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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

☐ **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	**20-4988129**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
780 Third Avenue, 12th Floor, New York, NY	**10017**
(Address of principal executive offices)	**(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 x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	x
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 x

As of November 9, 2015, 112,720,838 shares of the registrant's common stock were outstanding.

VRINGO, INC.

Table of Contents

		Page
PART I. FINANCIAL INFORMATION		3
Item 1.	Financial Statements	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	37
Item 4.	Controls and Procedures	37
PART II. OTHER INFORMATION		38
Item 1.	Legal Proceedings	38
Item 1A.	Risk Factors	43
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 3.	Defaults Upon Senior Securities	52
Item 4.	Mine Safety Disclosures	52
Item 5.	Other Information	52
Item 6.	Exhibits	53

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2015 (Unaudited)	December 31, 2014
Current assets		
Cash and cash equivalents	$ 14,402	$ 16,023
Deposits with courts	1,970	2,067
Other current assets	976	510
Total current assets	17,348	18,600
Intangible assets, net	15,189	17,625
Other assets	1,093	1,210
Total assets	$ 33,630	$ 37,435
Current liabilities		
Accounts payable and accrued expenses	$ 9,943	$ 4,732
Senior secured convertible notes, net	4,086	—
Conversion feature	75	—
Total current liabilities	14,104	4,732
Long-term liabilities		
Derivative warrant liabilities	1,475	174
Other liabilities	1,349	1,349
Commitments and contingencies (Note 10)		
Stockholders' equity		
Series A Convertible Preferred stock, $0.01 par value per share; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value per share; 150,000,000 shares authorized; 110,627,065 and 93,404,895 issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	1,106	934
Additional paid-in capital	228,657	215,951
Accumulated deficit	(213,061)	(185,705)
Total stockholders' equity	16,702	31,180
Total liabilities and stockholders' equity	$ 33,630	$ 37,435

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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	$ —	$ 150	$ 150	$ 1,200
Costs and Expenses*				
Operating legal costs	6,776	8,865	15,341	19,722
Amortization and impairment of intangibles	819	2,333	2,436	4,258
General and administrative	2,095	4,148	7,391	12,594
Total operating expenses	9,690	15,346	25,168	36,574
Operating loss from continuing operations	(9,690)	(15,196)	(25,018)	(35,374)
Non-operating income (expense), net	(145)	35	(322)	57
Gain on revaluation of warrants and conversion feature	716	2,785	1,411	2,057
Interest expense	(1,708)	—	(2,173)	—
Extinguishment of debt	(1,044)	—	(1,254)	—
Issuance of warrants	—	—	—	(65)
Loss from continuing operations before income taxes	(11,871)	(12,376)	(27,356)	(33,325)
Income tax expense	—	—	—	—
Loss from continuing operations	(11,871)	(12,376)	(27,356)	(33,325)
Loss from discontinued operations before income taxes*	—	—	—	(209)
Income tax expense	—	—	—	—
Loss from discontinued operations	—	—	—	(209)
Net loss	$ (11,871)	$ (12,376)	$ (27,356)	$ (33,534)
Loss per share:				
Basic				
Loss per share from continuing operations	$ (0.12)	$ (0.13)	$ (0.28)	$ (0.38)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Total net loss per share	$ (0.12)	$ (0.13)	$ (0.28)	$ (0.38)
Diluted				
Loss per share from continuing operations	$ (0.12)	$ (0.16)	$ (0.28)	$ (0.40)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Total net loss per share	$ (0.12)	$ (0.16)	$ (0.28)	$ (0.40)
Weighted-average number of shares outstanding during the period:				
Basic	102,466,238	92,624,983	96,887,444	88,463,526
Diluted	102,466,238	92,645,299	96,887,444	89,514,852
*** Includes stock-based compensation expense, as follows:**				
Operating legal costs	$ 130	$ 307	$ 631	$ 1,035
General and administrative	936	2,438	3,560	7,377
Discontinued operations	—	—	—	151
	$ 1,066	$ 2,745	$ 4,191	$ 8,563

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
Balance as of December 31, 2014	$ 934	$ 215,951	$ (185,705)	$ 31,180
Vesting of restricted stock units ("RSUs")	3	(3)	—	—
Reclassification of derivative Reload Warrants and Series 1 Warrants to equity warrants	—	175	—	175
Issuance of common stock for repayment of debt and interest	169	8,343	—	8,512
Stock-based compensation	—	4,191	—	4,191
Net loss for the period	—	—	(27,356)	(27,356)
Balance as of September 30, 2015	$ 1,106	$ 228,657	$ (213,061)	$ 16,702

	Common stock	Additional paid-in capital	Accumulated deficit	Total
Balance as of December 31, 2013	$ 845	$ 189,465	$ (76,028)	$ 114,282
Exercise of stock options and vesting of RSUs	18	2,142	—	2,160
Issuance of warrants	—	65	—	65
Exercise of warrants	64	12,935	—	12,999
Issuance of common stock for services	4	380	—	384
Stock-based compensation	—	8,563	—	8,563
Net loss for the period	—	—	(33,534)	(33,534)
Balance as of September 30, 2014	$ 931	$ 213,550	$ (109,562)	$ 104,919

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

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

	Nine months ended September 30,	
	2015	2014
Cash flows from operating activities		
Net loss	$ (27,356)	$ (33,534)
Adjustments to reconcile net loss to net cash used in operating activities:		
Items not affecting cash flows		
Depreciation, amortization and impairment of intangibles	2,657	4,495
Amortization of debt discount	1,725	—
Amortization of deferred issuance costs	114	—
Stock-based compensation	4,191	8,563
Issuance of warrants	—	65
Extinguishment of debt	1,254	—
Interest payments	155	—
Change in fair value of warrants and conversion feature	(1,411)	(2,057)
Exchange rate loss (gain)	361	(3)
Changes in current assets and liabilities		
Increase in other current assets	(466)	(442)
Increase in payables and accruals	5,223	2,698
Net cash used in operating activities	(13,553)	(20,215)
Cash flows from investing activities		
Acquisition of property and equipment	—	(246)
Increase in deposits	(272)	(2,304)
Net cash used in investing activities	(272)	(2,550)
Cash flows from financing activities		
Exercise of stock options	—	2,160
Exercise of warrants	—	11,292
Net proceeds from senior secured convertible notes and warrants	12,425	—
Debt issuance costs	(218)	—
Net cash provided by financing activities	12,207	13,452
Effect of exchange rate changes on cash and cash equivalents	(3)	17
Decrease in cash and cash equivalents	(1,621)	(9,296)
Cash and cash equivalents at beginning of period	16,023	33,586
Cash and cash equivalents at end of period	$ 14,402	$ 24,290
Non-cash investing and financing transactions		
Non-cash acquisition of cost method investment	—	787
Conversion of derivative warrants into common stock	—	1,707
Issuance of common stock to repay $7,103 of debt and interest	8,512	—
Change in classification of derivative warrants to equity warrants	175	—
Debt discount	2,961	—

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

Note 1. General

Overview

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.

On October 15, 2015, the Company completed the acquisition of International Development Group Limited, a Maryland corporation ("IDG"). Pursuant to the Stock Purchase Agreement (the "Purchase Agreement"), the Company acquired 100% of the capital stock of IDG, including two of IDG's subsidiaries, fliCharge International Ltd. ("fliCharge"), in which IDG owns 70% of the capital stock and controls the operations, and the wholly-owned Group Mobile International Ltd. ("Group Mobile"). fliCharge owns patented conductive wire-free charging technology and is focused on innovation, sales, manufacturing and licensing core technology to large corporations in various industries. Group Mobile is a company with full service technical and customer support in rugged computers, mobile devices and accessories. The Company expanded their intellectual property and technology portfolio with this acquisition. See Note 12 for further detail on the acquisition of IDG.

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 in InfoMedia as consideration. As part of the transaction, the Company has the opportunity to license certain intellectual property assets and support InfoMedia to identify and protect new intellectual property.

Infrastructure Patents

The Company's infrastructure patents are primarily made up of a patent portfolio purchased from Nokia Corporation ("Nokia") in 2012. This patent portfolio is comprised of 124 patent families with counterparts in certain jurisdictions worldwide and encompass 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. The Company also owns other acquired infrastructure patent portfolios and has filed over 60 internally developed patent applications. As one of the means of realizing the value of the patents on telecom infrastructure, the Company has filed a number of suits against ZTE Corporation ("ZTE"), ASUSTeK Computer Inc. ("ASUS"), and certain of their subsidiaries, affiliates and other companies in the United States ("U.S."), European jurisdictions, India, Australia, Brazil, and Malaysia alleging infringement of certain U.S., European, Indian, Australian, Brazilian, and Malaysian patents. In response, ZTE Corporation or its affiliates have filed a number of counterclaims and other responsive cases in various countries such as the U.S., certain European jurisdictions, the People's Republic of China ("China") and others.

To date, in connection with the suits filed against ZTE, Vringo's patents have been found to be infringed in the United Kingdom ("UK") and Germany, and preliminary relief has been granted in India, Brazil, Romania, and the Netherlands. Separately, Vringo has entered into settlement and license agreements with ADT, Tyco, D-Link, Belkin, Hop On, Inc., and two other parties. Vringo continues to license its home monitoring portfolio.

Quantum Stream

In 2012, the Company purchased a portfolio of patents invented by Tayo Akadiri relating to content distribution. The portfolio includes seven patents as well as several pending patent applications. As one of the means of realizing the value of these patents, on October 20, 2015, the Company filed suit against DirecTV in the United States District Court for the Southern District of New York.

fliCharge

Founded in 2014, fliCharge owns a patented, conductive, wire-free charging technology that is already on the market and available to consumers. The patented fliCharge technology consists of a wire-free charging solution that can simultaneously charge multiple battery operated devices on the same charging pad regardless of their power requirement or position on the pad; users simply place their enabled device onto a fliCharge pad. fliCharge is currently commercializing, partnering or developing products in numerous markets including automotive, education, office, healthcare, power tools and vaporizers.

Group Mobile

Founded in 2002, Group Mobile is a supplier of built-to-order rugged computers, mobile devices and accessories. Group Mobile provides a high touch sales experience with full service technical and customer support in the rugged mobile computer market. Group Mobile's customers include large corporations, military suppliers, small businesses and individuals. Rugged products sold by Group Mobile can be found in military helicopters, police cruisers and ambulance fleets as well as on construction sites, oil rigs and manufacturing facilities. Vringo intends to expand this business through expanding available product lines and further augmenting sales and marketing.

Search Patents

On September 15, 2011, the Company's wholly-owned subsidiary, I/P Engine, Inc. ("I/P Engine"), initiated litigation against AOL Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc., and Target Corporation (collectively, the "Defendants") for infringement of claims of certain of its owned patents. Trial commenced during 2012, and, on November 6, 2012, the jury ruled in favor of I/P Engine and against the Defendants. On August 15, 2014, the Court of Appeals for the Federal Circuit ("Federal Circuit") held that the claims of the patents-in-suit asserted by I/P Engine against the Defendants are invalid for obviousness. The Company sought review by the Supreme Court of the United States ("Supreme Court") of the Federal Circuit's opinion, and, on October 5, 2015, the Supreme Court denied Vringo's petition for a writ of certiorari.

Financial condition

As of September 30, 2015, the Company had a cash balance of $14,402. The Company's average monthly cash spent in operations for the nine month periods ended September 30, 2015 and 2014 was approximately $1,500 and $2,200, respectively. In addition, the Company holds $1,970 in deposits with courts related to proceedings in Germany, Brazil, Romania, and Malaysia. As of September 30, 2015 and December 31, 2014, the Company's total stockholders' equity was $16,702 and $31,180, respectively. The decrease in stockholders' equity since December 31, 2014 is due to the operating loss during the nine month period ended September 30, 2015.

On May 4, 2015 (the "Closing Date"), the Company entered into a securities purchase agreement with certain institutional investors in a registered direct offering of $12,500 of Senior Secured Convertible Notes (the "Notes") and warrants to purchase up to 5,375,000 shares of the Company's common stock. On the Closing Date, the Company issued the Notes, which are convertible into shares of the Company's common stock at $1.00 per share, bear 8% interest and mature in 21 months from the date of issuance, unless earlier converted. In addition, the Company issued 5,375,000 warrants to purchase shares of the Company's common stock, which are exercisable at $1.00 per share and are exercisable for a period of five years. In connection with the issuance of the Notes and warrants, the Company received net cash proceeds of $12,425. The Company's obligations under the outstanding Notes are secured by a first priority perfected security interest in substantially all of the Company's U.S. assets. In addition, stock of certain subsidiaries of the Company has been pledged. The outstanding Notes contain customary events of default, as well as covenants which include restrictions on the assumption of new debt by the Company.

The principal amount of the outstanding Notes is being repaid monthly, and the Company may make such payments and related interest payments in cash or, subject to certain conditions, in registered shares of the Company's common stock, at its election. If the Company chooses to repay the Notes in shares of its common stock, the shares are issued at a 15% discount, based on the then-current market price data of the Company's common stock. The Company may also repay the Notes in advance of the maturity schedule subject to early repayment penalties.

During August 2015, the holders of the Notes accelerated six principal installments in exchange for common stock as permitted under the securities purchase agreement. The debt is now expected to mature in July 2016.

The Company’s operating plans include efforts to increase revenue through the licensing of its intellectual property, strategic partnerships, and litigation, when required, which may be resolved through a settlement or collection, and generation of revenue from sales of wire-free charging stations, rugged computers and mobile devices. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. The majority of the Company’s expenditures consist of costs related to the Company’s litigation campaigns. In the cases against ZTE and ASUS, the Company incurred costs during the nine month period ended September 30, 2015 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 UK and the U.S. In civil law jurisdictions, such as Germany, France, Spain, and others, the majority of costs are incurred in the early stages of litigation. With respect to the Company’s litigation in such countries, the respective campaigns are currently in the later stages and therefore the Company has already incurred the large majority of the related anticipated costs. As such, based on the Company’s plans, costs in these jurisdictions are projected to be lower in the remainder of 2015 and other future periods.

Despite the Company’s plans, its legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Further, should the Company be deemed the losing party in certain of its litigations, it may be liable for some or all of its opponents’ legal fees. In addition, in connection with litigation, the Company has made several affirmative financial guarantees to courts around the world, and might face the need to make additional guarantees in the future.

In addition, the Company’s plans to continue to expand its planned operations through acquisitions may be time consuming, complex and costly to consummate. The Company may utilize many different transaction structures in its acquisitions and the terms of such acquisition agreements tend to be heavily negotiated. The Company’s future ability to raise capital, if necessary, may be limited. Even if the Company is able to acquire other businesses, there is no guarantee that it will generate sufficient revenue related to those assets to offset the acquisition costs. Therefore, no assurance can be given at this time as to whether the Company will be able to achieve its objectives or whether it will have the sources of liquidity for follow through with its operating plans.

In addition, until the Company generates sufficient revenue, the Company may need to raise additional funds, which may be achieved through the issuance of additional equity or debt, or through loans from financial institutions. There can be no assurance, however, that any such opportunities will materialize. The Company may also be able to raise additional funds through the exercise of its outstanding warrants and options, however, substantially all of such outstanding equity instruments are currently “out of the money.”

As a result of the events and circumstances described above, including the cash proceeds received in connection with the May 2015 financing transaction and the Company’s operating plans, which include paying the principal and interest related to the Notes in shares of the Company’s common stock, the Company believes that it currently has sufficient cash to continue its current operations for at least the next twelve months.

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, 2014. All adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented have been reflected by the Company. Such adjustments are of a normal, recurring nature. The results of operations for the three month and nine month periods ended September 30, 2015 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 Company’s intangibles assets, the useful lives of the Company’s intangible assets, the valuation of the Company’s derivative warrants, the valuation of stock-based compensation, 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-U.S. 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 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). The Company reviews the terms of features embedded in non-derivative instruments to determine if such features require bifurcation and separate accounting as derivative financial instruments. Equity-linked derivative instruments are evaluated in accordance with FASB Accounting Standard Codification 815-40, *Contracts in an Entity’s Own Equity* to determine if such instruments are indexed to the Company’s own stock and qualify for classification in equity.

(f) Intangible assets

Intangible assets include purchased patents which are recorded based on the cost to acquire them. These assets are amortized over their remaining estimated useful lives, which are periodically evaluated for reasonableness. The Company’s intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of the Company's intangible assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. If these estimates or material related assumptions change in the future, the Company may be required to record impairment charges related to its intangible assets.

(g) 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.

(h) 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 related internal payroll expenses and stock-based compensation. In addition, amounts received by the Company for reimbursements of legal fees in connection with its litigation campaigns are recorded in Operating legal costs as an offset to legal expense.

(i) Stock-based compensation

Stock-based compensation is recognized as an expense in the consolidated statements of operations and such cost is measured at the grant-date fair value of the equity-settled award. The fair value of stock options is estimated at the date of grant using the Black-Scholes-Merton option-pricing model. The expense is recognized on a straight-line basis, over the requisite service period. The Company uses the simplified method to estimate the expected term of options due to insufficient history and high turnover in the past. Since the Company lacks sufficient history, expected volatility is estimated based on a weighted average historical volatility of the Company and comparable entities with publicly traded shares. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve at the date of grant.

(j) Recently Issued Accounting Pronouncements

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. This guidance was amended in July 2015 and is effective for annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements (Topic 205): Going Concern*. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 and early adoption is permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

In November 2014, the FASB issued ASU 2014-16, *Derivatives and Hedging: Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*. The new standard clarifies how current U.S. GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and early adoption is permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the corresponding debt liability, consistent with debt discounts. The new standard does not change the amortization of debt issuance costs, which are reported as interest expense in the consolidated statements of operations. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and early adoption is permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

(k) Reclassification

Certain balances have been reclassified to conform to presentation requirements.

Note 3. Intangible Assets

The following table provides information regarding the Company’s intangible assets, which consist of its patents:

	September 30, 2015	December 31, 2014	Weighted average amortization period (years)
Patents	$ 28,213	$ 28,213	8.9
Less: accumulated amortization and impairment	(13,024)	(10,588)	
	$ 15,189	$ 17,625	

The Company’s patents consist of three major patent portfolios, which were acquired from third parties, as well as a number of internally developed patents. The costs related to internally developed patents are expensed as incurred.

In August 2012, the Company purchased a portfolio from Nokia consisting of various patents and patent applications as described in Note 1. The total consideration paid for the portfolio was $22,000 and the Company capitalized certain costs related to the acquisition of patents in the total amount of $548. Under the terms of the purchase agreement, to the extent that the gross revenue generated by such portfolio exceeds $22,000, the Company is obligated to pay a royalty of 35% of such excess. The Company has not recorded any amounts in respect of this contingent consideration, as both the amounts of future potential revenue, if any, and the timing of such revenue cannot be reasonably estimated.

The Company’s patents are amortized over their expected useful lives (i.e., through the expiration date of the patent). During the three and nine month periods ended September 30, 2015, the Company recorded amortization expense of $819 and $2,436, respectively, related to its patents. During the three and nine month periods ended September 30, 2014, the Company recorded amortization expense of $978 and $2,903, respectively, related to its patents.

During the third quarter of 2014, the Company determined that there were impairment indicators related to certain of its patents. A significant factor that was considered when making this determination included the announcement of the Federal Circuit’s decision on August 15, 2014. The Company concluded that this factor was deemed a “triggering” event requiring that the related patent assets be tested for impairment during the third quarter of 2014. In performing this impairment test, the Company determined that the patent portfolio containing the patents-in-suit in I/P Engine's litigation against AOL Inc., Google Inc. et al., which represents an asset group, was subject to impairment testing. In the first step of the impairment test, the Company utilized its projections of future undiscounted cash flows based on the Company’s existing plans for the patents. As a result, it was determined that the Company’s projections of future undiscounted cash flows were less than the carrying value of the asset group. Accordingly, the Company performed the second step of the impairment test to measure the potential impairment by calculating the asset group’s fair value. This resulted in an impairment of $1,355 during the third quarter of 2014, related to the asset group, which represents the difference between the fair value and the carrying value of the asset group. There were no impairment charges related to the Company’s patents during the nine month period ended September 30, 2015.

Note 4. 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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Basic Numerator:				
Loss from continuing operations attributable to shares of common stock	$ (11,871)	$ (12,376)	$ (27,356)	$ (33,325)
Loss from discontinued operations attributable to shares of common stock	—	—	$ —	$ (209)
Net loss attributable to shares of common stock	$ (11,871)	$ (12,376)	$ (27,356)	$ (33,534)
Basic Denominator:				
Weighted average number of shares of common stock outstanding during the period	102,466,238	92,624,983	96,887,444	88,463,526
Basic common stock shares outstanding	102,466,238	92,624,983	96,887,444	88,463,526
Basic loss per common stock share from continuing operations	$ (0.12)	$ (0.13)	$ (0.28)	$ (0.38)
Basic loss per common stock share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Basic net loss per common stock share	$ (0.12)	$ (0.13)	$ (0.28)	$ (0.38)
Diluted Numerator:				
Net loss from continuing operations attributable to shares of common stock	$ (11,871)	$ (12,376)	$ (27,356)	$ (33,325)
Increase in net loss attributable to derivative warrants	—	(2,785)	—	(2,057)
Diluted net loss from continuing operations attributable to shares of common stock	(11,871)	(15,161)	(27,356)	(35,382)
Diluted net loss from discontinued operations attributable to shares of common stock	—	—	—	(209)
Diluted net loss attributable to shares of common stock	$ (11,871)	$ (15,161)	$ (27,356)	$ (35,591)
Diluted Denominator:				
Basic common stock shares outstanding	102,466,238	92,624,983	96,887,444	88,463,526
Weighted average number of derivative warrants outstanding during the period	—	20,316	—	1,051,326
Diluted common stock shares outstanding	102,466,238	92,645,299	96,887,444	89,514,852
Diluted loss per common stock share from continuing operations	$ (0.12)	$ (0.16)	$ (0.28)	$ (0.40)
Diluted loss per common stock share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Diluted net loss per common stock share	$ (0.12)	$ (0.16)	$ (0.28)	$ (0.40)
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 to purchase an equal number of shares of common stock of the Company	8,714,845	10,089,595	8,714,845	10,089,595
Unvested RSUs to issue an equal number of shares of common stock of the Company	543,231	1,425,872	543,231	1,425,872
Warrants to purchase an equal number of shares of common stock of the Company	9,566,796	17,388,161	9,566,796	16,147,560
Conversion feature of Senior Secured Notes	11,309,524	—	12,500,000	—
Total number of potentially dilutive instruments, excluded from the calculation of net loss per share	30,134,396	28,903,628	31,324,872	27,663,027

Note 5. Discontinued Operations

On February 18, 2014, the Company executed the sale of its mobile social application business to InfoMedia. 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 are accounted for as a cost-method investment at the carrying amount of $787 and are included in Other assets in the consolidated balance sheets as of September 30, 2015 and December 31, 2014. During the nine month period ended September 30, 2015, 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 sale of its mobile social application business, the Company is required to present the results of the Company's mobile social application business as discontinued operations in the consolidated statements of operations. The following table represents the components of operating results from discontinued operations for the nine month period ended September 30, 2014, as presented in the consolidated statements of operations:

Revenue	$	37
Operating expenses		(266)
Operating loss		(229)
Non-operating income		20
Loss before taxes on income		(209)
Income tax expense		-
Loss from discontinued operations	$	(209)

Note 6. Senior Secured Convertible Notes

On May 4, 2015 (the "Closing Date"), the Company entered into a securities purchase agreement with certain institutional investors in a registered direct offering of $12,500 of Senior Secured Convertible Notes (the "Notes") and warrants to purchase 5,375,000 shares of the Company's common stock. On the Closing Date, the Company issued the Notes, which are convertible into shares of the Company's common stock at $1.00 per share, bear 8% interest and mature in 21 months from the date of issuance, unless earlier converted. In addition, the Company issued 5,375,000 warrants to purchase shares of the Company's common stock, which are exercisable at $1.00 per share and are exercisable for a period of five years, beginning on November 5, 2015. In connection with the issuance of the Notes and warrants, the Company received net cash proceeds of $12,425. The Company also incurred third party costs directly associated with the issuance of Notes of $218, which are capitalized as debt issuance costs and included in Other assets, and are amortized over the term of the Note. The Company's obligations under the outstanding Notes are secured by a first priority perfected security interest in substantially all of the Company's U.S. assets. In addition, stock of certain subsidiaries of the Company has been pledged. The outstanding Notes contain customary events of default, as well as covenants which include restrictions on the assumption of new debt by the Company. As of September 30, 2015, all covenants were met and there were no events of default.

The principal amount of the outstanding Notes is being repaid monthly, and the Company may make such payments and related interest payments in cash or, subject to certain conditions, in registered shares of the Company's common stock, at its election. On each of the principal installment dates, the Company's scheduled principal amortization payment is an amount equal to $595. If the Company chooses to repay the Notes in shares of its common stock, the shares are issued at a 15% discount, based on the then-current market price data of the Company's common stock. The Company may also repay the Notes in advance of the maturity schedule subject to early repayment penalties. The holders of the Notes may accelerate up to six principal installment payments on each of the principal installment dates. The Company may choose to settle such amounts in cash or shares issued at a 15% discount, based on the then-current market price data of the Company's common stock. Further, the Notes contain provisions that under certain events of default, as defined in the agreement, the amount owed could increase by amounts ranging from 115% to 120% of the face value depending on when the event occurred, and additionally, the interest rates would increase to 16.5% per annum upon the occurrence and continuance of an event of default. In addition, the Company may choose to repay the Notes early at a premium ranging from 115% to 120% of the face value depending on when the election is made.

The 8% interest is paid quarterly, beginning July 1, 2015, and the Company may make such payments in cash or registered shares of the Company's common stock, at its election. If the Company chooses to repay the Notes in shares of its common stock, the shares for the payment of interest are issued at the then-current market price of the Company's common stock.

Upon issuance of the Notes on May 4, 2015, the Company recorded the following as of June 30, 2015 and September 30, 2015:

Net cash proceeds from the Notes ($12,500 less investors issuance costs of $75)	$	12,425
Debt discount:		
May 2015 Warrants		1,717
Conversion feature		1,244
Total Debt discount attributed to Warrants and Conversion feature		2,961
Net Total – May 4, 2015		9,464
Q2 Debt discount amortization		289
Q2 Debt repayments		(1,191)
Net Total – June 30, 2015		8,562
Q3 Debt discount amortization		1,436
Q3 Debt repayments		(5,912)
Net Total – September 30, 2015 (presented as short-term)	$	4,086

The debt discount is attributable to the value of the separately accounted for conversion feature and May 2015 Warrants issued in connection with the financing. The embedded conversion feature derivatives relate to the conversion option, redemption in case of an event of default, and redemption in the case of a change in control features of the Notes. The embedded derivatives were evaluated under ASC topic 815-15, were bifurcated from the debt host, and were classified as liabilities in the consolidated balance sheet. The debt discount is amortized using the effective interest method over the term of the Notes. For the three and nine months ended September 30, 2015, the Company recorded $1,436 and $1,725, respectively, of debt discount amortization included in interest expense on the consolidated statements of operations. In addition, for the three and nine months ended September 30, 2015, the Company recorded $93 and $114, respectively, of amortization of debt issuance costs included in interest expense and recorded an interest accrual of $179 included in Accounts payable and accrued expenses as of September 30, 2015.

During August 2015, the holders of the Notes accelerated six principal installments in exchange for common stock as permitted under the securities purchase agreement. The debt is now expected to mature in July 2016.

During the three and nine months ended September 30, 2015, the Company made principal payments in the aggregate amount of $5,912 and $7,103, respectively. The Company elected to make these principal payments in shares of the Company's common stock, which are issued at a 15% discount to the market price. As such, the Company issued 14.6 million shares and 16.9 million shares in lieu of principal payments for the three and nine months ended September 30, 2015, and recorded $1,044 and $1,254 as extinguishment of debt expense on the consolidated statements of operations for the three and nine months ended September 30, 2015, respectively.

See Note 7 and 8 for further detail on the fair value of the May 2015 Warrants and conversion feature.

Note 7. Fair Value Measurements

The Company measures fair value in accordance with FASB Accounting Standard 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 September 30, 2015 and December 31, 2014:

		Fair value measurement at reporting date using		
	Balance	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
September 30, 2015:				
May 2015 Warrants	$ 1,475	$ —	$ —	$ 1,475
Conversion feature	$ 75	$ —	$ —	$ 75
December 31, 2014:				
Conversion Warrants, the derivative Reload Warrants and the derivative Series 1 Warrants	$ 175	$ —	$ —	$ 175

The Company measures its derivative liabilities at fair value. The Conversion Warrants, the derivative Reload Warrants and the derivative Series 1 Warrants were classified within Level 3 because they were valued using the Black-Scholes-Merton and the Monte-Carlo models, as these warrants included down-round protection clauses, which utilize significant inputs that are unobservable in the market. On January 1, 2015, the down-round protection clauses associated with all of the Company's outstanding derivative warrants expired and, as a result, these warrants no longer meet the criteria for liability classification. As such, the related liabilities were revalued as of January 1, 2015 and the balance of $175, which was comprised of long-term derivative liability warrants of $174 and short-term derivative liability warrants of $1, was reclassified to equity.

The May 2015 Warrants were classified within Level 3 because they were valued using the Black-Sholes-Merton model, which utilizes significant inputs that are unobservable in the market. They are recorded as derivative liability warrants as they are freestanding instruments and there are several features within the warrants that may require the Company to cash settle or partially cash settle. In particular, the Company may have to cash settle, partially cash settle, or make cash payments to the holders including cash settlement upon exercise when insufficient shares are authorized to be issued, and that the Company is obligated to issue registered shares when the warrants are exercised. The derivative liability is initially measured at fair value and marked to market at each balance sheet date.

The conversion feature was classified within Level 3 because it was valued using the Monte-Carlo model, which utilizes significant inputs that are unobservable in the market. The embedded conversion feature derivatives relate to the conversion option, redemption in case of an event of default, and redemption in the case of a change in control features of the Notes. The conversion feature was separated from the host debt contract and accounted for as a derivative instrument because the feature is not clearly and closely related to the debt host and a separate instrument with the same terms as the embedded derivative would be a derivative instrument.

In addition to the above, the Company's financial instruments as of September 30, 2015 and December 31, 2014 consisted of cash, cash equivalents, receivables, accounts payable and deposits. The carrying amounts of all the aforementioned financial instruments approximate fair value because of the short-term maturities of these instruments.

The following table summarizes the changes in the Company's liabilities measured at fair value using significant unobservable inputs (Level 3) during the nine month period ended September 30, 2015:

	Conversion Warrants, the derivative Reload Warrants and the derivative Series 1 Warrants	May 2015 Warrants	Conversion feature
December 31, 2014	$ 175	$ —	$ —
Reclassification of derivative Reload Warrants and Series 1 Warrants to equity warrants	(175)	—	—
Issuance of Notes and derivative warrants on May 4, 2015	—	1,717	1,244
Gain on revaluation of warrants and conversion feature	—	(242)	(1,169)
September 30, 2015	—	1,475	75

During August 2015, the holders of the Notes accelerated six principal installments in exchange for common stock as permitted under the securities purchase agreement. The debt is now expected to mature in July 2016. These events resulted in a significant decline in the value of the conversion feature between May 4, 2015 and September 30, 2015, which resulted in a concurrent gain on the revaluation of the conversion feature.

Valuation processes for Level 3 Fair Value Measurements

Fair value measurement of the derivative warrant liabilities falls 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.

December 31, 2014:

Description	Valuation technique	Unobservable inputs	Range
Conversion Warrants, derivative Reload Warrants and derivative Series 1 Warrants	Black-Scholes-Merton and the Monte-Carlo models	Volatility	56.55% - 77.06%
		Risk free interest rate	0.13% - 0.87%
		Expected term, in years	0.48 - 2.55
		Dividend yield	0%

September 30, 2015:

Description	Valuation technique	Unobservable inputs	Range
Conversion feature	Monte-Carlo model	Volatility	65.82%
		Risk free interest rate	0.13%
		Expected term, in years	0.76
		Conversion price	$1.00
May 2015 Warrants	Black-Scholes-Merton	Volatility	78.18%
		Risk free interest rate	1.30%
		Expected term, in years	4.59
		Dividend yield	0.00%

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 and conversion feature were the current market price of the Company's common stock, the exercise price of the warrants and conversion feature, their remaining expected term, the volatility of the Company's common stock price and the risk-free interest rate over the expected term. 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 shares of common stock, an increase in the volatility of the Company's shares of common stock, and an increase in the remaining term of the warrants and conversion feature 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 differential between the warrants' and conversion feature's exercise prices and the market price of the Company's shares of common stock would result in a decrease in the estimated fair value measurement 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 and conversion feature due to the dividend assumption.

Note 8. Warrants

The following table summarizes information about warrant activity during the nine month period ended September 30, 2015:

	No. of warrants	Weighted average exercise price	Exercise price range
December 31, 2014	17,402,654	$ 4.26	$0.94 - $5.06
Granted	5,375,000	$ 1.00	$1.00
Exercised	—	—	—
Expired	(13,210,858)	$ 5.06	$0.94 - $5.06
September 30, 2015	9,566,796	$ 1.33	$1.00 - $1.76

On May 4, 2015, the Company issued warrants to purchase up to 5,375,000 of its shares of common stock in conjunction with the issuance of the Senior Secured Convertible Notes. The warrants are exercisable at $1.00 per share and are exercisable for a period of five years.

Prior to June 21, 2015, the Company had public warrants to purchase 4,784,000 shares of common stock at an exercise price of $5.06, which were listed on the NASDAQ Capital Market under the symbol “VRNGW,” and additional warrants which were privately held to purchase 8,426,858 shares of common stock, all of which expired on June 21, 2015.

Certain of the Company’s outstanding warrants are classified as equity warrants and certain are classified as derivative liability. The Company’s outstanding equity warrants as of September 30, 2015 consist of the following:

	No. outstanding	Exercise price	Remaining contractual life	Expiration Date
Series 1 Warrants	1,490,250	$ 1.76	1.80 years	July 19, 2017
Series 2 Warrants	1,943,523	$ 1.76	1.80 years	July 19, 2017
Reload Warrants	758,023	$ 1.76	1.36 years	February 6, 2017
Outstanding as of September 30, 2015	4,191,796			

The Company’s outstanding derivative liability warrants as of September 30, 2015 consist of the following:

	No. outstanding	Exercise price	Remaining contractual life	Expiration Date
May 2015 Warrants	5,375,000	$ 1.00	4.59 years	May 4, 2020

Note 9. Stock-based Compensation

The Company has a stock-based compensation plan available to grant stock options and RSUs 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 September 30, 2015, 5,462,066 shares were available for future grants under the Plan.

The following table illustrates the stock options granted during the nine month period ended September 30, 2015:

Title	**Grant date**	**No. of options**	**Exercise price**	**Fair market value at grant date**	**Vesting terms**	**Assumptions used in Black-Scholes Option pricing model**
Directors and employees	January 2015	1,150,000	$0.51 - $0.59	$0.33 - $0.38	Over 1 year for Directors; Over 3 years for Employees	Volatility: 74.9 % - 77.1% Risk free interest rate: 1.27% - 1.51% Expected term, in years: 5.31 - 5.81 Dividend yield: 0.00%

Certain options granted 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 RSUs during the nine month period ended September 30, 2015 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 December 31, 2014	1,196,357	$ 3.64	8,052,345	$ 3.36	$0.96 - $5.50	$ 2.24
Granted	—	—	1,150,000	$ 0.54	$0.51 - $0.59	$ 0.35
Vested/Exercised	(299,480)	$ 3.65	—	—	—	—
Forfeited	(353,646)	$ 3.63	(487,500)	$ 1.94	$0.51 - $3.76	$ 1.11
Expired	—	—	—	—	—	—
Outstanding at September 30, 2015	543,231	$ 3.63	8,714,845	$ 3.07	$0.51 - $5.50	$ 2.05
Exercisable at September 30, 2015	—	—	7,787,485	$ 3.20	$0.51 - $5.50	

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

Note 10. Commitments and Contingencies

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 ZTE and its subsidiaries in the UK, France, Germany, Netherlands, Australia, India, Brazil, Malaysia, and Romania, and against ASUS and its subsidiaries 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. In addition, the Company may be required to grant additional written commitments, as necessary, in connection with its commenced proceedings against ZTE and its subsidiaries in various countries. However, if the Company were successful on any court applications or the entirety of any litigation, the defendants may be responsible for a substantial portion of the Company's legal fees. In response, ZTE Corporation or its affiliates have filed a number of counterclaims and other responsive cases in various countries such as the United States, certain European jurisdictions, the People's Republic of China, and others.

United Kingdom

Pursuant to negotiation with ZTE's UK 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. Each of the cases filed include three patents which the Company has alleged are infringed by ZTE. The defendants estimated the total possible liability to be no more than approximately $2,900 for each case. The Company recorded its best estimate of its liability in respect of ZTE's legal fees, which is presented in Other liabilities included in the consolidated balance sheets as of September 30, 2015 and December 31, 2014, but believes that the ultimate liability will be significantly less.

In March 2014, the Company withdrew one of the patents included in the first case against ZTE's UK subsidiary. ZTE withdrew its invalidity counterclaims.

In November 2014, with respect to another patent included in the first case, the Court found that Vringo's patent is valid as amended and infringed by ZTE. ZTE did not appeal the decision, and the decision is final.

On February 17, 2015, Vringo withdrew its infringement claims against ZTE on three of the four remaining European Patents in suit in the second litigation in the UK. ZTE subsequently withdrew its invalidity counterclaims in respect of these three patents.

On April 10, 2015, Vringo and ZTE reached an agreement in relation to the remaining European Patent in issue (EP (UK) 1 330 933) in the second patent case in the UK in which the parties will withdraw their respective claims and counterclaims.

Germany

On September 13, 2013 and January 28, 2014, Vringo Germany filed two suits in the Regional Court of Düsseldorf, alleging infringement of two European patents by ZTE's German subsidiary. Those cases were heard by the Court on November 27, 2014. On January 22, 2015, the Court issued its judgment, finding that ZTE does not infringe either patent. On February 17, 2015, the Company filed notices of appeal for each patent. The appeal process is anticipated to take at least one year.

Netherlands

In the Netherlands, on October 23, 2014, ZTE filed suit in the District Court of The Hague seeking the invalidity of Vringo's European Patent that is the subject of the other proceedings taking place in the same Court. A hearing in this matter took place in the third quarter of 2015. On October 28, 2015, the District Court of The Hague found the European patent invalid. The Company plans to appeal the ruling. The appeal process is anticipated to take up to one year.

France

On March 29, 2013, Vringo Infrastructure filed a patent infringement lawsuit in France in the Tribunal de Grande Instance de Paris (the "Tribunal"), 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. On October 30, 2015, the Tribunal held the claims-in-suit of the first European patent invalid, and held that the claims-in-suit of the second European patent do not implement the relevant standard, without commenting on that patent's validity. The Company plans to appeal the Tribunal's ruling. The appeal process is anticipated to take at least one year.

People's Republic of China

ZTE has filed 33 reexamination requests of Vringo's Chinese patents with the Patent Re-Examination Board ("PRB") of the State Intellectual Property Office of the People's Republic of China. To date, the PRB has upheld the validity of 17 of the Company's patents, partially upheld the validity of two of the Company's patents, and has held that 13 of the Company's patents are invalid. The Company has filed appeals on the PRB's decision on the patents that have been held invalid. The appeal process is expected to take at least one year. The remaining reexamination requests remain pending, with decisions expected to be rendered on a rolling basis.

On February 21, 2014, ZTE filed a civil complaint against the Company and certain of its subsidiaries in the Shenzhen Intermediate Court alleging that the Company violated China's antimonopoly laws. The Company received notice of the action on June 26, 2014. The Company intends to vigorously contest all aspects of this action in the appropriate manner. On July 28, 2014, the Company filed a motion to have this complaint dismissed due to lack of jurisdiction. On August 6, 2014, the Court dismissed this motion. The Company filed an appeal of the dismissal, which was denied by the Court. The Court conducted a hearing on May 29, 2015 for the parties to submit any evidence on which they intended to rely. During this hearing, ZTE amended its complaint to increase its damages demand. As a result, the Company filed a motion contesting the jurisdiction of the Court, which was denied. The Company's appeal of the jurisdictional question is pending. Trial on the merits, which had been scheduled to begin on June 9, 2015, has been postponed pending Vringo's appeal. The appellate process is expected to take several months. The Company has not made a determination of what the potential liability may be should it lose the case in China.

Deposits with courts

On May 5, 2014, the Company deposited a bond of €1,000 (approximately $1,124 as of September 30, 2015) to enforce an injunction against ZTE in Germany. On May 20, 2015, the Company paid an additional €50 (approximately $56 as of September 30, 2015) to enforce review of accounting records. 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. The Company has assessed the likelihood of the injunction being successfully overturned on appeal as remote.

In Brazil, as a condition of the relief requested, the Company deposited R$2,020 on April 17, 2014 (approximately $492 as of September 30, 2015), as a surety against the truth of allegations contained in the complaint. This deposit is returnable at the end of the litigation unless ZTE is the prevailing party and proves that actual material damages were suffered while the requested relief was in place. The Company has assessed the likelihood of ZTE doing so as remote.

In Romania, Vringo Infrastructure filed a patent infringement lawsuit against ZTE in the Bucharest Tribunal Civil Section on June 23, 2014 and 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 Company deposited a bond of €243 on February 11, 2015 (approximately $273 as of September 30, 2015) with the Court in order to continue to enforce the injunction.

The bond deposits in Germany and Romania and the surety deposit in Brazil are included in Deposits with courts in the consolidated balance sheets as of September 30, 2015 and December 31, 2014.

Leases

In January 2014, the Company entered into an amended lease agreement for its corporate executive office in New York for the lease of 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 on August 1, 2014, which was the date when the new office space was available. This lease will expire in October 2019. Rent expense for operating leases for the three and nine month periods ended September 30, 2015 were $91 and $274, respectively. Rent expense for operating leases for the three and nine month periods ended September 30, 2014 were $91 and $273, 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. During the second half of 2014, the Patent Re-Examination Board of the State Intellectual Property Office of the People’s Republic of China held that 13 of the Company's Chinese patents, and partial claims on two of the Company’s other Chinese patents, are invalid. The Company is appealing these decisions. The Company’s other patents have not been declared to be invalid or unenforceable to date.

(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.

(e) The Notes are repaid on a monthly basis in cash or shares at the Company’s election. If the Company is unable to satisfy certain equity conditions, it will be required to pay all amounts due on any installment date in cash. The Company’s ability to timely repay the Notes, to redeem the Notes, and to fund working capital needs and planned capital expenditures depends on its ability to generate cash flow in the future. If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if the Company fails to comply with the various requirements of the Notes, the Company would be in default, which would permit the holders of the Notes to accelerate the maturity of the Notes and cause a default under the Notes. Any default under the Notes could have a material adverse effect on the Company’s business, results of operations and financial condition.

(f) The Company 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, the Company may also need additional funds to respond to business opportunities and challenges, including its ongoing operating expenses, protection of its assets, development of new lines of business and enhancement of its operating infrastructure. While the Company may need to seek additional funding, it may not be able to obtain financing on acceptable terms, or at all. If the Company is unable to obtain additional funding on a timely basis, it may be required to curtail or terminate some of its business plans.

Note 12. Subsequent Events

On October 15, 2015, the Company completed the acquisition of International Development Group Limited, a Maryland corporation (“IDG”). Pursuant to the Stock Purchase Agreement (“the Purchase Agreement”), the Company acquired 100% of the capital stock of IDG, including two of IDG’s subsidiaries, fliCharge International Ltd. (“fliCharge”), in which IDG owns 70% of the capital stock and controls the operations, and the wholly-owned Group Mobile International Ltd. (“Group Mobile”). fliCharge owns patented conductive wire-free charging technology and is focused on innovation, sales, manufacturing and licensing core technology to large corporations in various industries. Group Mobile is a company with full service technical and customer support in rugged computers, mobile devices and accessories.

In consideration for the acquisition, the Company issued an aggregate of 1,609,167 shares of the Company's newly designated Series B Convertible Preferred Stock ("Series B Preferred Stock"), par value $0.01 per share. Of the shares of Series B Preferred Stock issued, 1,604,167 shares were issued to the Sellers, 5,000 shares were issued to IDG's legal counsel as compensation, and 240,625 shares were placed in escrow to secure certain of the Sellers' indemnity obligations under the Purchase Agreement for a period of up to 12 months. The 1,609,167 shares of Series B Preferred Stock are convertible into an aggregate of 16,091,670 shares of the Company's common stock, par value $0.01 per share. In addition, the Company issued to one of the Sellers 575,000 shares of the Company's unregistered common stock in consideration of his forgiveness of debt.

In connection with the acquisition, the Company also entered into a Consulting Agreement with IDG's former Chief Executive Officer and director for an initial term of six months, which may be extended on a month-to-month basis or longer thereafter, and the payment of $9,000 per month.

In connection with the entry into the Purchase Agreement, the Company issued to a finder a warrant to purchase up to an aggregate of 500,000 shares of common stock of the Company, at an exercise price of $0.50 per share and expiring on April 15, 2021 (the "Warrant").

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 16, 2015 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 intend to monetize our technology portfolio through a variety of value enhancing initiatives, including, but not limited to:

- licensing,
- strategic partnerships, and
- litigation.

On October 15, 2015, we completed the acquisition of International Development Group Limited, a Maryland corporation ("IDG"). Pursuant to the Stock Purchase Agreement (the "Purchase Agreement"), we acquired 100% of the capital stock of IDG, including two of IDG's subsidiaries, fliCharge International Ltd. ("fliCharge"), in which IDG owns 70% of the capital stock and controls the operations, and the wholly-owned Group Mobile International Ltd. ("Group Mobile"). fliCharge owns patented conductive wire-free charging technology and is focused on innovation, sales, manufacturing and licensing core technology to large corporations in various industries. Group Mobile is a company with full service technical and customer support in rugged computers, mobile devices and accessories.

On February 18, 2014, we closed a transaction with InfoMedia Services Limited ("InfoMedia") for the sale of certain assets and the assignment of certain agreements related to our mobile social application business. As consideration, we received 18 Class B shares of InfoMedia, which represent an 8.25% ownership interest in InfoMedia. InfoMedia is a privately owned, United Kingdom ("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.

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.

Recent Developments

Acquisition

On October 15, 2015, we completed the acquisition of IDG. Pursuant to the Purchase Agreement, we acquired 100% of the capital stock of IDG, including two of IDG's subsidiaries, fliCharge and Group Mobile. fliCharge owns patented conductive wire-free charging technology and is focused on innovation, sales, manufacturing and licensing core technology to large corporations in various industries. Group Mobile is a company with full service technical and customer support in rugged computers, mobile devices and accessories.

In consideration for the acquisition, we issued an aggregate of 1,609,167 shares of our newly designated Series B Preferred Stock, par value $0.01 per share. Of the shares of Series B Preferred Stock issued, 1,604,167 shares were issued to the Sellers, 5,000 shares were issued to IDG's legal counsel as compensation, and 240,625 shares were placed in escrow to secure certain of the Sellers' indemnity obligations under the Purchase Agreement for a period of up to 12 months. The 1,609,167 shares of Series B Preferred Stock are convertible into an aggregate of 16,091,670 shares of our common stock, par value $0.01 per share. In addition, we issued to one of the Sellers 575,000 shares of our unregistered common stock in consideration of his forgiveness of debt.

In connection with the acquisition, we also entered into a Consulting Agreement with IDG's former Chief Executive Officer and director for an initial term of six months, which may be extended on a month-to-month basis or longer thereafter, and the payment of $9,000 per month.

In connection with the entry into the Purchase Agreement, we issued to a finder a warrant to purchase up to an aggregate of 500,000 shares of our common stock, at an exercise price of $0.50 per share and expiring on April 15, 2021.

Notes Financing

On May 4, 2015 (the "Closing Date"), we entered into a securities purchase agreement with certain institutional investors in a registered direct offering of $12,500,000 of Senior Secured Convertible Notes (the "Notes") and warrants to purchase up to 5,375,000 shares of our common stock. On the Closing Date, we issued the Notes, which are convertible into shares of our common stock at $1.00 per share, bear 8% interest and mature in 21 months from the date of issuance, unless earlier converted. In addition, we issued 5,375,000 warrants to purchase shares of our common stock, which are exercisable at $1.00 per share and are exercisable for a period of five years beginning on November 5, 2015. In connection with the issuance of the Notes and warrants, we received net cash proceeds of $12,425,000. Our obligations under the outstanding Notes are secured by a first priority perfected security interest in substantially all of our U.S. assets. In addition, stock of certain of our subsidiaries has been pledged. The outstanding Notes contain customary events of default, as well as covenants which include restrictions on the assumption of new debt by Vringo.

The principal amount of the outstanding Notes is being repaid monthly, and we may make such payments and related interest payments in cash or, subject to certain conditions, in registered shares of our common stock, at our election. If we choose to repay the Notes in shares of our common stock, the shares are issued at a 15% discount, based on the then-current market price data of our common stock. We may also repay the Notes in advance of the maturity schedule subject to early repayment penalties.

During August 2015, the holders of the Notes accelerated six principal installments in exchange for common stock as permitted under the securities purchase agreement. The debt is now expected to mature in July 2016.

During the three and nine months ended September 30, 2015, we made principal payments in the aggregate amount of $5.9 million and $7.1 million, respectively. We elected to make these principal payments in shares of our common stock, which are issued at a 15% discount to the market price. As such, we issued 14.6 million shares and 16.9 million shares in lieu of principal payments for the three and nine months ended September 30, 2015, respectively. Subsequent to September 30, 2015, quarterly payment of interest was made in shares of common stock and the monthly installments were paid in cash.

NASDAQ

On December 18, 2014, we received a notification letter from NASDAQ informing us that for the last 30 consecutive business days, the bid price of our securities had closed below $1.00 per share. This notice has no immediate effect on our NASDAQ listing and we had 180 calendar days, or until June 16, 2015, to regain compliance. We did not regain compliance during such period since the closing bid price of our securities was not at least $1.00 per share for a minimum of ten consecutive business days. On June 17, 2015, we received a letter from NASDAQ notifying us that we had been granted an additional 180-day period, or until December 14, 2015, to regain compliance with the minimum $1.00 bid price per share requirement for continued listing on the NASDAQ Capital Market, as set forth in NASDAQ Listing Rule 5810(c)(3)(A)(ii). We intend to cure the deficiency during this extended period by implementing a reverse stock split of our common stock, which is subject to approval of our stockholders. This proposal to effect such reverse stock split was included in the proxy materials filed on September 25, 2015. If we are unable to implement a reverse stock split and regain compliance with the minimum bid price requirement, we could be delisted.

Our Strategy

We operate in three technology related verticles; intellectual property monetization, wire-free charging and the sale of rugged computing devices. Quantum Stream and Vringo Infrastructure manage an intellectual property portfolio consisting of over 600 patents and patent applications, covering telecom infrastructure, internet search, mobile technologies and wire-free charging. These patents and patent applications have been developed internally or acquired from third parties. We strive to develop, acquire, license and protect innovation worldwide. Our fliCharge business unit owns a patented, conductive, wire-free charging technology that is already on the market and available to consumers. fliCharge is currently commercializing, partnering or developing products in numerous markets including automotive, education, office, healthcare, power tools and vaporizers. Our Group Mobile business unit is a supplier of built-to-order rugged computers, mobile devices and accessories. Group Mobile provides a high touch sales experience with full service technical and customer support in the rugged mobile computer market.

For an update on our intellectual property, refer to Part II Item 1, Legal Proceedings.

Financial Condition

Since January 2012, we have raised approximately $123,355,000, including the May 2015 financing transaction discussed above, which has been used to finance our operations. As of now, we have not yet generated any significant revenues. As of September 30, 2015, we had a cash balance of $14,402,000. Our average monthly cash spent in operations for the nine month period ended September 30, 2015 was approximately $1,500,000. This is not necessarily indicative of the future use of our working capital. In addition, we paid approximately $2,667,000 in deposits with courts beginning in the second quarter of 2014 to date, related to proceedings in Germany, Brazil, Romania, and Malaysia, which are included in Deposits with courts in the consolidated balance sheets as of September 30, 2015 and December 31, 2014. Deposits with courts paid in local currency are remeasured on the balance sheet date based on the related foreign exchange rate on that date. As of September 30, 2015, deposits with courts totaled $1,970,000.

As of September 30, 2015 and December 31, 2014, our total stockholders' equity was $16,702,000 and $31,180,000, respectively. The decrease in stockholders' equity since December 31, 2014 is due to the operating loss during the nine month period ended September 30, 2015.

Our operating plans include increasing revenue through the licensing of our intellectual property, and product sales through our newly acquired Group Mobile and fliCharge business units.

Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. The majority of our expenditures to date consist of costs related to our litigation campaigns. In our cases against ZTE and ASUS, we incurred costs during the nine month period ended September 30, 2015 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 UK and the U.S. In civil law jurisdictions, such as Germany, France, Spain, and others, the majority of costs are incurred in the early stages of litigation. With respect to our litigation in these countries, the respective campaigns are currently in the later stages and therefore we have already incurred the large majority of the related anticipated costs. As such, based on our plans, costs in these jurisdictions are projected to be lower in the remainder of 2015 and other future periods.

Despite our plans, our legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Further, should we be deemed the losing party in certain 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 addition, our plans to continue to expand our planned operations through acquisitions and monetization of additional patents, other intellectual property or operating businesses may be 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. Our future ability to raise capital, if necessary, may be limited. 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. Therefore, no assurance can be given at this time as to whether we will be able to achieve our objectives or whether we will have the sources of liquidity for follow through with our operating plans.

In addition, until we generate sufficient revenue, we may need to raise additional funds, which may be achieved through the issuance of additional equity or debt, or through loans from financial institutions. There can be no assurance, however, that any such opportunities will materialize. We may also be able to raise additional funds through the exercise of our outstanding warrants and options, however, substantially all of such outstanding equity instruments are currently “out of the money” due to the decline in our common stock price which began in the third quarter of 2014.

We anticipate that we will continue to seek 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. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some of our business plans. 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.

As a result of the events and circumstances described above, including the cash proceeds received in connection with the May 2015 financing transaction and our operating plans, which include paying the principal and interest related to the Notes in shares of our common stock, we believe that we currently have sufficient cash to continue our current operations for at least the next twelve months.

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 related internal payroll expenses and stock-based compensation.

Amortization and impairment 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. Impairment charges related to our acquired patents are recorded when an impairment indicator exists and the carrying amount of the related asset exceeds its fair value.

General and administrative expenses

General and administrative expenses include costs related to management and administrative personnel, development 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 the Notes, deposits, bank charges, as well as fair value adjustments related to our derivative warrant liabilities and conversion feature. The value of such derivative 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

As of September 30, 2015, deferred tax assets generated from 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.

Three month period ended September 30, 2015 compared to the three month period ended September 30, 2014

Revenue

	Three months ended September 30,		
	2015	2014	Change
Revenue	$ —	$ 150,000	$ (150,000)

During the three month period ended September 30, 2014, we recorded total revenue of $150,000, which was due to a one-time payment in connection with a licensing agreement for certain of our owned intellectual property. We did not record revenue for the three month period ended September 30, 2015.

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 worldwide through acquisitions and monetization of additional patents, other intellectual property or operating businesses.

Acquisitions of patents or other intellectual property assets 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. Our ability to raise capital may be limited. 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. 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 September 30,		
	2015	2014	Change
Operating legal costs	$ 6,776,000	$ 8,865,000	$ (2,089,000)

During the three month period ended September 30, 2015, our operating legal costs were $6,776,000, which represents a decrease of $2,089,000 (or 23.6%) from operating legal costs recorded for the three months ended September 30, 2014. This decrease was partially due to the timing and nature of consulting and patent litigation costs related to legal proceedings against ZTE and Google. With respect to our legal proceedings against ZTE, costs during the three month period ended September 30, 2015 were associated with our continued worldwide litigation efforts in the U.S. and other countries. We did not incur significant expenses in connection with our legal proceedings against Google during the three month period ended September 30, 2015.

We expect our operating legal costs to decrease during the remainder of 2015 as compared to 2014 since most of our litigation campaigns are in the later stages of development.

Amortization and impairment of intangibles

	Three months ended September 30,		
	2015	2014	Change
Amortization and impairment of intangibles	$ 819,000	$ 2,333,000	$ (1,514,000)

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). During the three month period ended September 30, 2015, amortization expense related to our intangible assets totaled $819,000, which represents a decrease of $1,514,000 (or 64.9%) from amortization of intangibles recorded for the three month period ended September 30, 2014. This decrease is attributable to the fact that the patents-in-suit in I/P Engine's litigation against AOL Inc., Google Inc. et al. were fully impaired during the third quarter of 2014. As such, there was less amortization expense during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

General and administrative

	Three months ended September 30,		
	2015	2014	Change
General and administrative	$ 2,095,000	$ 4,148,000	$ (2,053,000)

During the three month period ended September 30, 2015, general and administrative expenses decreased by $2,053,000 (or 49.5%), to $2,095,000, compared to $4,148,000 that was recorded during the three month period ended September 30, 2014. The reason for the decrease was attributable to several factors, primarily the decrease in stock-based compensation expense of approximately $1,503,000, as certain awards granted in July 2012 fully vested during 2015. There were also forfeitures of certain equity awards held by our former Chief Operating Officer and certain employees during the fourth quarter of 2014 and the nine month period ended September 30, 2015. There were no equity award grants during the three month period ended September 30, 2015. In addition, there was a decrease in payroll expense and office administration costs as compared to the prior period.

Non-operating income (expense), net

	Three months ended September 30,		
	2015	2014	Change
Non-operating income (expense), net	$ (2,181,000)	$ 2,820,000	$ (5,001,000)

During the three month period ended September 30, 2015, we recorded non-operating expense, net, of $2,181,000 compared to non-operating income, net, of $2,820,000 during the three month period ended September 30, 2014. The non-operating expense recognized in the three month period ended September 30, 2015 was driven by various factors. Installment payments made to holders of the Senior Secured Convertible Notes from the securities purchase agreement that we entered into on May 4, 2015 resulted in an increase in interest expense of $1,708,000 for the three month period ended September 30, 2015. The interest expense is calculated using the effective interest method. In addition, we elected to repay the installments in registered shares, which are issued at a discount of 15% to market prices. This resulted in $1,044,000 recorded as a loss on the extinguishment of debt. The current period expense also relates to foreign exchange losses in connection with our deposits with courts.

The expenses reported during the three month period ended September 30, 2015 were offset by a gain on the revaluation of derivative liability warrants and conversion feature related to the securities purchase agreement. On the May 4, 2015, the net proceeds received were allocated amongst the Notes, the conversion feature, and the warrants issued to the holders of the Notes. The warrants and conversion feature are then revalued and marked to market as of each balance sheet date, which resulted in a gain of $716,000 for the three month period ended September 30, 2015.

During the three month period ended September 30, 2014, we recorded approximately $2,785,000 of income related to a decrease in the fair value of our derivative liabilities. On January 1, 2015, the down-round protection clauses associated with our remaining outstanding derivative warrants expired and, as a result, these warrants no longer meet the criteria for liability classification. As such, the related liabilities were revalued as of January 1, 2015 and the balance was reclassified to equity. There was no change in value of the derivative warrant liabilities between December 31, 2014 and January 1, 2015, and therefore no gain or loss was recorded during the three month period ended September 30, 2015

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 the 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.

Nine month period ended September 30, 2015 compared to the nine month period ended September 30, 2014

Revenue

	Nine months ended September 30,		
	2015	2014	Change
Revenue	$ 150,000	$ 1,200,000	$ (1,050,000)

During the nine month period ended September 30, 2015, we recorded total revenue of $150,000, which represents a decrease of $1,050,000 (or 87.5%) as compared to the nine month period ended September 30, 2014. 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 nine month period ended September 30, 2014 of $1,200,000 was due to certain one-time payments in connection with license and settlement agreements for certain of our owned intellectual property.

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

	Nine months ended September 30,		
	2015	2014	Change
Operating legal costs	$ 15,341,000	$ 19,722,000	$ (4,381,000)

During the nine month period ended September 30, 2015, our operating legal costs were $15,341,000, which represents a decrease of $4,381,000 (or 22.2%) from operating legal costs recorded for the nine months ended September 30, 2014. This decrease was primarily due to the timing and nature of consulting and patent litigation costs related to legal proceedings against ZTE and Google. During the nine month period ended September 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 nine month period ended September 30, 2014 were associated with our continued worldwide litigation efforts including commencement of legal actions in Brazil, Malaysia, Spain, Netherlands, and other countries.

With respect to our legal proceedings against ZTE, costs during the nine month period ended September 30, 2015 were associated with our continued worldwide litigation efforts in the UK, U.S., and other countries. We did not incur significant expenses in connection with our legal proceedings against Google during the nine month period ended September 30, 2015. It is uncertain whether our operating legal costs will increase over time.

Amortization and impairment of intangibles

	Nine months ended September 30,		
	2015	2014	Change
Amortization and impairment of intangibles	$ 2,436,000	$ 4,258,000	$ (1,822,000)

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). During the nine month period ended September 30, 2015, amortization expense related to our intangible assets totaled $2,436,000, which represents a decrease of $1,822,000 (or 42.8%) from amortization of intangibles recorded for the nine month period ended September 30, 2014. This decrease is attributable to the fact that the patents-in-suit in I/P Engine's litigation against AOL Inc., Google Inc. et al. were fully impaired during the third quarter of 2014. As such, there was less amortization expense during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014.

General and administrative

	Nine months ended September 30,		
	2015	2014	Change
General and administrative	$ 7,391,000	$ 12,594,000	$ (5,203,000)

During the nine month period ended September 30, 2015, general and administrative expenses decreased by $5,203,000 (or 41.3%), to $7,391,000, compared to $12,594,000 that was recorded during the nine month period ended September 30, 2014. The overall decrease in general and administrative expenses was primarily due to a decrease in the stock-based compensation expense for the first nine months of 2015 as compared to the same period during 2014. The reason for the decrease was attributable to several factors. Stock-based compensation awards granted during July 2012 fully vested in 2015. There were forfeitures of certain equity awards held by our former Chief Operating Officer and certain employees during the fourth quarter of 2014 and the first quarter of 2015. Also, the awards associated with the current period expense were valued lower than the awards associated with the prior period expense, mostly due to the decrease in our stock price, which also contributed to the decrease in stock-based compensation expense.

Lastly, we completed consolidation of corporate functions in New York in 2014 and implemented cost savings strategies in 2015 that resulted in a decrease in payroll expense and office administration costs as compared to the prior period.

Non-operating income (expense), net

	Nine months ended September 30,		
	2015	2014	Change
Non-operating income (expense), net	$ (2,338,000)	$ 2,049,000	$ (4,387,000)

During the nine month period ended September 30, 2015, we recorded non-operating expense, net, in the amount of $2,338,000 compared to non-operating income, net, in the amount of $2,049,000 recorded during the nine month period ended September 30, 2014. The non-operating expense recognized in the nine month period ended September 30, 2015 was driven by various factors. Installment payments made to holders of the Senior Secured Convertible Notes from the securities purchase agreement that we entered into on May 4, 2015 resulted in an increase in interest expense of $2,173,000 for the nine month period ended September 30, 2015. The interest expense is calculated using the effective interest method. In addition, we elected to repay the installments in registered shares, which are issued at a discount of 15% to market prices. This resulted in $1,254,000 recorded as a loss on the extinguishment of debt. The current period expense also relates to foreign exchange losses in connection with our deposits with courts.

The expenses reported during the nine month period ended September 30, 2015 were offset by a gain on the revaluation of derivative liability warrants and conversion feature related to the securities purchase agreement. On the May 4, 2015, the net proceeds received were allocated amongst the Notes, the conversion feature, and the warrants issued to the holders of the Notes. The warrants and conversion feature were then revalued and marked to market as of the balance sheet date, which resulted in a gain of $1,411,000.

During the nine month period ended September 30, 2014, we recorded approximately $2,057,000 of income related to a decrease in the fair value of our derivative warrant liabilities. This was offset by $65,000 of expense recorded in connection with the issuance of warrants in June 2014.

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 the 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.

Loss from discontinued mobile social application operations

	Nine months ended September 30,		
	2015	2014	Change
Revenue	$ —	$ 37,000	$ (37,000)
Operating expenses	—	(266,000)	266,000
Operating loss	—	(229,000)	229,000
Non-operating income (expense)	—	20,000	(20,000)
Loss before taxes on income	—	(209,000)	209,000
Income tax expense	—	—	—
Loss from discontinued operations	$ —	$ (209,000)	$ 209,000

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 in InfoMedia. 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 nine month period ended September 30, 2015, there were no results from discontinued operations since all related activities ceased when the sale was executed.

Liquidity and Capital Resources

As of September 30, 2015, we had a cash balance of $14,402,000. This represents a decrease of $1,621,000 from our cash balance on December 31, 2014, which is mainly due to the net cash used in operations of approximately $13,553,000 during the nine month period ended September 30, 2015. Our average monthly cash spent in operations for the nine month periods ended September 30, 2015 and 2014 was approximately $1,500,000 and $2,200,000, respectively. Included in the 2015 year to date spend of $13,553,000 are prepaid expenses for annual insurance contract premiums and deposits with law firms representing us in the United Kingdom totaling $928,000, as well as deposits with courts made during 2015 in Romania and Germany totaling $272,000. In addition, we received net proceeds of $12,425,000 as part of the securities purchase agreement we entered into on May 4, 2015.

The majority of our expenditures during the nine months ended September 30, 2015 consisted of costs related to our litigation campaigns. In our cases against ZTE and ASUS, we incurred costs during the nine month period ended September 30, 2015 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 UK and the U.S. 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 addition, we paid approximately $2,667,000 in deposits with courts beginning in the second quarter of 2014 to date, related to our proceedings in Germany, Brazil, Romania and Malaysia. Deposits with courts paid in local currency are re-measured on the balance sheet date based on the related foreign exchange rate on that date. As of September 30, 2015, deposits with courts totaled $1,970,000.

On May 4, 2015, we entered into a securities purchase agreement with certain institutional investors in a registered direct offering of $12,500,000 of Notes and certain warrants to purchase shares of our common stock. At closing, we issued the Notes, which are convertible into shares of our common stock at $1.00 per share, bear 8% interest and mature in 21 months from the date of issuance, unless earlier converted. In addition, we issued approximately 5,375,000 warrants to purchase shares of our common stock, which are exercisable at $1.00 per share and are exercisable for a period of five years beginning on November 5, 2015. In connection with the issuance of the Notes and warrants, we received net cash proceeds of $12,425,000. Our obligations under the outstanding Notes are secured by a first priority perfected security interest in substantially all of our U.S. assets. In addition, stock of certain of our subsidiaries has been pledged. The outstanding Notes contain customary events of default, as well as covenants, which include restrictions on our assumption of new debt.

The principal amount of the outstanding Notes is being repaid monthly, and we may make such payments and related interest payments in cash or, subject to certain conditions, in registered shares of our common stock, at our election. If we choose to repay the Notes in shares of our common stock, the shares are issued at a 15% discount, based on the then-current market price data of our common stock. We may also repay the Notes in advance of the maturity schedule subject to early repayment penalties.

During August 2015, the holders of the Notes accelerated six principal installments in exchange for common stock as permitted under the securities purchase agreement. The debt is now expected to mature in July 2016.

Our operating plans include increasing revenue through the licensing of our intellectual property, strategic partnerships, and litigation, when required, which may be resolved through a settlement or collection. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. The majority of our expenditures consist of costs related to our four litigation campaigns. A large percentage of these costs were incurred in the UK, Australia, Germany, Brazil, the Netherlands, 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. With respect to our litigation in such countries, the respective litigation campaigns are currently in the later stages and therefore we have already incurred the large majority of the related anticipated costs. As such, based on our plans, costs in these jurisdictions are projected to be lower in remainder of 2015 and other future periods.

Despite our plans, our legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Further, should we be deemed the losing party in certain 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 addition, our plans to continue to expand our planned operations through acquisitions and monetization of additional patents, other intellectual property or operating businesses may be 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. Our future ability to raise capital, if necessary, may be limited. 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. Therefore, no assurance can be given at this time as to whether we will be able to achieve our objectives or whether we will have the sources of liquidity for follow through with our operating plans.

We anticipate that we will continue to seek 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. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some of our business plans. 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.

As a result of the events and circumstances described above, including the cash proceeds received in connection with the May 2015 financing transaction and our operating plans, which include paying the principal and interest related to the Notes in shares of our common stock, we believe that we currently have sufficient cash to continue our current operations for at least the next twelve months.

Cash flows

	Nine months ended September 30,		
	2015	2014	Change
Net cash used in operating activities	$ (13,553,000)	$ (20,215,000)	$ 6,662,000
Net cash used in investing activities	$ (272,000)	$ (2,550,000)	$ 2,278,000
Cash provided by financing activities	$ 12,207,000	$ 13,452,000	$ (1,245,000)

Operating activities

During the nine month period ended September 30, 2015, net cash used in operating activities totaled $13,553,000 compared to net cash used in operating activities of $20,215,000 during the nine month period ended September 30, 2014. The decrease of $6,662,000 was mainly due to the timing and nature of litigation costs described above.

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. There is no guarantee that we will generate sufficient revenue to offset future operating expenses and our ability to raise additional capital may be limited.

Investing activities

During the nine month period ended September 30, 2015, net cash used in investing activities totaled $272,000, which represents the deposit we made to a Romanian court to enforce an injunction against ZTE in Romania and the deposit we made in Germany to enforce review of accounting records. Net cash used in investing activities during the nine month period ended September 30, 2014 is mostly comprised of the $2,304,000 deposited with courts that is described above. There was also an increase in fixed asset purchases during the nine month period ended September 30, 2014.

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 nine month period ended September 30, 2015, we received net proceeds of $12,425,000 from a securities purchase in a registered direct offering of $12,500,000 of Notes and warrants to purchase up to 5,375,000 shares of our common stock. This amount was offset by the amount of debt issuance costs that were paid in relation to the agreement. During the nine month period ended September 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.

A significant portion of our issued and outstanding warrants, for which the underlying shares of common stock held by non-affiliates are freely tradable, are currently “out of the money.” Therefore, the potential of additional incoming funds from exercises by our warrant holders is currently very limited. To the extent that any of our issued and outstanding warrants were “in the money,” it could be used as a source of additional funding if the warrant holders choose to exercise their warrants for cash.

We may also 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. Moreover, any such financing would likely be dilutive to our current stockholders.

Off-Balance Sheet Arrangements

From October 2012 through the filing date of this Quarterly Report on Form 10-Q, our subsidiaries filed patent infringement lawsuits against the subsidiaries of ZTE Corporation in the UK, France, Germany, Australia, India, Brazil, Malaysia, Romania, and the Netherlands. 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, as part of standard legal procedures in the UK, 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. With respect to these written commitments, we believe that Vringo’s commitments will be shortly discharged since all claims in the UK cases, other than the remedies for the patent found infringed and valid as amended, have been dismissed. As such, any remaining costs where Vringo was not the “commercial victor” as defined under UK procedural law can be assessed. We believe that the amounts of the written commitments well exceed any costs, to the extent that they are assessed, and anticipate that such costs will not exceed the amount of the estimated liability recorded in our consolidated balance sheet as of September 30, 2015.

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 October 1, 2015:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	$ 1,674,000	$ 403,000	$ 820,000	$ 451,000	$ —
Total	$ 1,674,000	$ 403,000	$ 820,000	$ 451,000	$ —

In January 2014, the Company entered into an amended lease agreement for its corporate executive office in New York for the lease of a different office space 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 on August 1, 2014, which was the date when the new office space was available. This lease will expire in October 2019.

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 16, 2015, 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 September 30, 2015 and December 31, 2014, our cash was mostly held in money market funds in the amounts of $8,092,000 and $13,085,000, respectively. 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 September 30, 2015, 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.

Infrastructure Patents

As one of the means of realizing the value of the patents on telecom infrastructure, Vringo, Inc. and our wholly-owned subsidiaries, Vringo Infrastructure, Inc. (“Vringo Infrastructure”) and Vringo Germany GmbH (“Vringo Germany”) have filed a number of suits against ZTE Corporation (“ZTE”), and ASUSTeK Computer Inc. (“ASUS”) 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 three European patents. Subsequently, ZTE responded to the complaint with a counterclaim for invalidity of the patents-in-suit. Vringo Infrastructure filed a second UK suit on December 3, 2012, alleging infringement of three additional European patents.

In March 2014, Vringo Infrastructure withdrew its claim to one of the patents included in the first suit, and ZTE withdrew its invalidity counterclaim. Another patent included in the first suit was heard in a trial that commenced on October 28, 2014.

On November 28, 2014, the Court found the patent valid as amended and infringed by ZTE. Following the Court’s ruling, ZTE applied to introduce new prior art and re-argue the validity of the patent; the application was rejected on January 30, 2015. There was no appeal by ZTE of the substantive decision and therefore the decision is final. Trial on the remedies phase is currently scheduled to occur in the first half of 2016 and will focus on the appropriate royalty rate to be awarded. The remaining legal fees in the litigation between the parties in the UK will be decided by the Court after that hearing.

On February 17, 2015, Vringo withdrew its infringement claims against ZTE on three of the four remaining European Patents in suit in the second litigation in the UK. ZTE subsequently withdrew its invalidity counterclaims in respect of these three patents.

On April 10, 2015, Vringo and ZTE reached an agreement in relation to the remaining European Patent in issue (EP (UK) 1 330 933) in the second patent case in the UK as a result of which the parties withdrew their respective claims and counterclaims.

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, Vringo Germany 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. Vringo Germany re-filed the first European patent case in the Regional Court of Düsseldorf on December 5, 2014.

On December 17, 2013, the Court issued its judgment in the second European patent case, finding that ZTE infringed that patent and ordering 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 €1,000,000 (approximately $1,124,000 as of September 30, 2015) to the Court in order to enforce the injunction against ZTE, and on May 20, 2015, we paid an additional bond of €50,000 (approximately $56,000 as of September 30, 2015) to enforce review of accounting records. 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. A hearing in the appeal is scheduled for the second quarter of 2016.

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. Those cases were heard by the Court on November 27, 2014. On January 22, 2015, the Court issued its judgment, finding that ZTE does not infringe either patent. On February 17, 2015, Vringo filed notices of appeal for each patent. The appeal process is anticipated to take at least one year.

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. On July 3, 2015, the Court decided that certain claims that read on handover between radio network controllers, a key part of 3G infrastructure technology of the first European patent are valid as amended. Both parties have appealed portions of that ruling. Trial in the nullity suit with respect to the second European patent has been scheduled for the fourth quarter of 2015.

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. 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. Trials in the nullity suits are expected to occur in the first half of 2016.

In May 2015, ZTE filed nullity suits in the Federal Patents Court in Munich, Germany, with respect to three European patents not currently being asserted against ZTE. No schedule has currently been set in those cases.

People's Republic of China

ZTE has filed 33 reexamination requests of Vringo's Chinese patents with the Patent Re-Examination Board ("PRB") of the State Intellectual Property Office of the People's Republic of China ("China"). To date, the PRB has upheld the validity of 17 of Vringo's patents, partially upheld the validity of two of Vringo's patents, and has held that 13 of Vringo's patents are invalid. Vringo has filed appeals on the PRB's decision on the patents that have been held invalid. The appeal process is expected to take at least one year. The remaining reexamination requests remain pending, with decisions expected to be rendered on a rolling basis.

On February 21, 2014, ZTE filed a civil complaint against Vringo and Vringo Infrastructure in the Shenzhen Intermediate Court alleging that Vringo violated China's antimonopoly laws. Vringo received notice of the action on June 26, 2014. Vringo intends to vigorously contest all aspects of this action in the appropriate manner. On July 28, 2014, Vringo filed a motion to have this complaint dismissed due to lack of jurisdiction. On August 6, 2014, the Court dismissed this motion. Vringo filed an appeal of the dismissal, which was denied by the Court. The Court conducted a hearing on May 29, 2015 for the parties to submit any evidence on which they intended to rely. During this hearing, ZTE amended its complaint to increase its damages demand. As a result, Vringo filed a motion contesting the jurisdiction of the Court, which was denied. Vringo's appeal of the jurisdictional question is pending. Trial on the merits, which had been scheduled to begin on June 9, 2015 has been postponed pending Vringo's appeal. The appellate process is expected to take several months. We have not made a determination of what the potential liability may be should we lose the case in China.

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. On October 30, 2015, the Tribunal held the claims-in-suit of the first European patent invalid, and held that the claims-in-suit of the second European patent do not implement the relevant standard, without commenting on that patent's validity. We plan to appeal the Tribunal's ruling. The appeal process is anticipated to take at least one year.

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. In March 2015, finding that Vringo has established a *prima facie* case that ZTE has infringed its Australian patents, the Court granted Vringo's request to join ZTE Corporation as a party to the action. No current estimate for a trial date is available.

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. On July 31, 2014, ZTE filed a nullity suit in the Commercial Court of Madrid seeking to invalidate two of the Spanish counter-parts of Vringo's European patents, including the patent found valid as amended and infringed in the UK.

India

On November 7, 2013, we and 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 Court instituted an interim arrangement. 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. A ruling on this motion is pending.

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 granted an ex-parte preliminary injunction and appointed commissioners to inspect ZTE's facilities and collect evidence. ZTE appealed the preliminary injunction and, on August 13, 2014, the Court instituted an interim arrangement. On August 30, 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. A ruling on this motion is pending.

Brazil

On April 14, 2014, Vringo Infrastructure filed a patent infringement lawsuit assigned to the 5th Trial Court of Rio de Janeiro State Court in Brazil, alleging infringement of a Brazilian patent related to 3G/4G/LTE infrastructure. This is the Brazilian counterpart to the patent found to be valid as amended and infringed in the UK. 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. The Company posted a bond of approximately R$2,020,000 (approximately $492,000 as of September 30, 2015) with the court on April 17, 2014 as a surety against the truth of the allegations contained in the complaint. ZTE has filed numerous appeals against the injunction since, all of which have been rejected.

On July 17, 2014, ZTE filed a nullity suit in the Federal district court in Rio de Janiero, Brazil, against both Vringo and the Brazilian patent office, seeking to invalidate Vringo's Brazilian patent. The Brazilian patent office answered the complaint, supporting the validity of the patent and requesting the dismissal of the complaint. A schedule for the remainder of this matter has not yet been set.

In April 2015, ZTE filed a second suit in the Federal District Court in Rio de Janeiro, against Vringo and the Brazilian patent office, seeking to prevent Vringo from enforcing the injunction issued in the state court. The Court denied ZTE's request for a preliminary injunction against Vringo with regard to this matter on June 3, 2015. A schedule for this matter has not yet been set.

Malaysia

On June 23, 2014, Vringo Infrastructure filed a patent infringement lawsuit against ZTE in the High Court of Malaya at Kuala Lumpur. The Court is expected to hear the case in early 2016.

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. ZTE appealed the injunction and, on October 10, 2014, the Bucharest Court of Appeal suspended enforcement of the injunction in light of ZTE's allegations that it was immediately subject to approximately €31,500,000 in contract losses, pending the outcome of the appeal. On January 8, 2015, the Court rejected ZTE's appeal, and reinstated the injunction with immediate effect. The Court ordered Vringo to pay a bond of approximately €243,000 in order to continue to enforce the injunction. On February 4, 2015, the Court rejected ZTE's request for the Court to order Vringo to pay an increased bond of €40,000,000, in a final decision that may not be appealed. Vringo paid the €243,000 bond on February 11, 2015 (approximately $273,000 as of September 30, 2015). ZTE has filed numerous appeals against the injunction since, all of which have been rejected.

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. ZTE has filed an invalidity lawsuit for the patent-in-suit. On August 19, 2014, Vringo Infrastructure filed another suit at the District Court of The Hague, which subsumed the May 18, 2014 lawsuit. A hearing in this matter is expected to take place in late 2016.

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 a request with the District Court of The Hague to seek the release of ZTE UMTS products being held by Dutch customs officials and to order Vringo to ask the Dutch customs authorities to stop their actions against ZTE's products based on the Anti-Piracy Regulations of the European Union. On October 24, 2014, the President of the Court denied ZTE's requests, and upheld the detention of ZTE's goods, finding, prima facie, that ZTE has infringed one of Vringo's European patents, upholding the validity of that patent, and rejecting ZTE's argument that Vringo has violated European competition law by enforcing that patent. ZTE was also ordered to pay Vringo's legal costs of approximately $250,000. ZTE retains the right to appeal this decision.

On October 23, 2014, ZTE filed suit in the District Court of The Hague seeking the invalidity of Vringo's European Patent that is the subject of the other proceedings taking place in the same Court. A hearing in this matter took place in the third quarter of 2015. On October 28, 2015, the District Court of The Hague found the European patent invalid. We plan to appeal the ruling. The appeal process is anticipated to take up to one year.

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 a non-disclosure agreement ("NDA") between the parties, 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. On July 24, 2014, the Court held a hearing on Vringo's motion for a preliminary injunction against ZTE. On October 2, 2014, Vringo filed a motion for judgment on the pleadings, similar to a motion for summary judgment, asking the court to render a judgment on Vringo's cause of action based solely on the pleadings of the parties. On April 6, 2015, the Court granted Vringo's motion in part, holding that ZTE breached the NDA. On June 3, 2015, the Court granted, in part, Vringo's request for a preliminary injunction, effectively converting the previously-granted temporary restraining order into a preliminary injunction.

On February 5, 2015, ZTE filed suit in the United States District Court for the District of Delaware alleging that Vringo breached its contractual obligations to ETSI, which it assumed from Nokia when it purchased its infrastructure patent portfolio. On February 6, 2015, the Court granted a temporary restraining order and preliminary injunction against Vringo. On February 10, 2015, the Court dissolved the temporary restraining order and preliminary injunction and granted Vringo's request to transfer the case to the United States District Court for the Southern District of New York.

On February 5, 2015, ZTE filed *inter partes* review ("IPR") requests for five of Vringo's United States Patents. The requests, filed with the Patent Trial and Appeal Board ("PTAB") of the United States Patent and Trademark Office ("USPTO") will remain pending until the PTAB makes a decision on whether to grant the requests and, thus, review the patents. While these patents have counterparts being litigated by Vringo in other parts of the world, none of these United States Patents are currently in litigation. On June 5, 2015, ZTE withdrew their requests for IPR for procedural reasons.

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.

European Patent Office

On May 14, 2015, ZTE filed an opposition to one of Vringo's newly issued patents at the European Patent Office. Vringo believes that ZTE's request has no merit and plans to vigorously defend the validity of its patent. A schedule has not yet been set.

National Development and Reform Commission (China)

On January 13, 2015, Vringo Infrastructure received a Request for Assistance in Investigation from the National Development and Reform Commission of the People's Republic of China ("NDRC"). This request was based on a complaint filed by ZTE against Vringo. The NDRC has demanded that Vringo consent to mediation with ZTE overseen by the NDRC. Vringo is actively responding to the NDRC's concerns and working to convince NDRC that ZTE's claims have no merit. Vringo is additionally working to ensure that the NDRC respects the various relevant treaties to which the United States and China are signatories.

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. Those cases were heard by the Court on November 27, 2014. On January 22, 2015, the Court issued its judgment, finding that ASUS does not infringe either patent. On February 17, 2015, Vringo filed notices of appeal for each patent. The appeal process is anticipated to take at least one year.

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 are expected to occur in the first half of 2016.

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 was heard before the Commercial Court of Barcelona on November 25, 2014. Judgment is pending. On December 19, 2014, ASUS filed a nullity suit with respect to the same patent. A schedule for the case has not yet been set.

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. Google has successfully petitioned to intervene as an interested party and, by right, has filed responsive pleadings. A schedule for the remainder of case has not yet been set.

Quantum Stream

In 2012, we purchased a portfolio of patents invented by Tayo Akadiri relating to content distribution. The portfolio includes seven patents as well as several pending patent applications. As one of the means of realizing the value of these patents, on October 20, 2015, we filed suit against DirecTV in the United States District Court for the Southern District of New York.

Search Patents

On September 15, 2011, our wholly-owned subsidiary, I/P Engine, Inc. ("I/P Engine") initiated litigation in the United States District Court, for the Eastern District of Virginia, against AOL Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc., and Target Corporation (collectively, the "Defendants") for infringement of claims of U.S. Patent Nos. 6,314,420 and 6,775,664, which I/P Engine acquired from Lycos, Inc.

On November 6, 2012, the jury ruled in favor of I/P Engine and against the Defendants. On August 15, 2014, the Court of Appeals for the Federal Circuit ("Federal Circuit") held that the claims of the patents-in-suit asserted by I/P Engine against the Defendants are invalid for obviousness. Vringo sought review, by the Supreme Court of the United States ("Supreme Court"), of the Federal Circuit's opinion, and, on October 5, 2015, the Supreme Court denied Vringo's petition for a writ of certiorari.

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, 2014. In addition to the risk factors below and the risk factors included in our Annual Report on Form 10-K, 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.

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.

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 could be through debt (if such financing is available), which could have a material adverse effect on our consolidated balance sheet and overall financial condition.

As of November 9, 2015 we had 10,066,796 warrants outstanding which can be exercised for 10,066,796 shares of common stock and incentive equity instruments outstanding to purchase 8,714,845 shares of our common stock granted to our management, employees, directors and consultants. Substantially all of these aforementioned outstanding equity instruments are currently "out of the money" and therefore our ability to raise capital through the exercise of these outstanding instruments are significantly limited.

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 November 9, 2015 be exercised, there would be an additional 10,066,796 shares of common stock eligible for trading in the public market. The incentive equity instruments currently outstanding to purchase 8,714,845 shares of our common stock granted to our management, employees, directors and consultants are subject to acceleration of vesting of 75% and 100% (according to the agreement signed with each grantee), upon a subsequent change of control. 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.

The indebtedness created by the sale of the Notes and any future indebtedness we incur exposes us to risks that could adversely affect our business, financial condition and results of operations.

We incurred $12,500,000 aggregate principal amount of senior secured indebtedness represented by the Notes in May 2015. Our indebtedness could have significant negative consequences for our business, results of operation and financial condition, including:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

We cannot provide assurance that we will continue to maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, or that our cash needs will not increase. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our existing indebtedness, the Notes or any indebtedness which we may incur in the future, we would be in default, which would permit the holders of the Notes and such other indebtedness to accelerate the maturity of the Notes and such other indebtedness and could cause defaults under the Notes and such other indebtedness. Any default under the Notes or such other indebtedness could have a material adverse effect on our business, results of operations and financial condition.

We may not have the ability to pay interest on the Notes or to redeem the Notes.

The Notes bear interest at a rate of 8.0% per year, and payments with respect to the principal amount of the Notes is payable monthly; the interest is payable quarterly beginning July 1, 2015. If we are unable to satisfy certain equity conditions, we will be required to pay all amounts due on any payment date in cash. If a change of control occurs, holders of the Notes may require us to repurchase, for cash, all or a portion of their Notes. Our ability to make payments of principal and interest on the Notes, to redeem the Notes and to fund working capital needs and planned capital expenditures depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot provide assurance that we will continue to maintain sufficient cash reserves or that our business will continue to generate cash flow from operations at levels sufficient to permit us to pay the interest on the Notes or to repurchase or redeem the Notes, or that our cash needs will not increase.

Our failure to make required payments under the Notes would permit holders of the Notes to accelerate our obligations under the Notes. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness.

If we are unable to generate sufficient cash flow from operations in the future to service our indebtedness and meet our other needs, we may have to refinance all or a portion of our indebtedness, obtain additional financing, or reduce expenditures. We cannot provide assurance that any of these measures would be possible or that any additional financing could be obtained on favorable terms, or at all. The inability to obtain additional financing on commercially reasonable terms could have a material adverse effect on our financial condition and on our ability to meet our obligations under the Notes.

There is substantial doubt concerning our ability to continue as a going concern.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. We expect to incur further losses in the operations of our business and have been dependent on funding our operations through the issuance and sale of equity and debt securities. These circumstances raise substantial doubt about our ability to continue as a going concern. As a result of this uncertainty and the substantial doubt about our ability to continue as a going concern as of December 31, 2014, KPMG LLP, our independent registered public accounting firm, issued a report dated March 16, 2015, stating its opinion that our recurring losses from operations, negative cash flows from operating activities, and potential insufficiency of cash or available sources of liquidity to support our current operating requirements raise substantial doubt as to our ability to continue as a going concern. Investors in our securities should review carefully the report of KPMG LLP, which is included in our Annual Report on Form 10-K for the year ended December 31, 2014. Management's plans include increasing revenue through the licensing of our intellectual property, 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. However, no assurance can be given at this time as to whether we will be able to achieve these objectives or whether we will have the sources of liquidity for follow through with these plans.

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

Our business is focused on the assertion of our patent portfolios, the commercialization of wire-free charging and the sale of rugged computing devices of which the earliest of these assets and businesses 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 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, among other things, 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 certain 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 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.

There is a risk that a court will find our patents invalid, not infringed or unenforceable and/or that the USPTO or other relevant patent offices in various countries 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 certain of 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.

In addition, as part of our ongoing legal proceedings, the validity and/or enforceability of our patents-in-suit is often challenged in a court or an administrative proceeding. On August 15, 2014, the Federal Circuit reversed a judgment of the United States District Court for the Eastern District of Virginia by holding that the asserted claims of the patents-in-suit in I/P Engine's litigation against AOL Inc., Google Inc. et al. are invalid for obviousness. During the second half of 2014, we experienced a decline in our common stock price.

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 statues, 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 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 obtained 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 ("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.

Further, the leadership changes in the European Commission ("EC") make it challenging to predict whether and how the EC will shift its focus from its prior stances regarding the enforcement of intellectual property rights and the relationship between such rights and European competition law.

Additionally, there are numerous initiatives being pursued in multiple countries including India and Brazil, regarding when and how intellectual property rights should be enforced as well as the relationship between enforcement and other laws, including relevant anti-trust or competition law. It is too early to state with any degree of certainty the impact that such initiatives may have on our business.

Additionally, the political and legal climate in China appears to have changed and is causing significant challenges for foreign companies that attempt to enforce their intellectual property rights against Chinese business whether such rights are enforced in China or elsewhere in the world. At this time, it is unclear what if any impact this change in climate will have on our business.

The expected benefits of the acquisition may not be realized.

The success of the acquisition of IDG will depend, in large part, on the ability to realize the anticipated benefits from combining the businesses of Vringo and IDG. To be successful after the acquisition of IDG, we will need to combine and integrate the operations of Vringo and IDG and its acquired subsidiaries. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in failure to achieve some or all of the anticipated benefits of the acquisition. Integration will require substantial management attention and resources and could detract attention and resources from the day-to-day business of Vringo. Vringo could encounter difficulties in the integration process, such as difficulties offering products and services, the need to revisit assumptions about reserves, revenues, capital expenditures and operating costs, including synergies, the loss of key employees or customers or the need to address unanticipated liabilities, while maintaining focus on developing, producing and delivering products and services, conforming standards, controls, procedures and policies. Similarly, the integration efforts could have an adverse effect on the business of IDG, its relationships with its customers, suppliers, vendors and partners. If Vringo cannot integrate IDG's business successfully with its own, Vringo may fail to realize the expected benefits of the acquisition, including the expected revenues. In addition, there is no assurance that all of the goals and anticipated benefits of the acquisition will be achievable, particularly as the achievement of the benefits are in many important respects subject to factors that we do not control. These factors would include such things as the reactions of third parties with whom we enter into contracts and do business and the reactions of investors and analysts.

If we fail to comply with the continued listing requirements of the NASDAQ Capital Market, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.

Our common stock is listed for trading on the NASDAQ Capital Market ("NASDAQ"). We must satisfy NASDAQ's continued listing requirements, including, among other things, a minimum closing bid price requirement of $1.00 per share for 30 consecutive business days. If a company trades for 30 consecutive business days below the $1.00 minimum closing bid price requirement, NASDAQ will send a deficiency notice to the company, advising that it has been afforded a "compliance period" of 180 calendar days to regain compliance with the applicable requirements. Thereafter, if such a company does not regain compliance with the bid price requirement, a second 180-day compliance period may be available.

A delisting of our common stock from NASDAQ could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and fewer business development opportunities.

On December 18, 2014, we received a notification letter from NASDAQ informing us that for the last 30 consecutive business days, the bid price of our securities had closed below $1.00 per share. This notice has no immediate effect on our NASDAQ listing and we had 180 calendar days, or until June 16, 2015, to regain compliance. We did not regain compliance during such period since the closing bid price of our securities was not at least $1.00 per share for a minimum of ten consecutive business days. On June 17, 2015, we received a letter from NASDAQ notifying us that we had been granted an additional 180-day period, or until December 14, 2015, to regain compliance with the minimum $1.00 bid price per share requirement for continued listing on the NASDAQ Capital Market, as set forth in NASDAQ Listing Rule 5810(c)(3)(A)(ii). We intend to cure the deficiency during this extended period by implementing a reverse stock split of our common stock, which is subject to approval of our stockholders. If we are unable to implement a reverse stock split and regain compliance with the minimum bid price requirement, we could be delisted.

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 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 and/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.

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 November 9, 2015, we had 112,720,838 shares of common stock issued and outstanding, excluding shares of common stock issuable upon exercise of warrants, options or restricted stock units. 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.

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.

Exhibit No.	Description
3.1	Certificate of Designations of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on October 16, 2015).
4.1	Form of Warrant (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on October 16, 2015).
10.1	Form of Stock Purchase Agreement, dated as of October 15, 2015, by and between Vringo, Inc., International Development Group Limited, the sellers party thereto and the sellers' representative (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 16, 2015).
10.2	Amendment No. 1 to Employment Agreement dated August 20, 2015, by and between Vringo, Inc. and Andrew D. Perlman (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 21, 2015).
10.3	Amendment No. 2 to Employment Agreement, dated October 13, 2015, by and between Vringo, Inc. and Andrew D. Perlman (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on October 16, 2015).
10.4	Amendment No. 1 to Employment Agreement, dated October 13, 2015, by and between Vringo, Inc. and Anastasia Nyrkovskaya (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on October 16, 2015).
10.5	Amendment No. 1 to Employment Agreement, dated October 13, 2015, by and between Vringo, Inc. and David L. Cohen (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on October 16, 2015).
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 and Accounting 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 and Accounting 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 9th day of November 2015.

VRINGO, INC.

By: /s/ ANASTASIA NYRKOVSKAYA

Anastasia Nyrkovskaya
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

**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: November 9, 2015

/s/ ANDREW D. PERLMAN

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

Exhibit 31.2

**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: November 9, 2015

/s/ ANASTASIA NYRKOVSKAYA

Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32

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 September 30, 2015 (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: November 9, 2015

/s/ ANDREW D. PERLMAN

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

Date: November 9, 2015

/s/ ANASTASIA NYRKOVSKAYA

Anastasia Nyrkovskaya
Chief Financial Officer
(Principal Financial and Accounting Officer)