Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Comments on the Proposed FASB Staff Position FAS 142-d, “Amortization and Impairment of Acquired Renewable Intangible Assets” (File Reference No. FSPFAS142D)

Dear Director:

We appreciate the opportunity to comment on the FASB’s Proposed FSP 142-d, “Amortization and Impairment of Acquired Renewable Intangible Assets” (the “Proposed FSP”). This letter summarizes our positions and comments on the Proposed FSP.

We believe that the intent of the FASB was not to cover items that are automatically renewed, such as trademarks, but rather items requiring renegotiation or more substantive renewal, such as license contracts. From a technical standpoint, trademarks may be considered ‘renewed’, although only administratively, with no risk of nonrenewal as long as the registrant keeps the filings up to date. Therefore, we believe the FASB should exclude from the scope of the Proposed FSP trademarks which only require periodic registrations.

An unintended consequence of the Proposed FSP would be that a brand requiring registration in several markets could have divergent amortization and impairment methods depending upon the local trademark-registration procedures. For example, brand X with sales in Country 1, Country 2 and Country 3, could, theoretically, be obligated to re-register its trademark for X in Countries 1 and 2 every 10 years, while, theoretically, in Country 3, registration could be for a different period, or an indefinite period. These differing registration requirements could lead to divergent accounting for amortization and impairment. Therefore, an unwarranted complexity would be added to the accounting for multi-regional brands, which in our opinion would be neither logical nor deliberate.

Additionally, we disagree with the Board’s proposed approach of allocating the fair value over the initial term and the subsequent renewal periods. The actual cash flow for each period will likely fluctuate significantly from the original assumptions utilized to estimate the fair value. Consequently, we believe the straight-line basis continues to be a more practical amortization technique.
If you have any questions related to this letter, please do not hesitate to contact me.

Very truly yours,

Joseph A. Tiesi  
Vice President and Controller