid a bond of approximately \$1,400,000 to the Court in order to enforce the injunction against ZTE. Trial in the suit to enforce the accounting is scheduled for September 2014.

On December 27, 2013, ZTE filed a notice of appeal of the Mannheim Regional Court’s judgment in the second European patent case, and on January 24, 2014, ZTE filed an emergency motion with the Court of Appeals seeking a stay of the judge’s order pending appeal. On February 24, 2014, ZTE’s motion was denied.

On September 13, 2013 and January 28, 2014, Vringo Germany filed two suits in the Regional Court of Düsseldorf, alleging infringement of two additional European patents. Both cases are scheduled to be heard in November 2014. On April 23, 2014, Google commenced the process to intervene in the fourth filed suit as an interested third party. As a result of this process, Google is entitled to file defensive briefs in tandem with ZTE.

ZTE filed nullity suits with respect to the first and second European patents in the Federal Patents Court in Munich, Germany during the second and fourth quarters, respectively, of 2013. Trials in the nullity suits have not been scheduled. ZTE filed a nullity suit with respect to the third European patent in the Federal Patents Court in Munich, Germany, in the fourth quarter of 2013. A schedule has not yet been set and the trial is not anticipated before the third quarter of 2015. In addition, ZTE filed a nullity suit with respect to the fourth European patent in the Federal Patents Court in Munich, Germany in the second quarter of 2014. A schedule has not yet been set and the trial is not anticipated before the third quarter of 2015.

## *China*

In November and December 2012, ZTE filed reexamination requests in China against three Chinese patents owned by Vringo before the Patent Reexamination Board of the Patent Office of the People's Republic of China. On July 3, 2013, the patent rights for one of those patents was upheld. On May 30, 2014, the patent rights for another one of those patents was upheld. The oral hearing for the remaining patent occurred on January 23, 2014, for which the ruling is still pending. Between December 20 and December 28, 2013, ZTE filed four more additional reexamination requests against four other Chinese patents owned by Vringo. Vringo filed responses for these four patents in early May 2014. The oral hearing for one of the patents occurred on June 17, 2014. Oral hearings for the remaining three patents are expected to occur later in the year.

Between May and July of 2014, ZTE filed reexamination requests in China against 25 additional Chinese patents owned by Vringo before the Patent Reexamination Board of the Patent Office of the People's Republic of China. Vringo's initial responses are due in August of 2014. The remaining schedule in these 25 new re-examinations is not yet available.

On February 21, 2014, ZTE filed a civil antitrust complaint against Vringo and Vringo Infrastructure in the Shenzhen Intermediate Court. Vringo received notice of the action on June 26, 2014. Vringo intends to vigorously contest all aspects of this action in the appropriate manner. A schedule for the case has not yet been set.

## *France*

On March 29, 2013, Vringo Infrastructure filed a patent infringement lawsuit in France in the Tribunal de Grande Instance de Paris, alleging infringement of the French part of two European patents. Vringo Infrastructure filed the lawsuit based on particular information uncovered during a seizure to obtain evidence of infringement, known as a *saisie-contrefaçon*, which was executed at two of ZTE's facilities in France. The oral hearing in relation to these patents has been scheduled for December 2014 before the 3<sup>rd</sup> division of the 3<sup>rd</sup> chamber of the Tribunal de Grande Instance de Paris (specializing in IP matters).

## *Australia*

On June 11, 2013, Vringo Infrastructure filed a patent infringement lawsuit in the Federal Court of Australia in the New South Wales registry, alleging infringement by ZTE of two Australian patents. We currently anticipate that the Court will set a trial date in 2015.

## *Spain*

On September 6, 2013, Vringo Infrastructure filed a preliminary inquiry order against ZTE in the Commercial Court of Madrid, Spain, requiring ZTE to provide discovery relating to alleged infringement of a patent which is the Spanish counter-part of the second European patent filed in Germany. In light of ZTE's non-responsiveness to the order, on March 24, 2014 the Court granted our request to seek discovery of four of ZTE's Spanish customers. We have received responses from all four customers.

## *India*

On November 7, 2013, we, along with our subsidiary, Vringo Infrastructure, filed a patent infringement lawsuit in the High Court of Delhi at New Delhi, India, alleging infringement of an Indian patent related to CDMA. On November 8, 2013, the Court granted an ex-parte preliminary injunction and appointed commissioners to inspect ZTE's facilities and collect evidence. ZTE appealed the preliminary injunction and, on December 12, 2013, the appellate panel instituted an interim arrangement, requiring ZTE to file an accounting affidavit disclosing the number of CDMA devices sold by its entities in India, revenue derived therefrom, and other supporting documentation. The Court also required ZTE to pay a bond approximately \$800,000, directed Indian customs authorities to notify us when all relevant ZTE goods are imported into India, and required ZTE to give us the opportunity to inspect those goods. ZTE filed its accounting affidavit on January 13, 2014.

On February 3, 2014, we filed a motion for contempt for ZTE's failure to comply with the Court's order, and requested that the Court order ZTE to pay an increased bond.

On January 31, 2014, we and our subsidiary, Vringo Infrastructure, filed a patent infringement lawsuit in the High Court of Delhi at New Delhi, alleging infringement of a second Indian patent related to GSM Infrastructure. The Court, finding a *prima facie* case of infringement, granted an ex-parte preliminary injunction, restraining ZTE and its officers, directors, agents, distributors and customers from importing, selling, offering for sale, advertising, installing, or operating any infringing products, and giving us the right to inspect any infringing goods arriving in India, which are to be detained by customs authorities. The judge granted the injunction after ruling that we would suffer an irreparable loss if such an injunction were not put into place. ZTE subsequently appealed the injunction. On August 5, 2014, ZTE's appeal was heard by the Court. A ruling is pending.

#### *Brazil*

On April 14, 2014, Vringo Infrastructure filed a patent infringement lawsuit in the 5th Trial Court of Rio de Janeiro State Court in Brazil, alleging infringement of a Brazilian patent related to 3G/4G/LTE infrastructure. On April 15, 2014, the court granted an ex-parte preliminary injunction restraining ZTE from manufacturing, using, offering for sale, selling, installing, testing, or importing such infrastructure equipment, subject to a fine. To enforce the injunction, the Company posted a bond of approximately \$904,000 with the court on April 17, 2014. On May 9, 2014, ZTE filed an interlocutory appeal against the injunction. This appeal was denied by the Court on June 16, 2014.

On July 17, 2014, ZTE filed a nullity suit in the Federal district court in Rio de Janeiro, Brazil, against both Vringo and the Brazilian patent office, seeking to invalidate Vringo's Brazilian patent.

#### *Malaysia*

On June 23, 2014, Vringo Infrastructure filed a patent infringement lawsuit against ZTE in the High Court of Malaya at Kuala Lumpur. A schedule has not yet been set in this matter.

#### *Romania*

On June 23, 2014, Vringo Infrastructure filed a patent infringement lawsuit against ZTE in the Bucharest Tribunal Civil Section. On July 1, 2014, the court granted an ex-parte preliminary injunction, ordering ZTE to cease any importation, exportation, introduction on the market, offer for sale, storage, sale, trade, distribution, promotion, or any other business activity regarding the infringing product. The remaining schedule has not yet been set in this matter.

#### *Netherlands*

On May 28, 2014, Vringo Infrastructure commenced legal proceedings, pursuant to European Anti-Piracy Regulations, Number 1383/2003, Article 11 against ZTE in the District Court of The Hague. A schedule has not yet been set in this matter.

On June 4, 2014, ZTE filed suit in the District Court of Rotterdam against Vringo and Vringo Infrastructure for the alleged wrongful detention of goods under the relevant anti-piracy regulations. A schedule has not yet been set in this matter.

On July 24, 2014, ZTE filed an action for a preliminary injunction in District Court of The Hague against Vringo Infrastructure for the release of allegedly wrongfully detained goods. This matter will be heard on September 16, 2014.

#### *United States*

On July 2, 2014, Vringo filed suit in the United States District Court for the Southern District of New York seeking a temporary restraining order and preliminary and permanent injunctions against ZTE, enjoining ZTE's use of prohibited materials captured under NDA, including but not limited to ZTE's use of such materials in its antitrust lawsuit in China against Vringo and Vringo Infrastructure. On July 7, 2014, the court granted a temporary restraining order against ZTE's use of such material. On July 23, 2014, ZTE filed a counterclaim against Vringo.

### *European Commission*

On April 10, 2014, ZTE filed a complaint with the European Commission. We believe that the accusations are not accurate. The European Commission has not yet set the schedule for this matter.

### **ASUS**

#### *Germany*

On October 4, 2013 and January 29, 2014, Vringo Germany filed two patent infringement lawsuits against ASUS in the Düsseldorf Regional Court, alleging infringement of two European patents. The cases are scheduled to be heard in November 2014.

ASUS filed nullity suits with respect to the first and second European patents in the Federal Patents Court in Munich, Germany, during the second quarter of 2014. Trials in the nullity suits have not been scheduled but are not anticipated before the second quarter of 2016 for the first patent and the second quarter of 2015 for the second patent.

#### *Spain*

On February 7, 2014, Vringo Infrastructure filed suit in the Commercial Court of Barcelona alleging infringement of a patent which is the Spanish counterpart of the first European patent filed in Germany. The oral hearing for this case is scheduled to be heard before the Commercial Court of Barcelona in November 2014.

#### *India*

On April 15, 2014, Vringo Infrastructure filed suit in the High Court of Delhi, New Delhi alleging infringement of a patent related to use of dictionaries in search engines preloaded on certain ASUS devices. A schedule for the case has not yet been set.

### **Tyco**

On April 28, 2014, the Company entered into a confidential agreement with Tyco that resolved all litigation pending between the parties.

### **Item 1A. Risk Factors.**

*The risk factors set forth below update the risk factors in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013 and Part II, “Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. In addition to the risk factors below and the risk factors included in our Annual Report on Form 10-K, as updated by our Quarterly Report on Form 10-Q, you should carefully consider the other risks highlighted elsewhere in this report or in our other filings with the Securities and Exchange Commission, which could materially affect our business, financial position and results of operations. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business, financial position and results of operations.*

### **Our limited operating history makes it difficult to evaluate our current business and future prospects.**

To date, our business is focused on the assertion of our patent portfolio of which the earliest patent was acquired by us in June 2011. Therefore, we not only have a limited operating history, but also a limited track record in executing our business model which includes, among other things, creating, prosecuting, licensing, litigating or otherwise monetizing our patent assets. Our limited operating history makes it difficult to evaluate our current business model and future prospects.

In light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development with no operating history, there is a significant risk that we will not be able to:

- implement or execute our current business plan, or demonstrate that our business plan is sound; and/or

- raise sufficient funds in the capital markets to effectuate our long-term business plan.

If we are unable to execute any one of the foregoing or similar matters relating to our operations, our business may fail.

**We commenced legal proceedings against major online search engines, security and communications companies, and we expect such proceedings to be time-consuming and costly, which may adversely affect our financial condition and our ability to operate our business.**

To license or otherwise monetize the patent assets that we own, we commenced legal proceedings against a number of large, multi-national companies, pursuant to which we allege that such companies infringe on one or more of our patents. Our viability is highly dependent on the outcome of these litigations, and there is a risk that we may be unable to achieve the results we desire from such litigation, failure from which would harm our business to a great degree. In addition, the defendants in these litigations have substantially more resources than we do, which could make our litigation efforts more difficult.

We anticipate that legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. Once initiated, we may be forced to litigate against other parties in addition to the originally named defendants. Our adversaries may allege defenses and/or file counterclaims for, inter alia, revocation of our patents or file collateral litigations or initiate investigations in the United States, Europe, India, and China or elsewhere in an effort to avoid or limit liability and damages for patent infringement. If such actions are successful, they may preclude our ability to derive licensing revenue from the patents currently being asserted.

Additionally, we anticipate that our legal fees and other expenses will be material and will negatively impact our financial condition and results of operations and may result in our inability to continue our business. We estimate that our legal fees over the next twelve months will be significant for these enforcement actions. Expenses thereafter are dependent on the outcome of the status of the litigation. Our failure to monetize our patent assets would significantly harm our business.

Further, should we be deemed the losing party in many of our litigations, we may be liable for some or all of our opponents' legal fees. In addition, in connection with litigation, we have made several affirmative financial guarantees to courts around the world, and might face the need to make additional guarantees in the future.

In any of our applications to the Court in the UK ZTE litigation or for the entire UK ZTE litigation, we may be held responsible for a substantial percentage of the defendant's legal fees for the relevant application or for the litigation. These fees may be substantial. Pursuant to negotiation with ZTE's United Kingdom subsidiary, we placed two written commitments, in November 2012 and May 2013, to ensure payment should a liability by Vringo Infrastructure arise as a result of the two cases we filed. To date, ZTE has asserted that its anticipated fees in defending the UK litigation may be approximately \$5,800,000.

In Australia, should we be deemed the losing party in any of our applications to the Court or for the entire litigation, we may be held responsible for a substantial percentage of the defendant's legal fees for the relevant application or for the litigation. These fees may be substantial. In addition, pursuant to negotiations with ZTE's Australian subsidiary, we placed a written commitment in April 2014 to ensure payment should a liability by Vringo Infrastructure arise as a result of the case filed. The amount of such commitment cannot be reasonably estimated at this time, and we assess the likelihood of such payment as remote.

In Germany, the amount of fees payable by a losing party is determined based on certain possible statutory levels of "value in dispute." The value in dispute is only very loosely correlated to the actual value of any potential final settlement or license. The estimated value in dispute for each of the four patent infringement cases we have filed against ZTE in Germany, and for each of the two patent infringement cases we have filed against ASUS in Germany is approximately \$1,400,000. The estimated value in dispute for each of the three invalidity cases which ZTE has filed against us in Germany is approximately \$1,700,000. Under the current statute, our risk is capped at approximately \$1,000,000 were the court to determine that the value in dispute is at the highest tier under law.

In Germany, should the court order an injunction, for it to be enforced, we will have to pay a security based on the relevant statutory rate. In our litigations against ZTE and ASUS the statutory rate is approximately \$1,400,000 for each patent asserted. We have already deposited a bond of \$1,400,000 on May 5, 2014 in one of our cases. The statutory rate is only loosely correlated to any actual harm the defendant may suffer from an injunction. The district court judge is entitled to increase the amount of the security. Generally, the courts take the value in dispute as the amount payable as security. Should the injunction be successfully overturned on appeal, we may be obligated to compensate the defendant for any damages allegedly suffered as a result of the enforcement of the injunction, which would be ascertained through separate damages proceedings. Should the judgment which granted the injunction be affirmed on appeal, however, the amount paid as security would be returnable to us in full.

In France, should we be deemed to be the losing party, it is more likely than not that we will be ordered to pay a contribution to ZTE's attorney and expert fees. The court in France will make an assessment of winning party's costs during the course of the proceeding on the merits, and at its discretion order the losing party to pay a portion of those costs, typically between 40 and 60%.

In Brazil, as a condition of the relief requested, we deposited \$904,000 as a surety against the truth of the allegations contained in the complaint. Unless ZTE is the prevailing party and proves that actual material damages were suffered while the requested relief was in place, the funds are returnable at the end of the litigation.

In addition, we may be required to grant additional written commitments, as necessary, in connection with our commenced proceedings against ZTE Corporation and its subsidiaries in various countries. As of today, we cannot estimate our potential future liability. However, should we be successful on any court applications, for example, in the UK, Australia, France, or Germany or the entire litigation and/or litigations, our adversary may be responsible for a substantial percentage of our legal fees.

Further, if any of the patents in suit are found not infringed or invalid, it is highly unlikely that the relevant patents would be viewed as essential and therefore infringed by all unlicensed market participants.

**While we believe that the patents we own are being infringed there is a risk that a court will find the patents invalid, not infringed or unenforceable and/or that the U.S. Patent and Trademark Office (USPTO) or other relevant patent office will either invalidate the patents or materially narrow the scope of their claims during the course of a reexamination, opposition or other such proceeding. In addition, even with a positive trial court verdict, the patents may be invalidated, found not infringed or rendered unenforceable on appeal. This risk may occur either presently or from time to time in connection with future litigations we may bring. If this were to occur, it would have a material adverse effect on the viability of our company and our operations.**

We believe that certain companies infringe our patents, but recognize that obtaining and collecting a judgment against such companies may be difficult or impossible. Patent litigation is inherently risky and the outcome is uncertain. Some of the parties that we believe infringe on our patents are large and well-financed companies with substantially greater resources than ours. We believe that these parties would devote a substantial amount of resources in an attempt to avoid or limit a finding that they are liable for infringing on our patents or, in the event liability is found, to avoid or limit the amount of associated damages. In addition, there is a risk that these parties may file reexaminations or other proceedings with the USPTO or other government agencies in the United States or abroad in an attempt to invalidate, narrow the scope or render unenforceable the patents we own.

Moreover, in connection with any of our present or future patent enforcement actions, it is possible that a defendant may request and/or a court may rule that we violated relevant statutes, regulations, rules or standards relating to the substantive or procedural aspects of such enforcement actions in the United States or abroad. In such event, a court or other regulatory agency may issue monetary sanctions against us or our operating subsidiaries or award attorneys' fees and/or expenses to one or more defendants, which could be material, and if we or our subsidiaries are required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm our operating results and financial position.

In addition, it is difficult in general to predict the outcome of patent enforcement litigation at the trial or appellate level. In the United States, there is a higher rate of appeals in patent enforcement litigation than in standard business litigation. The defendant to any case we bring, may file as many appeals as allowed by right, including to the first, second and/or final courts of appeal (in the United States those courts would be the Federal Circuit and Supreme Court, respectively). Such appeals are expensive and time-consuming, and the outcomes of such appeals are sometimes unpredictable, resulting in increased costs and reduced or delayed revenue.



**We may not be able to successfully monetize the patents we acquired from Nokia, nor any of the other patent acquisitions, thus we may fail to realize all of the anticipated benefits of such acquisition.**

There is no assurance that we will be able to successfully monetize the patent portfolio that we acquired from Nokia, nor any of the other patent acquisitions. The patents we acquired from Nokia could fail to produce anticipated benefits, or could have other adverse effects that we currently do not foresee. Failure to successfully monetize these patent assets may have a material adverse effect on our business, financial condition and results of operations.

In addition, the acquisition of a patent portfolio is subject to a number of risks, including, but not limited to the following:

- There is a significant time lag between acquiring a patent portfolio and recognizing revenue from those patent assets, if at all. During that time lag, material costs are likely to be incurred that would have a negative effect on our results of operations, cash flows and financial position.
- The integration of a patent portfolio is a time consuming and expensive process that may disrupt our operations. If our integration efforts are not successful, our results of operations could be harmed. In addition, we may not achieve anticipated synergies or other benefits from such acquisition.

Therefore, there is no assurance that we will be able to monetize an acquired patent portfolio and recoup our investment.

**We may seek to internally develop new inventions and intellectual property, which would take time and would be costly. Moreover, the failure to obtain or maintain intellectual property rights for such inventions would lead to the loss of our investments in such activities.**

Members of our management team have experience as inventors. As such, part of our business may include the internal development of new inventions or intellectual property that we will seek to monetize. However, this aspect of our business would likely require significant capital and would take time to achieve. Such activities could also distract our management team from its present business initiatives, which could have a material and adverse effect on our business. There is also the risk that our initiatives in this regard would not yield any viable new inventions or technology, which would lead to a loss of our investments in time and resources in such activities.

In addition, even if we are able to internally develop new inventions, in order for those inventions to be viable and to compete effectively, we would need to develop and maintain them, and they would heavily rely on, a proprietary position with respect to such inventions and intellectual property. However, there are significant risks associated with any such intellectual property we may develop principally including the following:

- patent applications we may file may not result in issued patents or may take longer than we expect to result in issued patents;
- we may be subject to opposition proceedings in the U.S. or foreign countries;
- any patents that are issued to us may not provide meaningful protection;
- we may not be able to develop additional proprietary technologies that are patentable;
- other companies may challenge patents issued to us;
- other companies may have independently developed and/or patented (or may in the future independently develop and patent) similar or alternative technologies, or duplicate our technologies;

- other companies may design around patents we have developed; and
- enforcement of our patents could be complex, uncertain and very expensive.

We cannot be certain that patents will be issued as a result of any future applications, or that any of our patents, once issued, will provide us with adequate protection from competing products. For example, issued patents may be circumvented or challenged, declared invalid or unenforceable, or narrowed in scope. In addition, since publication of discoveries in scientific or patent literature often lags behind actual discoveries, we cannot be certain that we will be the first to make our additional new inventions or to file patent applications covering those inventions. It is also possible that others may have or may obtain issued patents that could prevent us from commercializing our products or require us to obtain licenses requiring the payment of significant fees or royalties in order to enable us to conduct our business. As to those patents that we may license or otherwise monetize, our rights will depend on maintaining our obligations to the licensor under the applicable license agreement, and we may be unable to do so. Our failure to obtain or maintain intellectual property rights for our inventions would lead to the loss of our investments in such activities, which would have a material and adverse effect on our company.

Moreover, patent application delays could cause delays in recognizing revenue from our internally generated patents and could cause us to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

**New legislation, regulations or court rulings related to enforcing patents could harm our business and operating results.**

Intellectual property is the subject of intense scrutiny by the courts, legislatures and executive branches of governments around the world. Various patent offices, governments or intergovernmental bodies (like the European Commission) may implement new legislation, regulations or rulings that impact the patent enforcement process or the rights of patent holders and such changes could negatively affect our business model. For example, limitations on the ability to bring patent enforcement claims, limitations on potential liability for patent infringement, lower evidentiary standards for invalidating patents, increases in the cost to resolve patent disputes and other similar developments could negatively affect our ability to assert our patent or other intellectual property rights.

In September 2013, the Federal Trade Commission announced that it is planning to gather information from approximately 25 companies that are in the business of buying and asserting patents in order to develop a better understanding of how those companies do business and impact innovation and competition. Both the Federal Trade Commission and European Commission are actively considering what the appropriate restrictions are on the ability of owners of patents declared to technical standards to receive both injunctions and royalties.

Furthermore, United States patent laws have been amended by the Leahy-Smith America Invents Act, or the America Invents Act. The America Invents Act includes a number of significant changes to U.S. patent law. In general, the legislation attempts to address issues surrounding the enforceability of patents and the increase in patent litigation by, among other things, establishing new procedures for patent litigation. For example, the America Invents Act changes the way that parties may be joined in patent infringement actions, increasing the likelihood that such actions will need to be brought against individual parties allegedly infringing by their respective individual actions or activities. At this time, it is not clear what, if any, impact the America Invents Act will have on the operation of our enforcement business. However, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the enforcement of our patented technologies, which could have a material adverse effect on our business and financial condition.

In addition, the U.S. Department of Justice (“DOJ”) has conducted reviews of the patent system to evaluate the impact of patent assertion entities on industries in which those patents relate. It is possible that the findings and recommendations of the DOJ could impact the ability to effectively license and enforce standards-essential patents and could increase the uncertainties and costs surrounding the enforcement of any such patented technologies.

Furthermore, in various pending litigation and appeals in the United States Federal courts, various arguments and legal theories are being advanced to potentially limit the scope of damages that a patent licensing company such as us might be entitled to. Any one of these pending cases could result in new legal doctrines that could make our existing or future patent portfolios less valuable or more costly to enforce.

Further, and in general, 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 enacted as laws. 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. That said, to date, we do not believe that any existing or proposed statutory or regulatory change has materially affected our business.

**Acquisitions of additional patent assets may be time consuming, complex and costly, which could adversely affect our operating results.**

Acquisitions of patents or other intellectual property assets, which are and will be critical to our business plan, are often time consuming, complex and costly to consummate. We may utilize many different transaction structures in our acquisitions and the terms of such acquisition agreements tend to be heavily negotiated. As a result, we expect to incur significant operating expenses and will likely be required to raise capital during the negotiations even if the acquisition is ultimately not consummated. Even if we are able to acquire particular patents or other intellectual property assets, there is no guarantee that we will generate sufficient revenue related to those assets to offset the acquisition costs. While we will seek to conduct confirmatory due diligence on the patents or other intellectual property assets we are considering for acquisition, we may acquire such 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 interest in such 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 those assets.

We may also identify patents or other intellectual property assets that cost more than we are prepared to spend with our own capital resources. We may incur significant costs to organize and negotiate a structured acquisition that does not ultimately result in an acquisition of any patents or other intellectual property assets or, if consummated, proves to be unprofitable for us. These higher costs could adversely affect our operating results, and if we incur losses, the value of our securities will decline.

In addition, we may acquire patents and technologies that are in the early stages of adoption in the commercial, industrial and consumer markets. Demand for some of these technologies will likely be untested and may be subject to fluctuation based upon the rate at which our licensees will adopt our patents and technologies in their products and services. As a result, there can be no assurance as to whether technologies we acquire or develop will have value that we can monetize.

**In certain acquisitions of patent assets, we may seek to defer payment or finance a portion of the acquisition price. This approach may put us at a competitive disadvantage and could result in harm to our business.**

We have limited capital and may seek to negotiate acquisitions of patent or other intellectual property assets where we can defer payments or finance a portion of the acquisition price. These types of debt financing or deferred payment arrangements may not be as attractive to sellers of patent assets as receiving the full purchase price for those assets in cash at the closing of the acquisition. As a result, we might not compete effectively against other companies in the market for acquiring patent assets, some of whom have greater cash resources than we have.

**Our confidential information may be disclosed by other parties.**

We routinely enter into non-disclosure agreements with other parties, including but not limited to vendors, law firms, parties with whom we are engaged in negotiations, and employees. However, there exists a risk that those other parties will not honor their contractual obligations to not disclose our confidential information. This may include parties who breach such obligations in the context of confidential settlement offers and/or negotiations. In addition, there exists a risk that, upon such breach and subsequent dissemination of our confidential information, third parties and potential licensees may seek to use such confidential information to their advantage or to our disadvantage including in legal proceedings in which we are involved. Our ability to act against such third parties may be limited, as we may not be in privity of contract with such third parties.

**Competition is intense in the industries in which our subsidiaries do business and as a result, we may not be able to grow or maintain our market share for our technologies and patents.**

We expect to encounter competition in the area of patent acquisition and enforcement as the number of companies entering this market is increasing. This includes competitors seeking to acquire the same or similar patents and technologies that we may seek to acquire. As new technological advances occur, many of our patented technologies may become obsolete before they are completely monetized. If we are unable to replace obsolete technologies with more technologically advanced patented technologies, then this obsolescence could have a negative effect on our ability to generate future revenues.

Our licensing business also competes with venture capital firms and various industry leaders for technology licensing opportunities. Many of these competitors may have more financial and human resources than we do. As we become more successful, we may find more companies entering the market for similar technology opportunities, which may reduce our market share in one or more technology industries that we currently rely upon to generate future revenue.

**Weak global economic conditions may cause infringing parties to delay entering into licensing agreements, which could prolong our litigation and adversely affect our financial condition and operating results.**

Our business plan depends significantly on worldwide economic conditions, and the United States and world economies have recently experienced weak economic conditions. Uncertainty about global economic conditions poses a risk as businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This response could have a material negative effect on the willingness of parties infringing on our assets to enter into licensing or other revenue generating agreements voluntarily. Entering into such agreements is critical to our business plan, and our failure to do so could cause material harm to our business.

**The exercise of a substantial number of warrants or options by our security holders may have an adverse effect on the market price of our common stock.**

Should our warrants outstanding as of July 25, 2014, be exercised, there would be an additional 17,423,851 shares of common stock eligible for trading in the public market. In addition, we currently have incentive equity instruments outstanding to purchase 10,102,094 shares of our common stock granted to our management, employees, directors and consultants. Certain options granted to officers, directors and certain key employees are subject to acceleration of vesting of 75% and 100% (according to the agreement signed with each grantee), upon a subsequent change of control. Certain options granted in prior years that are outstanding have exercise prices that are below recent market prices. Such securities, if exercised, will increase the number of issued and outstanding shares of our common stock. Therefore, the sale, or even the possibility of sale, of the shares of common stock underlying the warrants and options could have an adverse effect on the market price for our securities and/or on our ability to obtain future financing.

**Future sales of our shares of common stock by our stockholders could cause the market price of our common stock to drop significantly, even if our business is otherwise performing well.**

As of July 25, 2014, we had 92,545,862 shares of common stock issued and outstanding, excluding shares of common stock issuable upon exercise of warrants, options or restricted stock units ("RSUs"). As shares saleable under Rule 144 are sold or as restrictions on resale lapse, the market price of our common stock could drop significantly, if the holders of restricted shares sell them, or are perceived by the market as intending to sell them. This decline in our stock price could occur even if our business is otherwise performing well.

**Technology company stock prices are especially volatile, and this volatility may depress the price of our common stock.**

The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies have been highly volatile. We believe that various factors may cause the market price of our common stock to fluctuate, perhaps substantially, including, among others, the following:

- developments or disputes concerning our patents;
- announcements of developments in our patent enforcement actions;

- additions to or departures of our key personnel;
- announcements of technological innovations by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, capital commitments, new technologies, or patents;
- new regulatory pronouncements and changes in regulatory guidelines;
- changes in financial estimates or recommendations by securities analysts; and
- general and industry-specific economic conditions.

The market prices of the securities of technology companies have been highly volatile and are likely to remain highly volatile in the future. The stock market as a whole also has experienced extreme price and volume fluctuations that have affected the market price of many technology companies in ways that may have been unrelated to these companies' operating performance. Furthermore, we believe that fluctuations in our stock price can also be impacted by court rulings and/or other developments in our patent licensing and enforcement actions and stock price may reflect certain future growth and profitability expectations. If we fail to meet these expectations then our stock price may significantly decline which could have an adverse impact on investor confidence.

**Our ability to raise capital through equity or equity-linked transactions may be limited.**

In order for us to raise capital privately through equity or equity-linked transactions, stockholder approval is required to enable us to issue more than 19.99% of our outstanding shares of common stock pursuant to the rules and regulations of the NASDAQ Capital Market. Should stockholders not approve such issuances, one means to raise capital would be through debt, which could have a material adverse effect on our consolidated balance sheet and overall financial condition.

**We may not be able to raise additional capital. Moreover, additional financing may have an adverse effect on the value of the equity instruments held by our stockholders.**

We may choose to raise additional funds in connection with any potential acquisition of patent portfolios or other intellectual property assets or operating businesses. In addition, we may also need additional funds to respond to business opportunities and challenges, including our ongoing operating expenses, protection of our assets, development of new lines of business and enhancement of our operating infrastructure. While we will need to seek additional funding, we may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of our financings may be dilutive to, or otherwise adversely affect, holders of our common stock. We may also seek additional funds through arrangements with collaborators or other third parties. We may not be able to negotiate arrangements on acceptable terms, if at all. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some or all of our business plans. Any such financing that we undertake will likely be dilutive to our current stockholders.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
4.1*	Form of warrant, dated June 20, 2014
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act, Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith.
**	Furnished herein.

**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 on the 6th day of August 2014.

**VRINGO, INC.**

By:

/s/ ANASTASIA NYRKOVSKAYA

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**Anastasia Nyrkovskaya  
Chief Financial Officer  
(Principal Financial Officer)**

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE COMPANY STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT.

Warrant No. W-\_\_\_\_

Number of Shares: \_\_\_\_\_

Date of Issuance: June 20, 2014 ("Issuance Date")

**VRINGO, INC.**

**Common Stock Warrant**

**Vringo, Inc.** (the "Company"), for value received, hereby certifies that \_\_\_\_\_, or its registered assigns (the "Registered Holder"), is entitled, subject to the terms of this Common Stock Warrant (the "Warrant") set forth below, to purchase from the Company, at any time after the date hereof and on or before June 21, 2015 (the "Expiration Date"), up to \_\_\_\_\_ (\_\_\_\_\_) shares of common stock of the Company (the "Warrant Stock"), par value \$0.01 per share (the "Common Stock"), at a per share exercise price (the "Exercise Price") equal to Five Dollars and Six Cents (\$5.06) per share (subject to adjustment as set forth in Section 2).

**1. Exercise.**

(a) **Method of Exercise.** This Warrant may be exercised by the Registered Holder, in whole or in part, by delivering the form appended hereto as Exhibit A duly executed by such Registered Holder (the "Exercise Notice"), at the principal office of the Company, or at such other office or agency as the Company may designate in writing prior to the date of such exercise, accompanied by payment in full of the Exercise Price payable with respect to the number of shares of Warrant Stock purchased upon such exercise. The Exercise Price must be paid by cash, check or wire transfer in immediately available funds for the Warrant Stock being purchased by the Registered Holder.

(b) **Effective Time of Exercise.** Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which the Exercise Notice has been delivered to the Company (the "Exercise Date") as provided in this Section 1. At such time, the person or persons in whose name or names any certificates for Warrant Stock shall be issuable upon such exercise as provided in Section 1(c) below shall be deemed to have become the holder or holders of record of the Warrant Stock represented by such certificates.

(c) **Delivery to Holder.** As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within three (3) business days thereafter (the "Warrant Stock Delivery Date"), the Company will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct:

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(i) a certificate or certificates for the number of shares of Warrant Stock to which such Registered Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock equal (giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Registered Holder upon such exercise as provided in Section 1(a).

(d) **Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise.** In addition to any other rights available to the Registered Holder, if the Company fails to transmit to the Registered Holder a certificate or the certificates representing the Warrant Stock pursuant to an exercise on or before the Warrant Stock Delivery Date, and if after such date the Registered Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Registered Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Registered Holder of the Warrant Stock which the Registered Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount by which (x) the Registered Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of shares of Warrant Stock that the Company was required to deliver to the Registered Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Registered Holder, either reinstate the portion of the Warrant and equivalent number of shares of Warrant Stock for which such exercise was not honored or deliver to the Registered Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Registered Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Registered Holder \$1,000. The Registered Holder shall provide the Company written notice indicating the amounts payable to the Registered Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss.

(e) **Registered Holder's Exercise Limitations.** The Company shall not effect any exercise of this Warrant, and a Registered Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent (but only to the extent) that the Registered Holder or any of the Registered Holder's affiliates, would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of this Section 1(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act (as defined herein) and the rules and regulations promulgated thereunder, it being acknowledged by the Registered Holder that the Company is not representing to the Registered Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Registered Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 1(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Registered Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Registered Holder, and the submission of an Exercise Notice shall be deemed to be the Registered Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Registered Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. Upon the written or oral request of a Registered Holder, the Company shall within two business days confirm orally and in writing to the Registered Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Registered Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Registered Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 1(e), provided that the Beneficial Ownership Limitation shall in no event exceed 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Registered Holder and the provisions of this Section 1(e) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

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## 2. Adjustments.

(a) **Stock Splits and Dividends.** If the outstanding shares of the Company's Common Stock shall be subdivided into a greater number of shares or a dividend in Common Stock shall be paid in respect of Common Stock, the Exercise Price in effect immediately prior to such subdivision or at the record date of such dividend shall, simultaneously with the effectiveness of such subdivision or immediately after the record date of such dividend, be proportionately reduced and the number of Warrant Stock issuable upon exercise of the Warrant shall be proportionately increased. If the outstanding shares of Common Stock shall be combined into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased and the number of shares of Warrant Stock issuable upon exercise of the Warrant shall be proportionately decreased.

(b) **Fundamental Transaction.** If, at any time while this Warrant is outstanding, (i) the Company effects any merger or consolidation of the Company with or into another person, (ii) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (iii) any tender offer or exchange offer (whether by the Company or another person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property or (iv) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (each, a "**Fundamental Transaction**"), then, upon any subsequent exercise of this Warrant, the Registered Holder shall have the right to receive, for each share of Warrant Stock that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "**Alternate Consideration**") receivable as a result of such merger, consolidation or disposition of assets by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Registered Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Registered Holder a new warrant consistent with the foregoing provisions and evidencing the Registered Holder's right to exercise such warrant into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 2(b) and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

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(c) **Adjustment Certificate.** When any adjustment is required to be made in the Exercise Price pursuant to this Section 2, the Company shall promptly mail to the Registered Holder a certificate setting forth (i) a brief statement of the facts requiring such adjustment, (ii) the Exercise Price after such adjustment and (iii) the kind and amount of stock or other securities or property into which this Warrant shall be exercisable after such adjustment.

3. **Transfers.**

(a) **Unregistered Security.** The holder of this Warrant acknowledges that this Warrant has not been registered under the Securities Act and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant or any Warrant Stock issued upon its exercise in the absence of (i) an effective registration statement under the Securities Act as to this Warrant or such Warrant Stock and registration or qualification of this Warrant or such Warrant Stock under any applicable U.S. federal or state securities law then in effect or (ii) an opinion of counsel, reasonably satisfactory to the Company, that such registration and qualification are not required.

(b) **Transferability.** Subject to the provisions of Section 3(a) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, to (i) any entity controlling, controlled by or under common control of the Registered Holder, or (ii) to any other proposed transferee by surrendering the Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company.

(c) **Warrant Register.** The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; provided, however, that if this Warrant is properly assigned in blank, the Company may (but shall not be required to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary. Any Registered Holder may change such Registered Holder's address as shown on the warrant register by written notice to the Company requesting such change.

4. **Termination.** This Warrant (and the right to purchase securities upon exercise hereof) shall terminate at 5:00 p.m., Eastern time, on the ExpirationDate.

5. **Notices of Certain Transactions.** In case:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or

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(b) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity), or any transfer of all or substantially all of the assets of the Company, or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company, or

(d) of any Fundamental Transaction,

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up or Fundamental Transaction is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up) are to be determined. Failure to send such notice shall not act to invalidate any such transaction.

6. **Reservation of Stock.** The Company covenants that at all times it will have authorized, reserve and keep available, solely for the issuance and delivery upon the exercise of this Warrant, such shares of Warrant Stock and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant. The Company covenants that all Warrant Stock that may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue). The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the shares of Warrant Stock upon the exercise of the purchase rights under this Warrant by the Registered Holder. The Company will take all such reasonable action as may be necessary to assure that such Warrant Stock may be issued as provided herein without violation of any applicable law or regulation.

7. **Replacement of Warrants.** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

8. **Notices.** Any notice required or permitted by this Warrant shall be in writing and shall be deemed duly given upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, addressed (a) if to the Registered Holder, to the address of the Registered Holder most recently furnished in writing to the Company and (b) if to the Company, to the address set forth on the signature page of this Warrant or as subsequently modified by written notice to the Registered Holder.

9. **No Rights as Stockholder.** Until the exercise of this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

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10. **No Fractional Shares.** No fractional shares of Common Stock will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall round the amount of Warrant Stock issuable to the nearest whole share.

11. **Amendment or Waiver.** Any term of this Warrant may be amended or waived upon written consent of the Company and the Registered Holder.

12. **Headings.** The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

13. **Governing Law.** This Warrant and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

14. **Representations and Covenants of the Registered Holder.** This Warrant has been entered into by the Company in reliance upon the following representations and covenants of the Registered Holder:

(a) **Investment Purpose.** The Registered Holder is acquiring the Warrant and the Warrant Stock issuable upon exercise of the Warrant for its own account, not as a nominee or agent and with no present intention of selling or otherwise distributing any part thereof.

(b) **Private Issue.** The Registered Holder understands: (i) that the Warrant is not registered under the Securities Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant will be exempt from the registration and qualifications requirements thereof pursuant to Section 4(2) of the Securities Act and any applicable state securities laws, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 14.

(c) **Disposition of Registered Holder's Rights.** In no event will the Registered Holder make a disposition of the Warrant or the Warrant Stock issuable upon exercise of the Warrant in the absence of (i) an effective registration statement under the Securities Act as to this Warrant or such Warrant Stock and registration or qualification of this Warrant or such Warrant Stock under any applicable U.S. federal or state securities law then in effect or (ii) an opinion of counsel, reasonably satisfactory to the Company, that such registration and qualification are not required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Registered Holder or holder of a share of Common Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Common Stock not bearing any restrictive legend.

(d) **Financial Risk.** The Registered Holder has such business and financial experience as is required to give it the capacity to protect its own interests in connection with its investment.

(e) **Accredited Investor.** The Registered Holder is an "accredited investor" as defined by Rule 501 of Regulation D promulgated under the Securities Act.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the parties have executed this Warrant as of the date first above written.

**VRINGO, INC.**

By:

Name: Andrew D. Perlman

Title: Chief Executive Officer

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**VRINGO, INC.**

**Exhibit A**

**WARRANT EXERCISE FORM**

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing \_\_\_\_\_ shares of Common Stock of Vringo, Inc., a Delaware corporation, and hereby makes payment of \$\_\_\_\_\_ in payment therefore, all in accordance with the terms and conditions of this Warrant.

Warrant No.: \_\_\_\_\_

Name of Holder: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature of Joint Holder (if applicable): \_\_\_\_\_

Date: \_\_\_\_\_

**DWAC INSTRUCTIONS**

Broker Name and DTC Number: \_\_\_\_\_

Account Number at DTC Participant  
(if applicable): \_\_\_\_\_

**INSTRUCTIONS FOR ISSUANCE OF STOCK**  
(if other than to the registered holder of the Warrant)

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Social Security or Taxpayer  
Identification Number of Recipient: \_\_\_\_\_

**This Warrant Exercise Form shall be delivered to AST via email, fax or mail, as follows:**

E-Mail:  
Facsimile:  
Mail:

**Payment shall be delivered to AST via a check with mailed Warrant Exercise Form or by wire transfer.**

**Wire instructions are as follows:**

BANK NAME:  
ABA #:  
ACCT #:  
ACCT NAME:  
Bank Address:

**Once the Warrant Exercise Form and payment are received, AST will begin processing the exercise.**

**VRINGO, INC.**

Exhibit B

WARRANT ASSIGNMENT FORM

FOR VALUE RECEIVED, the Holder hereby sells, assigns and transfers unto the transferee listed below the right to purchase Common Stock of Vringo, Inc., a Delaware corporation, represented by this Warrant to the extent of shares as to which such right is exercisable and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date: \_\_\_\_\_

Warrant No.: \_\_\_\_\_

**HOLDER**

Name of Holder: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature of Joint Holder (if applicable): \_\_\_\_\_

**TRANSFEEEE**

Name of Transferee: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Social Security or Taxpayer  
Identification Number: \_\_\_\_\_

**This Warrant Assignment Form shall be delivered to Vringo, Inc.'s transfer agent, American Stock Transfer & Trust Company, LLC (AST), via email, fax or mail, as follows:**

E-Mail:  
Facsimile:  
Mail:

**The Holder shall also deliver to AST at the above Mail address:**

- (i) a Stock Power with a Medallion Guarantee of signature, and
- (ii) this Warrant.

**Once all of the foregoing have been delivered, AST will begin processing the transfer.**



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Andrew D. Perlman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vringo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2014

/s/ ANDREW D. PERLMAN

**Chief Executive Officer  
(Principal Executive Officer)**

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Anastasia Nyrkovskaya, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vringo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2014

/s/ ANASTASIA NYRKOVSKAYA

**Chief Financial Officer  
(Principal Financial Officer)**

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**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PERSUANT SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Vringo, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended June 30, 2014 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2014

/s/ ANDREW D. PERLMAN

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**Andrew D. Perlman  
Chief Executive Officer  
(Principal Executive Officer)**

Date: August 6, 2014

/s/ ANASTASIA NYRKOVSKAYA

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**Anastasia Nyrkovskaya  
Chief Financial Officer  
(Principal Financial Officer)**

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