

How to Calculate What Agents & Partners Should Budget for 2012 Legal Support

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Interview Transcription

This is [Dan Baldwin](#) and today we're talking to [Ben Bronston](#) the [Telecom Lawyer](#) and TA's in-house subject matter expert for telecom agent and channel partner legal matters.

Today we're going to be talking about what telecom agents need to be budgeting for 2012 legal support.

Ben thanks for speaking with us today.

Ben, it's December and everyone I know is reviewing 2011 and planning for 2012. While we're still in kind of a "down economy" business is certainly starting to pick up for many channel partners. And of course as agents get more successful they start thinking about what they need to do to legally protect their success.

For those agents and partners in our audience who think that 2012 is the year that they commit to budgeting for legal support, let's talk about what they should be budgeting for.

I'm sure that all of your clients are quite unique, but if you had to create an amalgam of all your clients, I think our audience would be interested to learn what a year of average legal support looks like.



So if you had to create an annual checklist of legal support activities that you would recommend to agents, what would be on that checklist?

- 1) Review your contracts coming up for renewal.

Many contracts have automatic renewal provisions which can lock you or your customers into a contract for an extended period of time if you do not follow the correct procedure to prevent renewal. Usually this requires you or your customer to formally terminate the agreement a certain number of days before the renewal occurs automatically. You should always keep a detailed calendar, both for your own benefit and for the benefit of your customers, so that no important deadline ever passes. If there's any confusion regarding the renewal language or how to provide the required notification of non-renewal, you and/or your customer should contact me so I can explain the parties' rights and obligations as well as represent you or the customer in proposing and negotiating a replacement agreement.

- 2) Conduct a review of your relationship with your provider partners.

You should review your customers' satisfaction with the providers you placed them with. You should also review the health of your relationship with your providers. If your customers are dissatisfied with a particular provider, or you have problems or difficulties working with a particular

provider, you should call me to discuss your options to improve the relationship or terminate the relationship altogether.

3) Consider expanding or changing your offerings.

Often at the end of the year you may feel concerned about industry changes, the economy, carrier consolidation, etc. This is actually a good time to call me so we can discuss what successful agents in the industry are doing and who the most “agent friendly” providers are. And if you decide to start offering a new service or representing a new provider, I will make sure you get the best contract possible. Taking the time and expending the effort at the start and throughout the contract negotiation process can prevent you from suffering the consequences on the back end and help you sleep better at night.

What are the "catalyst events" that should automatically trigger telecom agents to remember, "I gotta get my lawyer to help me with this"?

1) Don't play telecom lawyer when it comes to your provider contracts.

You should always have me review an agreement before you sign it. The other side will likely have an attorney on their side. You need to level the playing field by having someone on your side who knows exactly what to look for. It's my job to spot potential problem areas in the agreement, close any loopholes and include any language that gives you the best protections possible. It's also my job to help you with the negotiation itself – I've worked with almost everyone so I generally know how far to push and when to back off. This saves you time and money.

2) Don't try to recycle other agreements for your purposes.

Each situation is different so you should never try to use someone else's agreement for yourself in order to “save money” – it always comes back to bite you. Any time you're considering drafting a new agreement call me first and have me draft it for you (or at least review what you're planning to use). If you use someone else's agreement or try to draft it yourself you may leave out important language or fail to clarify important concepts. Many agents have ended up on the losing end of a dispute simply because they drafted an agreement without consulting an experienced telecom lawyer. If they had only consulted me first they may have potentially saved thousands of dollars and avoided a lawsuit.

3) What do I do if a carrier stiffes me on my commission?

If you feel you're not being paid like you should be, call me. I can review your agreement and explain whether or not the terms of the agreement are being followed. If not, I can help you figure out what to do. The worst thing you can do in this situation is take action before consulting with me and risk breaching the agreement or damaging your relationship with the other party. Sometimes the only thing necessary is a sternly worded letter from a reputable telecom lawyer.

4) What should I do if I receive notice of a claim or dispute?

Whenever you receive notice of a claim against you or a dispute regarding some aspect of your agreement, you should always call me before responding. I can tell you whether the other party has a legitimate claim. I can also help you make the most informed decision possible by discussing whether and how to respond and what the possible outcomes of your response may

be. Responding on your own without the assistance of an experienced telecom lawyer may cause you to waive or forfeit your rights.

5) What should I do if a carrier wants to change my agreement?

If you receive notice from a carrier stating that there will be changes made to your agreement (especially commission reductions) let me know so I can advise you properly regarding your rights and remedies. This will significantly reduce the risk that the carrier can “pull one over” on you by instituting a modification prohibited by the agreement.

What are the number of legal support hours an agent might need to budget for with regard to expected catalyst events?

The answer to this question can vary greatly depending on how active you are. For a basic agent-carrier agreement legal support typically includes an initial review and then participation in negotiations with the carrier. Assuming you want to enter into around 2 to 4 new contracts per year, you should budget for at least 8 to 12 hours of legal assistance.

This estimate does not include legal assistance required for issues which do not regularly arise in the ordinary course of your business, such as dealing with disputes, selling your agency or buying other agencies. It is important to note that buying “prepaid” or “boxed” legal services to deal with the legal issues you encounter on a regular basis is not advisable. Those types of arrangements do not enable you to receive the individually tailored assistance you need. Also there is little point to paying someone a monthly or annual fee for services you may not even use.

Instead of going with a fancy marketing scheme, you should find an experienced telecom lawyer who you can trust and feel confident in. This will enable you to develop a more personal relationship with your telecom lawyer rather than you ending up just another account.

Now let's cut to the chase. Every industry has a stock budgeting formula. The diamond industry tells guys that they need to invest two month's salary into an engagement ring. How does an agent determine how much they need to budget for legal support expenses every year?

If you're a typical self-employed independent agent, you probably don't have a lot of legal needs so your legal budget for the year should be somewhere in the neighborhood of \$2000 to \$3000. If you're a relatively active independent agent (meaning you enter into 3 or 4 new contracts per year), you should budget anywhere from \$4000 to \$7000 for the year (and perhaps more if you plan to do some acquisitions or roll out new services).

If you're a master agent and you're constantly entering into new agreements, negotiating modifications to existing agreements, etc., you should probably expect to spend \$1000 for a slow month and as much as \$5000 for a busy month. As a large or rapidly growing master agent, you may also be actively engaged in acquiring other agencies, rolling out new services, negotiating sub-agent agreements, developing new business partnerships, etc, so it's hard to really give a good estimate of what you should budget for because the situation is so dynamic – usually the best way I've found for my master agent clients to plan for this is to average their legal costs for the last 2 or 3 years and adjust the average up or down based on the strategic initiatives they are planning to pursue in the coming year.