June 29, 2015

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

Re: File Reference No. 2015-250

Ladies and Gentlemen of the Board:

SanDisk Corporation appreciates the opportunity to provide our views on the Proposed FASB Accounting Standards Update, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing”, (FASB file No.2015-250, the “Proposed Accounting Standard Update”).

SanDisk Corporation is a global leader in flash storage solutions with a strong history of innovative products. Our products include flash storage solutions for enterprise data centers and client computing platforms, as well as removable and embedded flash products for mobile devices, cameras, automotive, connected home electronics and other applications. Our products are used in a variety of large markets, and we distribute our products globally through commercial and retail and channels. We are an S&P 500 company (NASDAQ:SNDK), with more than half our product sales outside the United States, and since 2011, we have been a Fortune 500 company. In fiscal year 2014, we had total revenues of $6.6 billion of which 5% was generated through license and royalties.

Licensing
Our comments specifically relate to licensing and in general we are in agreement with the revision to the proposed ASU to define intellectual property (IP) licensing into two main categories: functional and symbolic. However, we believe the interconnectivity between the proposed licenses and identifying performance obligations guidance could be enhanced relating to a contract that contains a single performance obligation to transfer control of a license and other goods or services.

In the semiconductor high technology industry, it is common to provide a term license to existing and to be developed future technology such that the entire agreement would be considered a single performance obligation under the proposed guidance. We believe the revisions to paragraphs 606-10-55-54 through 55-64, as well as the revisions and additions to the related examples, in general, improve the operability of the implementation guidance about determining the nature of an entity’s promise in granting a license. However, we would like to suggest the following change to paragraph 606-10-55-63 and the title of Example 55 to add more clarity since it is a unique case for functional intellectual property:
606-10-55-63 Because functional intellectual property has significant standalone functionality, an entity’s activities that do not substantively change that functionality do not significantly affect the utility of the intellectual property to which the customer has rights. Therefore, the entity’s promise to the customer in granting a license to functional intellectual property does not include supporting or maintaining the intellectual property. Consequently, if a license to functional intellectual property is a separate performance obligation (see paragraph 606-10-55-55) and does not meet the criteria in paragraph 606-10-55-62, it is satisfied at a point in time (see paragraphs 606-10-55-58B through 55-58C). For certain licenses of functional intellectual property, the promises are not separately identifiable in the context of the contract (see paragraph 606-10-23-19(b)), and are, in effect, inputs to a combined item. Consequently, an entity determines whether the performance obligation as a combined item is satisfied at a point in time or over time in accordance with the criteria in paragraphs 606-10-25-23 through 25-30.

In addition to the above inserts, we would also like to revise the title of Example of 55 as the following:

>>> Example 55---License of Functional Intellectual Property with Non-separately Identifiable Performance Obligation

We believe these revisions will provide further clarity in implementing the new revenue standard with regards to certain types of licenses of functional intellectual property that are common in the semiconductor industry. The licensing guidance in paragraphs 606-10-55-54 through 55-64, the flow chart included in 606-10-55-63A and BC47 all focus on symbolic intellectual property and distinct functional intellectual property promised with separately identifiable performance obligations. We believe the FASB should clarify, in the licensing guidance, that an entity should evaluate paragraphs 606-10-25-23 through 25-30 to determine whether the combined performance obligation should be recognized at a point in time or over time. This suggested revision is consistent with the guidance provided in Example 55 (paragraph 606-10-55-366) of the new revenue standard. We also believe the revisions we have suggested above makes the licensing guidance complete and therefore will help to minimize any misinterpretations regarding the intention of the new revenue standard.

We thank you for providing us with the opportunity to provide our comments on the Proposed Accounting Standards Update and are available to meet with you in person or you can reach me directly at (408) 801-1856 to discuss these issues further.

Sincerely,

Donald F. Robertson, Jr.
Vice President and Chief Accounting Officer
SanDisk Corporation

CC: Judy Bruner, Executive Vice President, Administration and Chief Financial Officer