



Annuities Exit: Best Practices for IP Law Firms

Law firms thrive when they are free to focus on their core competencies without too many outside distractions. This laser-sharp focus is the key to growing in a competitive market. Annuities are a perfect example of a distraction that most law firms simply don't need to keep on their plate. By exiting annuities, firms can lower their risk and increase their success. This paper explains why the transition is worth the investment.

About the Experts

Two intellectual property experts contributed their extensive knowledge to this paper.

Dilip Phadke, an independent IP consultant who worked at Hewlett Packard as the director of IP operations. He now advises major corporations and IP law firms on the selection and deployment of IP asset management systems focused on ROI and value capture.

Christine Jennings, President of Anaqua Services. She's an IP leader with more than 25 years of experience. Prior to joining Anaqua, she founded an IP consultancy firm that focused on change management and procurement projects.

The Costs and Risks of Managing Your Own Annuities

A law firm that objectively reviews risks vs. reward will conclude that annuities are too high risk to manage in-house. Patent maintenance requirements are tough to keep up with. Their deadlines, fees, and method of payment can vary widely from country to country. The laws for annuities can also change, requiring constant observation.

When a deadline for an annuity is approaching, a law firm must find out if its client wants to keep or abandon the patent. This means that for every annuity deadline, a lawyer must evaluate the patent's value and advise the client on the most logical decision about its future.

"When a law firm has hundreds of clients, and each client has

thousands of patents, you can see why this process becomes very complicated," Phadke said.

Much of the work involved with annuities is administrative: following deadlines, reaching out to clients, and organizing payments. But even the payments themselves become complicated. In some countries, a payment can only be made by an authorized agent located in that country. Often, the payment must be made in local currency.

"There are three separate fees involved in every annuity transaction: the government fee, the handling fee for the agent, and the fee for the law firms to manage it all," Phadke said. *"For a law firm, this becomes pretty messy. It takes away from their core competency, which is helping clients get good patents and make better IP decisions. The administrative process doesn't bring in a lot of money for the law firm, but it does bring a lot of headaches."*

With so many details to keep up with, you need a dedicated person in-house who is checking every day for rule changes and deadlines. It can be tough to keep up, but the price of not keeping up is high. If you miss a payment or a deadline, you could be at risk of taking on extra debt and fines, losing a patent, or facing malpractice claims.

Top Concerns About Exiting Annuities

The process involved in exiting annuities may feel intimidating. Law firms often avoid exiting because they fear losing revenue, missing patent payments, or losing clients. A disengagement letter, explaining to the clients that a new company will be handling their annuity payments, can go a long way in smoothing this transition. If the client knows the new provider is trustworthy, with a strong track record, they won't be as worried about the transition.

"If your communication is clear and you have a collaborative approach in terms of explaining the process to your clients, there should be no concerns," Jennings said. *"It's just switching from one provider to another. Anaqua's very experienced, so if*

you use us, the client can be sure they have a reliable provider with a good reputation.”

In fact, outsourcing annuities can actually help a law firm’s relationship with clients.

“They’re concerned they’ll lose their connection with their clients if they outsource annuities to another provider,” Jennings said. “But it won’t take away from the relationship. In fact, it will help them have a relationship on a higher level, rather than at a transactional one.”

A good method for overcoming some of these concerns is to designate a “point person” for the transition. This will help make sure that nothing falls through the cracks.

“A law firm may have some clients with thousands of patents and some clients with a smaller number,” Jennings said. “The key part of an annuities exit plan is to appoint someone on the law firm side who manages it alongside Anaqua.”

Some law firms also worry about relationships with agents who currently handle their annuity payments. But if a large firm has extensive relationships with agents in certain countries, they’ll still use the agent for prosecution and other IP related services, so their relationships will be maintained.

Corporations typically face similar concerns as law firms. The big difference is that corporations are already used to outsourcing. For them, the biggest question isn’t really if they should use an annuity service provider, but when or if they should change providers.

Why Using Anaqua is the Smartest Strategy

Anaqua has the experience and background to make the annuities exit process painless and cost-efficient. Anaqua can help firms and corporations focus on their core competencies, not the overwhelming administrative tasks that come with managing annuities.

“The experience, scale and scope enables Anaqua Services to effectively manage foreign currency transactions for clients and be cost competitive with high quality and data integrity,” Phadke said.

In fact, Anaqua’s extensive network of agents in jurisdictions around the world leads to rates that can’t be beat.

“Anaqua Services has many clients with a high volume of transactions with agencies in different countries,” Phadke said. “This scale enables better rates for clients. Anaqua Services delivers high quality of service, better financial returns and eliminates administrative headaches for clients.”

Anaqua also has a good system for ensuring the transition process is smooth.

“The transition will be approached in phases,” Jennings explained. “We’ll group a firm’s clients into different buckets. We’ll make sure we capture and follow up with every client, so there’s no risk to the annuities and portfolio.”

The key, Jennings said, is how Anaqua manages all the risks up front.

“The key is to avoid risk and ensure the client knows there’s a change of provider,” Jennings said. “We manage it as a project and the process is collaborative. We work closely to ensure a smooth transition and we don’t rush it. We work according to an agreed upon timeline, keeping the law firm in the loop, and keeping the clients happy.”

Many law firms already use Anaqua’s software for IP management and Anaqua’s annuity management integrates seamlessly with it. This means that the law firm can tell at a glance whether the patent is active or inactive despite no longer being responsible for the annuity management.

“The whole process of managing annuity fees is automated within Anaqua. Clients who use ANAQUA software benefit from the integration with Anaqua Services to streamline annuity processes, to explore portfolio pruning opportunities and to manage budgets and future payments” Phadke said.

Anaqua already has a wide range of happy clients who are using them to manage and pay annuities. Among these is Samsung, the largest portfolio holder of patents in the world. With such a strong reputation, Anaqua’s a natural choice for exiting high-risk annuities.

