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Hedging the Risks

How to Deal with the Unexpected or the Unwanted

Preparing for and Dealing with the Break-Up of a Professional Partnership

A. Possible reasons for a Break-up

- an important client leaves the firm
- an important person or group of persons/partners leaves the firm
- disputes within the group of partners

The mentioned items may influence each other, disputes may arise because an important client leaves or an important person leaves because of disputes

B. Differences in the situation in a small firm and in a big firm

small firm

- A single partner works in a technical field or for one client
- close contact between the partners
- every change directly affects each partner and changes may affect the group

big firm

- a group (department) works in a technical field or for one client
- it is possible to get out of the other's way if difficulties arise
- changes may affect the group or department, less affect on the situation of the individual partner

C. Clarification of the situation within the partnership

In case a client leaves:

- Why did the client leave?
- Change in Management
- Change of shareholder
- Bankruptcy
- Any conflict with a partner / associate?
- Influence on the business volume of the partnership and workload of the partner/department
- Pro-actively informing the other partners / associate / staff

C. Clarification of the situation within the partnership

In case an important person leaves:

- Reason for the decision?
- It is possible to change the decision? If yes, under what conditions?
- Will any clients, other partners, associate and staff member follow the person? If yes, what is the influence on the business volume of the partnership
- If the reason is known why the person wants to leave: what steps can be taken to avoid other people also leaving?
- Pro-actively informing the other partners / associate / staff

C. Clarification of the situation within the partnership

In case of any disputes within the (group of) partners

- Finding the reason of the dispute
- Is it possible to solve the dispute (via mediation or other moderated talks)?

D. Clarification of formal questions

- legal situation
- financial situation

E. Consequences and actions to be taken?

Short-term

- Obtaining legal and tax advice
- Any further consequential losses (of partners, associates etc.) should be avoided
- Any safety precautions to be taken? (access of computer rights, change cancellation of account authorities etc.)
- What is the worst thing that could happen?

E. Consequences and actions to be taken?

Mid- and long-term planning process

- Change of the organizational structure, streamlining organization in order to save money
- Change of the size of the firm?
- Merger with another firm?
- Break-up of the partnership?
- What lessons can be learned from the unwanted and unexpected event?

If needed, these slides may be used as a “check list”,

I hope you will never need them!