Results

Here are some examples of the extensive work we do to protect your rights and intellectual properties.

Public Company with Underpaid Royalties

Many licensors believe that their public company licensees have the systems and controls to report royalties properly. They often think external annual financial statement audits will uncover deficient royalty reporting issues and underpaid royalties. Not true! Only an in-depth quality royalty audit will identify issues with the accountings rendered to you by public companies, as high-level financial statement audits are not conducted in enough detail to identify or quantify issues affecting individual licensors.

EisnerAmper audited a public company in the video gaming industry and found many problematic issues including incorrect royalty rates, improper royalty rate escalations, deduction of improper expenses, aggressive allocations of expenses, and deficient contributions to the contractual marketing development fund. Underpayments identified exceeded 25% of royalties reported. The company had poor systems, controls and systemic problems with royalty processing. These issues were either not uncovered by their external auditors or not disclosed by the licensee. EisnerAmper professionals were able to recover substantial amounts for the licensor and increased earnings going forward.

Technology Company with Royalty Reporting Errors

The Internet and electronic commerce provide many revenue opportunities as traditional industries have found new channels to deliver their content. These new methods for delivery can cause problems with royalty reporting as new business models and accounting systems do not always function as the agreements were originally contemplated. Example: Our client is an author who licensed content to a digital subscription-based B2B service. The license agreement provided for compensation to be based on the number of screen views and downloads. However, because the licensee changed its model to a flat subscription fee and not a fee for actual usage, the publisher’s system was not designed to capture all activity for which compensation was required pursuant to the agreement. Instead, activity in some categories was estimated, while in other categories, it was not counted at all. Additionally, subscription fees were pooled and various allocations based on estimated activity were used to determine our client’s royalty.

EisnerAmper’s forensic technology experts analyzed the electronic systems and processes involved in aggregating views and downloads, discovering the activity reported was incomplete and partially based on estimates. Using alternative approaches, we revised the estimate of usage and applied royalty compliance procedures which identified issues with the pooled amounts, the allocations and the manner in which the royalties were calculated. Our examination resulted in a substantial financial recovery as well as corrections to the electronic and royalty reporting processes which increased royalties going forward.
**Royalty Audit & Contract Compliance Services**

- Royalty, License Fee & Contract Compliance Audits
- Joint Venture & Profit Participation Audits
- Vendor Compliance Examinations
- Film & TV Tax Incentive Audits & Consulting
- Intellectual Property Valuation Services
- Financial Due Diligence
- Distribution & Chargeback Audits
- Litigation Services Including Forensic Accounting & Expert Witness Opinions & Testimony
- Data Security & Privacy Investigations

**Related EisnerAmper Services**

- Financial Statement Review/Audit
- Tax Compliance
- Private Business Services
- Personal Wealth Advisory

**Services to the Intellectual Property & Licensing Community**

- Royalty, License Fee & Contract Compliance Audits
  A royalty audit can not only identify underreported royalties or profits, but can also identify and resolve contractual interpretation and other issues, provide business intelligence, increase shareholder value and enhance business relationships between parties. Our compliance audits are primarily designed to identify and quantify material underreportings of royalties, and fees and profits. Furthermore, with our understanding of the value of your properties and contractual relationships, we perform procedures to ensure that your property is being properly exploited as provided by the license agreement.

- Joint Venture & Profit Participation Audits
  We examine joint venture financial statements, defined profit calculations and distribution data to ensure that our clients are receiving the amounts to which they are contractually entitled.

- Vendor Compliance Examinations
  Our vendor compliance audits focus on pricing, invoicing, and billing processes related to other large expense areas such as temporary labor, security staffing, business equipment, office supplies, technology outsourcing, parcel shipping, print and fulfillment, telecom, fleet services, etc. We work to identify, quantify, and recover excessive charges and reduce costs going forward.

- Film & TV Tax Incentive Audits & Consulting
  EisnerAmper professionals assist production companies in obtaining tax incentives offered by many jurisdictions. We possess substantial knowledge and experience and have been engaged by several states to draft the regulations for their tax credits.

- Intellectual Property Valuation Services
  We appraise a variety of intellectual properties including trademarks, brands, copyrights, and patents.

- Financial Due Diligence
  We have serviced buyers, sellers, lenders and rating agencies with transfers of intellectual properties and commercial loans collateralized by intellectual properties and royalties securitizations. Our financial due diligence confirms historical data, identifies issues and non-recurring items, and provides the level of comfort needed to complete a transaction.

- Distribution & Chargeback Audits
  Our experience includes conducting audits of distributors to ensure proper reporting of distribution activity. We also conduct audits that focus solely on chargebacks. Such audits are designed to ensure that chargebacks are accurate, pertain to your property, and are contractually deductible.

- Litigation Services Including Forensic Accounting & Expert Witness Opinions & Testimony
  EisnerAmper’s Litigation Services and Forensic Accounting teams provide a depth of expertise on matters stemming from royalty and contract disputes and infringement.

- Data Security & Privacy Investigations
  We provide a comprehensive framework to manage an organization’s information security program and help the company be in compliance with international, federal, state, and industry regulations. The written information security program (WISP) defines and describes administrative, technical, and physical safeguards of personally identifiable information concerning customers, prospects, vendors and employees.

- About EisnerAmper
  EisnerAmper LLP is a leading full-service accounting and advisory firm, and is among the largest in the United States. We provide audit, accounting and tax services, as well as corporate finance, internal audit and risk management, litigation consulting, forensic accounting and other professional advisory services to a broad range of clients across many industries. We work with high net worth individuals, family offices, closely-held businesses, start-ups, middle market and Fortune 500 companies. As an independent member of PKF International, EisnerAmper serves clients worldwide.
Actions, whether rooted in maliciousness, negligence, or mere misunderstanding, that can cause problems such as revenue slippage and/or impairment of your intellectual property. Thus, proactively protecting your property rights and verifying the accuracy of the royalties or profits reported is a vital function for all licensors. EisnerAmper’s Royalty Audit & Contract Compliance Services Group is a dedicated group of professionals with the expertise to assist clients with protecting intellectual properties and recovering underpaid royalties and profits. The members of our team have extensive experience providing compliance services in this specialized practice area, with a proven track record of delivering results.

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**Trust, but Verify**

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