



605 - Using Litigation Metrics to Demonstrate Value to the CFO

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Faculty Biographies

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Karen Gase

Karen Gase is a managing attorney with BP America Inc. She has been managing BP's West Coast litigation group and then moving to the Chicago area to manage a group of litigators out of the Warrenville, Illinois offices. She recently transferred to the environmental practice group. Ms. Gase also heads up BP's litigation management task force which has a key role in overseeing BP's core outside counsel relationships and helping to manage both the external spend and risk in the most effective and efficient way.

Prior to joining BP, Ms. Gase was a partner with Rovens Lamb & Gase, specializing in commercial, environmental, toxic tort and products liability litigation representing corporate clients. She began her career with Paul, Hastings, Janofsky & Walker, working in their litigation department handling a variety of commercial disputes in the areas of insurance coverage, products liability, real estate and class actions.

Ms. Gase did her undergraduate work at the University of California at Los Angeles. She attended The National Law Center at George Washington University in Washington, D.C., where she served as Managing Editor of the George Washington Law Review and graduated with high honors and as Order of the Coif.

Bill Sowinski

Bill Sowinski began his career as an insurance defense trial lawyer and joined G.D. Searle & Co., a Fortune 500 pharmaceutical company in Chicago, where he led the defense of their birth control products.

Mr. Sowinski became the assistant general counsel of Owens-Corning Fiberglass where he was responsible for managing all of the company's litigation, consisting of over 100,000 law suits, including the defense of its fiberglass products, building products and asbestos products.

Mr. Sowinski joined The St. Paul Fire and Marine Insurance Company where he functioned as the company's national litigation manager and claim legal operations officer. After leaving the St. Paul, Bill joined TyMetrix as director of decision support services. In that capacity, Bill works with clients to structure and analyze their legal data, facilitating the development and deployment of measured strategies and supporting policies.

Mr. Sowinski is a graduate of Marquette University Law School.

Henry Walker

Chief Litigation Counsel
Bell South

April 12, 2007

Name
Law Firm
Address
City, State, Zip

Dear Ladies and Gentlemen:

The purpose of this letter is to clarify and memorialize principles under which your firm provides legal services to Corporation and its subsidiaries (collectively, "CORPORATION"). Enclosed for your review are CORPORATION's Policies and Procedures for Outside Counsel. It specifies our expectations, among other things, regarding quality and level of service, compensation, reimbursable costs and expenses, and billing procedures. We ask you to agree that these principles will govern and will be an integral part our relationship.

We hope that your firm will have no difficulty in complying with the policies and procedures attached to this letter. I encourage you to share them with all individuals assigned to matters and look forward to an ongoing, mutually satisfactory association.

Sincerely,

NAME
General Counsel
Corporation

OUTSIDE COUNSEL POLICIES AND PROCEDURES

Scope

These guidelines are applicable to all matters referred to outside counsel absent express agreement or instructions from CORPORATION to the contrary. A copy of these guidelines should be provided to all attorneys and paralegals assigned to a case and/or matter before work begins.

CORPORATION is committed to making effective use of both in-house and outside resources. These guidelines are directed at outside counsel to achieve three goals: 1) high quality legal representation that produces maximum value results; 2) the most efficient use of resources; and 3) results in the most cost effective manner. Controlling costs is a high priority and CORPORATION needs the cooperation and best efforts of outside counsel working with us to reach it. Evaluation of outside counsel will be based on effective control of costs, as well as on success in achieving our particular objectives.

The assistance of outside counsel is essential to identifying opportunities for cost savings. We expect outside counsel to consistently examine CORPORATION matters in order to determine whether particular expenditures of time or money are truly necessary to reach the intended objective.

Protocol

The CORPORATION General Counsel is responsible for your firm's selection and engagement as outside counsel, for determining the manner in which legal advice and assistance will be given to CORPORATION, and for determining the scope of legal services to be provided to CORPORATION. The General Counsel is your firm's point of contact with CORPORATION, and therefore, you should communicate and send correspondence to the General Counsel directly. The CORPORATION General Counsel is a subscriber to electronic mail and we encourage you to use this tool as a method of communication regarding CORPORATION matters.

Any requests for the provision of services will be made by the CORPORATION General Counsel. You should neither seek nor accept direction from anyone else within CORPORATION. The CORPORATION General Counsel will act as the liaison between your firm and CORPORATION and will be responsible for stating CORPORATION objectives for assigned projects, establishing open channels of communication and access to relevant information, monitoring progress, and assessing your firm's continuing role. The CORPORATION General Counsel will also participate in and approve all important decisions and all projects that will require an expenditure of time, money, and resources.

Staffing

The CORPORATION General Counsel and outside counsel should discuss the firm's staffing of a matter at its outset. Ultimately, staffing is a CORPORATION decision, and the CORPORATION General Counsel will provide input and review staffing to insure that it is optimal to achieve the goals of CORPORATION at the least cost. Additions or changes to staffing are not to be made without the CORPORATION General Counsel's prior agreement. If a staffing change is made after the start of a case, CORPORATION does not expect to bear the cost of educating any attorneys so added.

The resources of CORPORATION should be the starting point for all projects. The goal here being to utilize CORPORATION resources where available, consistent with the needs of the matter at hand. For gathering and reviewing files, for instance, it may be more efficient for us to collect and review the information. For certain research activities you might otherwise undertake, or for business, economic, financial, or historical information, we expect you to look to the information and experience available throughout CORPORATION as a primary source.

Effective control and management of CORPORATION matters requires the most efficient and effective use of all available resources. We expect work of the highest quality at reasonable costs. We also expect the individual attorneys to whom we assign a project to be personally and directly responsible for it in all aspects. We expect that the attorney in charge of the matter will avoid: overstaffing the matter; shifting personnel assigned to the matter except when absolutely necessary; authorizing premature or peripheral legal or factual research; holding inessential internal "conferences" about the matter; directing the routine digesting or summarizing of documents and depositions; and handling specific tasks through persons who are either over-qualified or under-qualified.

To promote effective utilization of time and skills, we request that you make every effort to provide for continuity in staffing and to assign the appropriate level of legal talent to an undertaking. For instance, we expect that tasks that do not require the skills of an attorney to be done by paralegals. When more complex matters may be handled more cost-effectively by a partner with expertise in the subject matter, rather than by an associate, we expect the partner to be used. The CORPORATION General Counsel will evaluate on an ongoing basis whether tasks are assigned to the appropriate level, with the goal of having the work carried out by the individual who can most cost effectively deliver results.

In the course of handling a CORPORATION matter, we expect you to use prior relevant research that is available within or to your firm whenever possible. In addition, we expect that you will keep consultations with other attorneys in the firm to a minimum and that you will communicate by the most efficient method available, such as electronic mail if appropriate. If intra-office conferences and meetings are required between attorneys in your firm, we expect you to ensure that they are limited and clearly justified and that their reason and purpose are included on your invoice in detail.

Finally, we require that other law firms, outside consultants, or expert witnesses will not be retained without prior approval and that outside counsel will work closely with the CORPORATION General Counsel to closely manage and control any expert fees and disbursements which are incurred.

Management

We require prompt project plans and budgets be made in every matter and we would appreciate your responsiveness to considerations of cost effectiveness in making your estimates and evaluations. A project plan should include, at a minimum, a timetable of activities, the person primarily responsible for conducting that activity, and a detailed budget forecasting hours, fees, and expenses. To ensure that everyone understands CORPORATION budgetary considerations before undertaking any work, a project plan and budget should be communicated to every member of the outside team. Project plans and budgets are to be reviewed at least every quarter, and after the occurrence of a significant event, to assess strategy and status.

Fees

CORPORATION expects to be charged only a reasonable fee for all legal services as determined in light of the factors recognized in the prevailing rules of professional ethics. The baseline for determining such a reasonable fee should be the time appropriately and productively devoted to the matter; in essence, the "real" value of the services provided. We also expect you to scrutinize and reduce billed time in situations involving: (a) internal conferences or consultations between members of the firm; (b) legal research on basic or general legal principles; (c) assignments to inexperienced attorneys; (d) reassignments among attorneys; or (e) work that is unnecessary or redundant or which should be shared with other clients. CORPORATION should not be billed for: (a) time spent in processing conflict searches, preparing billing statements, or in responding to our inquiries concerning your invoices; (b) travel time during which you are billing another client for work performed while

traveling; or (c) services associated with the maintenance of the firm's client files. In addition, CORPORATION should not be billed for the administrative tasks of creating, organizing, and updating files; receiving, reviewing, and distributing mail; faxing or copying documents; checking electronic mail; or converting information to disk.

Expenses/Disbursements

CORPORATION will reimburse you for your actual costs and expenses related to matters assigned to you and for necessary and reasonable out-of-pocket disbursements, subject to the limitations and exceptions set forth below. Outside counsel is expected to have a system in place that ensures those who bill time and disbursements to CORPORATION matters do so promptly and accurately.

CORPORATION will not reimburse you for: (a) costs for work exceeding that which was authorized by the CORPORATION General Counsel; (b) costs billed on the basis of a standard minimal charge; (c) costs that are not fully reported, as described below; (d) costs included in a 'miscellaneous' or 'other' category of charges; (e) total costs for photocopying where neither the number of copies nor the cost of each copy is indicated; (f) overhead costs and expenses- such as those relating to fees for time or overtime expended by support staff (secretaries, administrative/clerical personnel, internal messengers, and other similar services), word processing and/or proofreading, cost of supplies or equipment, and/or other similar costs of doing business; (g) time spent attending education seminars or training programs; or (h) mark-ups or surcharges on any cost or expense. In addition, if communications are sent to CORPORATION through the use of more than one medium, CORPORATION does not expect to pay for the cost of both communications. For instance, if a piece of correspondence is sent to CORPORATION by fax, we do not expect to pay for the cost of that same correspondence if it is also sent via regular or expedited mail.

CORPORATION will reimburse firms for separately itemized expenses and disbursements in the following categories:

Messenger/courier service – CORPORATION will reimburse actual charges billed to your firm for deliveries (including overnight deliveries) where this level of service is required because of time constraints imposed by CORPORATION or because of the need for reliability given the nature of the items being transported. Appropriate summaries of messenger/courier expenses must reflect the date and cost of the service and the identity of the sender and the recipient or the points of transportation. We do not expect all documents to be hand delivered or sent by overnight express; indeed, we do expect that decisions about modes of delivery, from by-hand messenger to electronic transmission, will be made with due regard for need, economy, and good sense.

Long-distance telephone and facsimile transmission charges – CORPORATION will reimburse actual charges billed to your firm for each call or outgoing facsimile, without overhead adjustment, and without a premium. We do not expect to pay for incoming calls or facsimiles.

Travel - CORPORATION will reimburse actual charges for transportation, hotels, and restaurants reasonable and necessary for effective representation of CORPORATION. CORPORATION will not pay for any first-class travel. Summaries of transportation expenses should reflect the identity of the user, the date and amount of each specific cost, and the points of travel. Summaries of hotel and restaurant expenses should include the identity of the person making the expenditure, the date and amount of the cost, and the nature of the expenditure. We expect you to be reasonable and prudent both in selecting hotels and restaurants for which we are to be charged and in distinguishing between personal expenses and properly chargeable business expenses.

Computerized research - We acknowledge that computerized research reduces the attorney's time spent on research and therefore is productive and cost-efficient. Accordingly, CORPORATION agrees that it will reimburse firms for actual charges for on-line services, and any associated charges for legal services which accompany its performance. CORPORATION will not reimburse your firm for any overhead premium for computerized research beyond the actual charges billed to the firm for a specific matter. Summaries of expenditures for computerized research should reflect the hourly cost of utilizing online services, the amount of time utilized, and the date of the research.

Photocopying/printing – CORPORATION will reimburse actual charges for outside photocopy, binding, and printing services and costs of inside photocopy services not to exceed the actual expense per copy. Summaries of expenditures for copying should reflect both the number of copies made and the cost per copy.

CORPORATION reserves the right to question the charges on any bill (even after payment) and to obtain a discount or refund on those charges that are disputed.

Billing Statements

CORPORATION and outside counsel must agree at the outset on the hourly rates (or other fee arrangement) for each person in the firm who will bill on a particular case or matter. CORPORATION expects to be charged at no more than the firm's "preferred client" hourly rate for attorneys and paralegals assigned to its cases.

It is part of the CORPORATION General Counsel's responsibility to review all statements for legal services and disbursements. A detailed statement of your services to CORPORATION should be submitted on a monthly basis, within thirty days after the last business day of the month in which the services were rendered. Invoices payable by CORPORATION will generally be paid within forty-five (45) days of receipt, but our internal review may result in some delay.

All invoices should be sent to the CORPORATION General Counsel at the following address:

Person
General Counsel
Corporation
Address

Please do not send your bills to any other person or location.

All statements must be prepared within the following guidelines to ensure prompt payment. We cannot process invoices not meeting the items below. Please include on each invoice:

1. the name or title of the matter;
2. a specific invoice number for the particular bill;
3. the firm's Federal Employee Tax Identification Number (TIN);
4. a chronological description, by date and task, of the services performed by each attorney with a comprehensive and comprehensible description of the services actually performed (i.e. a description that provides sufficient information so as to enable CORPORATION to understand the nature of the services rendered);

5. the name and position of each attorney who performed each task, the time spent on each task, and that attorney's hourly rate;
6. the current month's total hours and total fees for each attorney billing time to the case;
7. the total fee for all professional services rendered during the period;
8. the inclusive dates of the month covered by the bill;
9. a separate itemized list of disbursements and expenses;
10. a total of fees and disbursements year-to-date on the matter;
11. the mailing date of the statement;

Billing information for each separately identifiable matter should be on a separate bill. Statements should be rendered in tenths of an hour. If at all possible, please put the description of the work performed by attorneys in your firm on pages that are separate from pages providing any other information, such as total hours, hourly rates, expenditures, etc. In addition, please send a summary page to accompany the invoice. The information required on the summary for CORPORATION to process includes the invoice date and number, invoice total, total fees, total disbursements, and matter name. Finally, please show clearly on the invoice the total of only the current bill. Prior balances or payment history should be shown separately, if at all, by invoice number, invoice date, and amount.

HANDS On

Benchmarking the Performance of Outside Counsel

The Project

As in-house counsel we've all had this file—the case where you just can't properly manage outside counsel's time. You feel the meter running as the case progresses, and the mere thought of receiving the account is frightening. When the account does come in, you delay looking at it. Why cause problems for yourself before you have to?

Unfortunately, we in-house counsel can't afford to ignore these problem matters. With class action law suits, hefty hourly rates for outside counsel, and budget cuts within our own companies, it is vital that all in-house counsel know which outside law firms work most effectively and which ones provide the best value. To determine this, we need to be able to measure the performance of outside counsel. And in turn, that means we need to know what aspects of outside counsel performance are important, so we'll know what to measure.

In this *HandsOn*, we provide a roadmap for how to assess the performance of your outside counsel. We also offer some tips on how you can apply this information to both cut your outside legal bills and improve the quality of services you receive.

Tackling the Project

What are other in-house counsel doing?

In the summer of 2005, Bottomline Technologies conducted an electronic survey of the in-house counsel/outside counsel relationship of Fortune 1000 companies and AM Best 200 insurers. Of the 200 companies that responded, the results are:

- Performance measurement is being used by 78%.
- Benchmarking is being used by 54%.

- Benchmarking is a relatively new practice for the survey participants who are using it, who reported that they have been using it for:
 - 5 plus years: 24%
 - 2 to 4 years: 52%
 - Less than 1 year: 24%
- Survey participants rated their current law firm measurement process as:

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Know the Terminology

Benchmarking. Performance management. Legal-spend management. These are relatively new concepts in the inside counsel/outside counsel relationship.

Performance measurement is an assessment of whether outside counsel are effectively serving the company. Such an assessment does not have to be perfect to be valuable. But the assessment should make like-to-like comparisons; remember that what you need from your litigation counsel can be quite different from what you need from your corporate counsel.

Benchmarking is measuring an outside counsel's services according to specified standards, so that you can compare services across law firms and improve the services you receive from the benchmarked firm. Benchmarking is more rigorous than performance measurement. If you're at a rudimentary level in terms of your assessment process, you may want to implement the process gradually, starting with some performance assessment processes and adding benchmarking over time. For those who can afford it, there are consultants who would be pleased to put your benchmarking in place quickly, for the appropriate fee.

Legal-spend management is aligning (1) the legal services you need with the services you're getting and (2) the price you should pay for those services with the price that you're actually paying.

- rudimentary: 37%
- pretty good: 37%
- robust: 18%
- exceptional: 5%

According to Tom Gaillard, vice president and general manager at Bottomline Technologies, these results indicate that the rising interest in benchmarking over the course of

the last few years has coincided with the maturation of IT solutions designed to automate process workflow and collect a broad spectrum of data.

Why are so many in-house counsel using performance management and benchmarking? According to the survey respondents, these techniques have enabled them to obtain better service at a lower cost using fewer outside law firms. Indeed, many

Supply List

In this *HandsOn*, we will provide helpful tips on:

- measuring outside counsel's performance;
- taking charge of the inside counsel/outside counsel relationship;
- strengthening your control over how outside counsel handles your work;
- improving the quality of outside counsel's work; and
- reducing the cost of outside counsel.

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in-house counsel have found that by using fewer law firms, they can get the same amount of work completed with less effort on their own part. It's no wonder that there's a growing trend for companies to reduce the number of their outside law firms.

Setting your goals

As with any project you undertake, you need to determine your goals. What do you want to achieve through performance management and benchmarking?

Here are some broad, general goals you may wish to consider:

- Cut costs.
- Appease others within the company who are not in the legal group and who complain about the cost of outside counsel legal fees.
- Respond to requests from a business unit to improve legal services.
- Increase the quality of service within the existing group of law firms. In other words, perhaps you really enjoy working with a particular firm and hope that, with a bit of objective criticism, they can step it up a notch.
- Award new work to the highest-performing law firms.
- Cut out the low-performing law firms.
- Reduce the number of law firms so that these relationships can be more easily managed.
- Better align the inside counsel/outside counsel teams, so that you can get the right combination of inside and outside attorneys to handle specific projects. You want to know which combinations of people don't work well.
- Improve the way that your company's business units obtain services from outside counsel. Basically, you want to advise the business units on how they can help get better, faster, cleaner processes and results when dealing with law firms.
- Take better control of the inside counsel/outside counsel relationship. In essence, you want to establish your own more stringent rules for the law firms and lay down the consequences if they breach these rules ("I won't pay your bill if . . .").
- Tie law firm compensation to the firm's performance on designated matters or types of files.
- Improve services as part of a corporate drive toward best practices within the entire company.

Once you've determined your broad goals, your next step is to refine each of these into more specific and measurable goals. For instance, one of your aims may be to improve litigation services. In that case, what concrete things would you be attempting to achieve? For example, you might be trying to:

- have everyone thinking in terms of early resolution;
- act to mediation and arbitration quickly;
- shorten the duration of cases;

- be kept informed by outside counsel;
- keep outside counsel costs aligned with the company's exposure; or
- have effective litigation management guidelines.

You should also consider who within the company is driving the performance assessment initiative. Is your legal group merely responding to complaints by others within the company, or does your group genuinely back the initiative? You'll get a better result if your group truly believes in the project and implements performance management as part of its mandate to provide superior legal services to the company.

What do you want to measure?

Once you have your goals in place, the next step is to create appropriate means for determining how well (or poorly) these goals are being met. Some of what you want to measure is subjective: How well does the law firm do what it is assigned to do? Other aspects of the relationship with outside counsel are more subjective and have a strong personal component. Be sure that your measurement processes include an appropriate balance of subjective and objective measures—or you could find yourself working with someone that you really don't like.

Objective measures

Here are some objective measures that might help you in reviewing completed legal services.

- **Outcomes.** Look at the matter in the context of other issues, such as the total cost of outside legal fees, the value to the company of the result obtained, and the consequences for the company if the lawsuit had reached a different result.
- **Compliance with your guidelines.** Is outside counsel following your instructions?
- **Hourly rates.** Can you receive a discount off the regular hourly rates? What types of matters can be billed on a project basis, as opposed to an hourly-rate basis?
- **Changing correct rates.** See who is working on the matter. Ensure that the outside lawyers you've selected are the ones actually doing the work and that work isn't being passed down to other lawyers without your prior approval.
- **Case duration:** What are the potential defense costs compared to the liability of the company? Is outside counsel providing advice consistent with these two factors, or is outside counsel working the file?

Subjective measures

The following measures are somewhat more subjective. They are either hard to quantify, or the importance of the measures may vary, depending on the tastes and demands of each inside counsel and its client. Nevertheless, many in-house counsel believe these are key issues to consider in

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any relationship with outside counsel:

- *Quality of personal service provided by outside counsel.* How responsive, trustworthy, reliable, and credible are the counsel?
- *Outside counsel's efficiency.*
- *Value of outside counsel's services.*
- *Internal client satisfaction with outside counsel.*
- *Outside counsel's reputation in the legal community.*
- *Diversity of outside counsel's employees.* Does this diversity satisfy you and your client?
- *Outside counsel's technological infrastructure.* Many in-house counsel demand electronic billing, use of the firm's word processing services, and other desired value adds.

Although these seven factors are hard to quantify, you can still use them to compare different law firms. For example, you might begin by rating these seven factors in terms of what is most important to you, on a scale of one to seven. Then rate each outside law firm on how they measure up. The results will give you a like-to-like comparison among firms.

Making the measurements

Benchmarking and performance management can seem like daunting new tasks to add to your already overlong to-do list. But take heart: it's a matter of finding the right place to start.

Informal surveys. For those who are just beginning, start

with something simple, such as anecdotal staff surveys: Just ask general questions of your staff and others. The questions can be very broad, such as "Who do you like to work with and who not?" Then drill down into the answers received. For instance, "Why don't you like working with Lawyer A in Law Firm X?" What you may find from these anecdotal surveys is that no one likes working with any lawyers in Law Firm X and that the only reason that staff have kept quiet is because Lawyer B in Law Firm X is a good friend of a company VP outside of the legal group. The legal world has changed, and this inefficient business connection should no longer be simply accepted by you or any other GC. The legal group can and should get rid of Law Firm X.

Formal surveys. A somewhat more rigorous approach would be to perform a formal staff survey. Such a survey could examine, among other matters, the same issues examined in anecdotal surveys.

EBilling. An electronic billing review can provide a wealth of information relating to outside counsel's staffing and billing. The review of eBills can easily spot changes in lawyer file staffing, duplicate entries, unapproved hourly rates, and unauthorized expenses. It is also a useful way to track costs in order to determine whether a specific matter should be settled. (For more information, see the article, "Electronic Billing Enters the Mainstream: How to Ensure a Successful

Ask the Experts

Q. Can you give any guidance on performance-based compensation? I'd like outside counsel to share not only the victories, but the losses too.

A. Performance-based compensation works in some, but not all situations. This type of compensation scheme can work only if:

- Performance criteria are relevant to the services being performed.
- Inside counsel can set specific service expectations.
- Performance criteria include both subjective and objective criteria.
- Performance criteria are fair.
- Outside counsel has some flexibility and is able to take risks.
- Both inside counsel and outside counsel can opt out of the arrangement based on a predetermined mechanism.

Q. Do you have any other suggestions for getting more value for each dollar paid to outside legal counsel?

A. Here are some tips.

- Try to reuse information from previous cases. Some of the larger law firms have strong knowledge management processes in place, which are accessible to outside counsel.
- Implement knowledge management processes within the company. Share best practices.
- On some files, have inside counsel administer files with outside counsel.
- Compare law firms with offices across the country on a segment-by-segment basis.
- Leverage technology to better study and understand outside counsel's billings.
- Determine the ratios of your various legal costs. For instance, determine the ratio of motion costs to total costs, or discovery costs to total costs.
- Look for trends in these ratios and changes in trends. Try to figure out the reasons for these trends and how you might change the numbers to your advantage.
- Encourage outside counsel to be flexible and try new things.

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Launch for Your Law Department." also in this issue.)

Audits. Audits involve a review of matters, both closed and active. The reviewer has a series of items to look for and record. This type of review lends itself to spotting trends and patterns.

Benchmarking. Benchmarking involves comparing your company's outside legal costs with the costs of legal services for a typical company in your client's particular industry. The latter, benchmark costs, are available through published studies, trade journals, conferences, and consultants.

Methods for improving performance

Once you've collected and analyzed your data, your next step is to use this data to improve the performance of outside counsel. We've listed some practices below that can help you implement new ideas and processes so that they become routine. If you decided to adopt some or all of these practices, it is vital for you to formalize them, document them, and distribute the documents to all appropriate company personnel. You should make the practices you adopt routine within your company's legal group, corporate group, and whoever else is involved within the company.

Create a formal panel. One common method for improving performance is to establish a formal panel of selected, preapproved outside counsel. In order to be included on this panel, each of the law firms must satisfy your selection criteria. Each of these selected firms should have a single designated lawyer through whom all work is to be funneled

and who has formally accepted the role of managing your files throughout the firm.

Identify common goals. After you have selected your law firms, you need to work with outside counsel to identify some common goals. A typical goal is for the law firm to develop a solid understanding of the company's business. Another common goal is for the law firm to understand how the company wants to approach certain types of matters. In almost all instances, one of the goals will be to create and maintain a collaborative, long-term relationship.

Use retainer letters. When dealing with outside counsel (as with so many other business issues), setting and managing expectations is frequently critical to ensuring a successful relationship and a good result. For the relationship to work, expectations must be clearly communicated, understood, and agreed on both sides. One of the most effective ways to establish the expectations for outside counsel's representation and billing is through the retainer letter. A clearer, leaner retainer letter can be of great assistance in establishing the new norm and resolving billing disputes. It can help inside counsel determine, throughout the course of a matter, when emails, telephone calls, conference calls, and face-to-face meetings are needed to manage expectations.

Have a formal intake procedure. Another useful method for managing outside counsel is to establish a formal intake procedure for each new matter. This subjects the matter to a standard review and approval process, but the process may vary according to the nature of the matter and the anticipated fees. For

Blueprint

Meaner, Leaner Retainer Letters

To get better results from your outside counsel, consider including these items in your short, to-the-point retainer letter:

- Bills from outside counsel must be provided on a regular, timely basis. This basis can be monthly, bimonthly, or whatever you prefer.
- All bills from outside counsel are to go to a specified billing address. They are to be sent "nowhere but here, and to no one but me."
- There shall be no general matters or billings.
- Outside counsel will accept no work directly from someone in a business unit. All work must come from your legal group.
- Only preapproved lawyers can work on a matter. If a lawyer leaves the firm, the firm must absorb the time incurred in bringing a replacement lawyer up to speed on the file. This time is nonbillable.
- Specify how and when outside counsel should communicate with you concerning progress on a matter (perhaps a combination of monthly, quarterly, and annually). Tell outside counsel what information they need to provide. Make sure that communications must be comprehensive. Outside counsel must understand that you want absolutely no surprises.
- After initial communications on a new matter, outside counsel will deliver, within a specified number of days, a written plan and budget for the matter.
- Certain outside counsel expenses, which are specified on a list, are not billable. They are considered part of the firm's overhead.
- Outside counsel's fees and work must align with the value of the matter to the company and the exposure the matter creates for the company.

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For More Information

You might find the following resources helpful when researching law department benchmarks:

- Altman Weil, Inc., Law Department Management Benchmarks Survey, 2005 Edition (Altman Weil, Inc. 2005).
- Virginia Grant, "Three Not So Simple Rules for Law Departments Serious About Controlling Costs," Altman Weil, Inc. (June 1, 2004), www.altmanweil.com/dl_docs/resource/3a352e-c0-1038-4c73-8876-98579aae3ca2_document.pdf
- Rose W. Morrison, Law Department Benchmarks: Myths, Metrics and Management (Hildebrandt International 2001).

Useful websites include:

- www.altmanweil.com
- www.botstomline.com
- www.catalystlegal.com
- www.hildebrandt.com
- resources.martindale.com

instance, if a new matter is expected to have fees that exceed a certain amount (say, \$5,000), work should not begin until the law firm has submitted a budget that has been accepted in writing by the general counsel. For less costly matters, the process can involve an intake conference call, where the information is presented and the law firm provides an initial assessment.

Watch the budget. While a matter is ongoing, you should regularly compare actual activity and billings against the matter's plan and budget. This should be done on an informal basis every 30 days. After this review, you should modify the plan and budget, as needed.

Have a formal review process. You may also want to put in place a formal review process for every matter, with such reviews occurring every 90 days. Such reviews of the work and billings of outside counsel allow you to update the plan and budget for the matter—and also provide other important benefits.

- The formal review helps you to assess outside counsel's work. (By the way, make sure you engage outside counsel in the review of their performance. That way, both of you will get a better understanding of what the other side wants and expects.)
- The formal review provides an opportunity to reconsider a particular matter and develop further strategies. When

confronted with questions such as "How can we be only this far along when we've spent so much money?" a law firm may become more creative and more open to new suggestions for resolving a particular matter.

Debrief after completion. After a matter is resolved, you may want to have a postcompletion debriefing from outside counsel. Work with outside counsel to assess how well counsel performed in this matter. Compare the original plan and budget with the actual, final one. If there were any significant discrepancies, why did they occur? Such information can be used to provide more accurate plans and budgets in the future.

Performance-based compensation

Performance-based compensation is becoming more common, particularly in litigation matters. It is a value-based approach to compensating outside counsel that ties a law firm's compensation directly to the benefit the company derives from the service.

In order to implement this type of compensation, in-house counsel and the law firm need to agree, at the beginning of an engagement, on the criteria that will be used to assess performance. At least three criteria should be agreed to, and at least two of these should be objective measures.

Blueprint

Litigation Management

Do not treat any litigation as routine.

Treat each case as a series of purchasing decisions, and establish in advance what you are prepared to pay for the various steps in the litigation process. For instance, specify that there are to be no more than X number of motions prior to trial and no more than Y number of depositions.

Among the criteria you may wish to consider are:

- the duration of the matter;
- the outcome of the matter;
- outside counsel's compliance with in-house counsel's guidelines;
- the extent and quality of communication between outside counsel and your company;
- the total cost, including not only the fees paid to the law firm, but all other costs, such as the expenses of experts;
- outside counsel's strategic performance; and
- your client's satisfaction (are your company's senior

HANDS On

executives pleased, content, or dissatisfied with outside counsel's service?).

Under a performance-based compensation scheme, outside counsel is paid at a reduced rate during the life of the matter. Basically, the law firm receives a negotiated rate based on the minimum fees that the firm needs to do the work, plus a percentage. Either periodically or when the matter is completed, the law firm receives additional compensation at the performance rate.

Finishing Touches

Inside counsel sometimes need outside counsel. It's a fact that cannot be avoided. Another fact is that outside counsel are often expensive. And that they want work from us.

As in-house counsel, we are better off driving the relationship than allowing ourselves to be pulled along for the ride. We pay the bills, and this allows us to set some standards.

However, we must go beyond just setting standards. Law firm performance needs to be *measured* against the standards that we set. Only then will we know that the company is receiving the value that it deserves. **M**

This HandsOn is drawn primarily from Course #305 at the ACC 2005 Annual Meeting, presented by Thomas D. Gaillard, vice president and general manager, transaction services, Bottomline Technologies; Richard A. Parr II, executive vice president and general counsel, Concentra, Inc.; Robert H. Peahl, vice president claims litigation, American International Group (AIG). Course materials are available at www.acca.com/am/05/cm/305.pdf. ACC thanks Patti Phelan for preparing the course summary upon which this article is based. Patti is legal counsel at NDI (Northern Digital Inc.) and the current chair of the ACC New to On-House Committee. She can be reached at pattiphelan@sympatico.ca.

Have a comment on this article?
Email editorinchief@acca.com.

Benchmarking the Performance of Outside Counsel, ACC Docket 24, no. 5 (May 2006): 64-74. Copyright © 2006, the Association of Corporate Counsel. All rights reserved.

ACC Resources on ...

Outside Counsel Relations

Committees:

More information about these ACC committees is available on ACC Online™ at www.acca.com/networks/committees.plgt, or you can contact Staff Attorney and Committees Manager Jacqueline Windley at 202.293.4103, ext. 314, or windley@acca.com.

- Litigation
- Small Law Departments

Leading Practice Profiles:

- Law Department Metrics (2005). www.acca.com/resource/v5899.

Survey:

- 2005 ACC/Serengeti Managing Outside Counsel Survey Report. www.acca.com/Surveys/partner/2005.

InfoPAKs:

- "Alternative Billing" (2005). www.acca.com/resource/v6799
- "Outside Counsel Management," (September 2004). www.acca.com/infopak/ocm.html.

Webcast:

The following webcast is available at www.acca.com/

network/webcast:

- Managing Outside Counsel: Getting Off on the Right Foot—And Staying in Step (January 16, 2006)

Annual Meeting Course Materials:

- Deryl L. Earsom, John Ogden, and Dennis L. Schott, "How to Measure the Effectiveness and Value of the Legal Department," ACC 2005 Annual Meeting material for course 705. www.acca.com/am/05/cm/705.pdf.

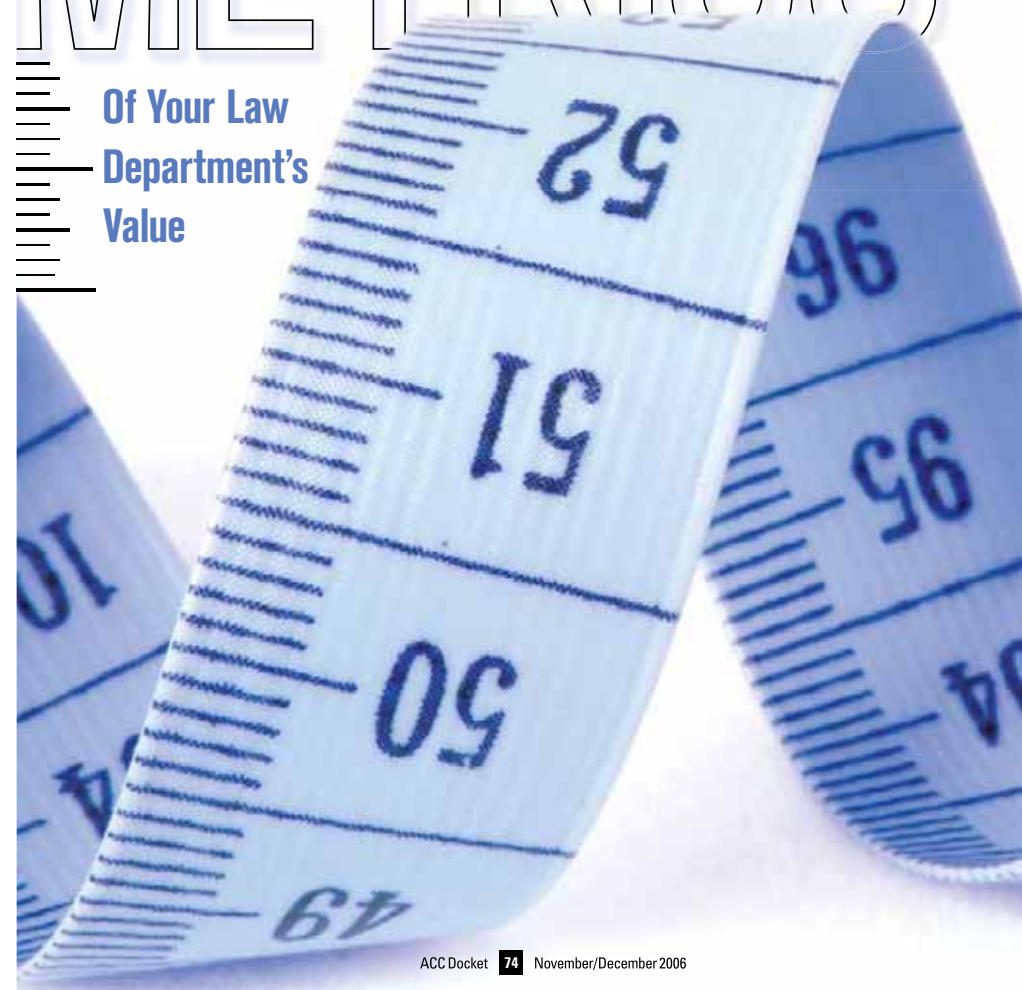
Virtual Library Sample Forms and Policies:

- Sample forms and policies available via ACC's Virtual Library™ (www.acca.com/vl) include the following:
- Law Department Evaluation of Outside Counsel (2004). www.acca.com/protected/forms/outsidecounsel/evaluate_oc.pdf.
 - Outside Counsel Policies and Procedures (2005). www.acca.com/protected/forms/outsidecounsel/manage.pdf.
 - Outside Counsel Evaluation Form. www.acca.com/protected/forms/outsidecounsel/evaluate.pdf.

For more information on these topics, don't forget to see "Triple Time: Three Hot Ideas for Improving Law Departments," and "Electronic Billing Enters the Mainstream," both in this issue.

Constructing Standard METRICS

Of Your Law Department's Value

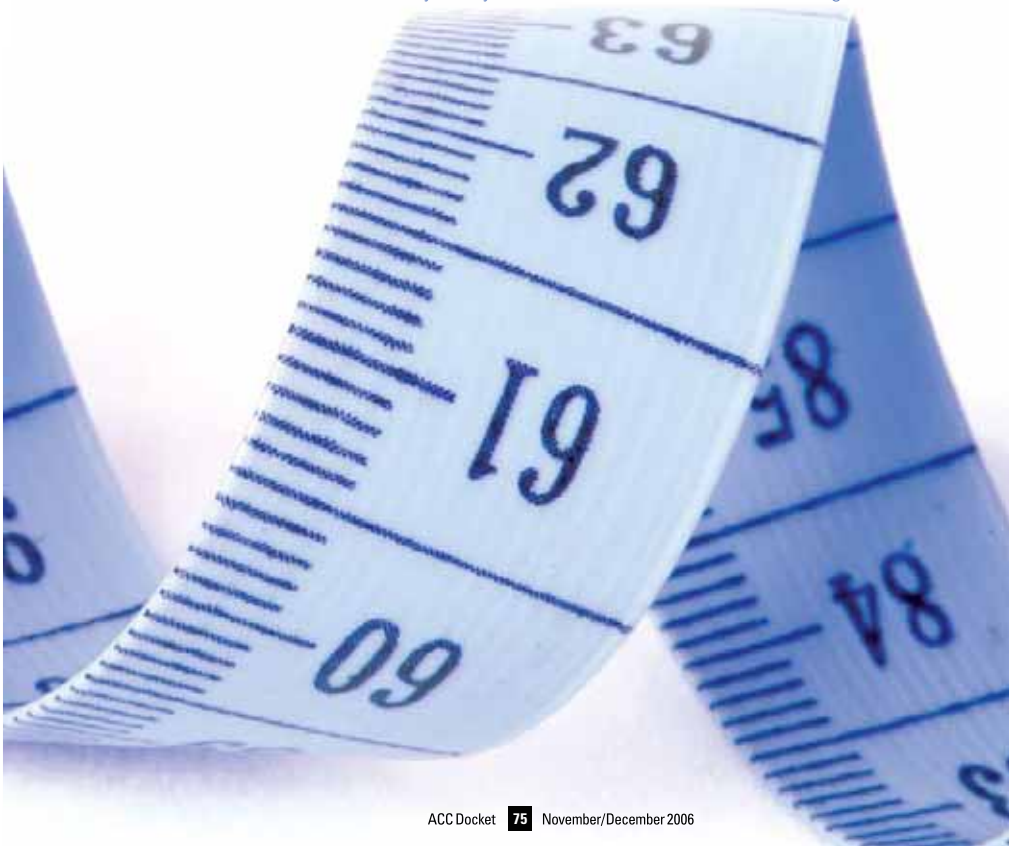


You do a great job of safeguarding your company's legal interests (after all, you're an ACC member). Does that mean the CEO loves you, your future is assured, and that nothing further is necessary?

Of course not. It's no longer enough simply to perform brilliantly. If you can't demonstrate to senior management—preferably with charts and diagrams—not only that you are performing well, but also exactly how well you're performing, then as far as management is concerned, you aren't performing at all. These days, law departments must demonstrate their value as well as run efficient operations.

But just how a law department can demonstrate that value and improve its efficiency is the real question. The interest in legal performance metrics is widespread and growing; many in-house counsel tell ACC that they are inundated with performance and benchmarking surveys from a variety of sources. Unfortunately, though, the legal profession has not developed rigorous and consistent analytical approaches to these metrics-related and business-management challenges. Compounding the problem is the general conception most lawyers have that legal work is inherently amorphous and notoriously difficult to manage—making it difficult to measure.

By Jeffrey W. Carr, Steven A. Lauer, and Nena W. Wong



At the Open Legal Standards Initiative (OLSI), we are working to address these challenges. We have initiated and are coordinating the legal profession's efforts to measure law department and law firm performance in the same way that the business community has always done. We'll describe how we are coordinating the development of an industry-standard classification system of business processes and metrics, holding an annual program of Legal Process and Metrics Innovation Symposia, and launching an annual survey to collect and develop more uniform, comparable, and useful legal performance metrics. Finally, we will describe some of the ways that you can participate in developing the first rigorous metrics ever devised for our profession. (See "What Is the OLSI?" on p. 78.)

OLSI's Mission

OLSI's mission is to set the standard for quality and efficient legal services by developing business process and metrics classification systems, conducting benchmarking surveys, and preparing industry events and publications on these topics. OLSI sees the development of metrics as a critical step, and aims to develop separate business process and metrics classification systems for:

- corporate law departments;
- law firms; and
- government law departments (federal, state, county, and local).

We've already taken some important first steps to develop a uniform classification system for both corporate law department processes and the metrics that lawyers can use to evaluate those processes. But before we describe those steps further, we'll give you a brief overview of what we mean by "metrics."

An Overview of Metrics

As corporate management applies ever-greater scrutiny to legal services, the importance of metrics for law departments will increase. Management is likely to use metrics to identify and analyze the relationship between department activity and department achievement. Department metrics represent an increasingly common touchstone for the determination of executive salary, and that trend will probably be reflected in in-house counsel's compensation as well.

Before inviting you to jump on the metrics bandwagon,



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NENA W. WONG is the chair and CEO of the Corporate Legal Standard, Inc., a California and New York company that offers comprehensive legal performance and productivity management solutions using best practices in business process improvement, content, technology and ChangeThink™ consulting. She is also a cofounder, cochair, and president of the Open Legal Standards Initiative and can be reached at nwong@corplegalstandard.com.

however, we should explain what we mean by "metrics" and describe their importance.

When we talk about "metrics," we mean a standard of measurement—some standard that will make it possible to assess a legal process quantitatively. And of course, just having a standard isn't enough; you also need a way to collect, organize, and display data about a process (and its subprocesses and steps). If you can't organize, analyze, and display the data, it isn't going to be useful. In other words, "metrics," as applied to what in-house lawyers do, is an attempt to extract information about that work in numerical form and from its display derive useful insights about the work of the lawyers (both in-house and outside).

Even with an agreed-upon definition in hand, however, we should bear in mind some other considerations. First, two types of analysis come within the scope of the term "metrics." One is benchmarking. Let's call the other self-diagnosis and analysis, or self-diagnostic metrics.

Benchmarking

"Benchmarking" describes efforts to compare the features (e.g., organizational structures, reporting relationships) or operations of different organizations. Thus in the typical legal benchmarking exercise, data about one law department are compared with those from other departments (generally, the latter are derived from surveys by various consulting or other organizations).

This benchmarking analysis, while fairly common, may be less useful to a law department than at first appears. For one thing, the methodologies of the surveys of other law departments may be difficult to discern. This, in turn, can create uncertainty about the conclusions you can draw from those data. For example, surveys of law department structure often discuss the relative number of in-house attorneys who manage the departments as contrasted to those who handle directly the substance of the department's matters.

If you review the survey conclusions, however, you often can't tell whether the survey respondents had the same understanding of what "management" meant. If an in-house attorney oversees the work and impacts the compensation of one legal assistant some of the time, would some or all of the survey respondents count that attorney as a "managing" attorney? If they each apply a percentage-of-time-spent

test to make that determination, do they use the same percentage? Similar uncertainty surrounds many of these surveys.

A second weakness of benchmarking analysis is that most surveys give a snapshot of what was true some time before completion of the survey. The data may be at least a year old by the time the survey is available (if the survey even discloses when it was conducted). If you want to know whether your department is following "best practices," this is particularly frustrating, as the practices reflected in the survey may be dated and no longer qualify as "best practices."

What is the OLSI?

The Open Legal Standards Initiative (OLSI) was founded in 2004 by Nena Wong, CEO of the Corporate Legal Standard, Inc., and Steve Lauer, director of Integrity Research for Integrity Interactive Corporation, to initiate and lead the effort to create metrics and collect data that can help lawyers understand, explain, and improve the functioning of their legal departments. Earlier this year, OLSI, in collaboration with ACC and the Corporate Legal Standard, Inc., launched the Legal Process & Metrics Innovation Symposium, a series of 16 "webinars" on process and metrics classification systems, collection and reporting methodologies, and implementation strategies for law departments and law firms. In October, OLSI launched the first industry-wide survey of performance metrics, The Performance Metrics and Benchmarking Survey ("OLSI Survey"), with results to be released in early 2007. If you would like your department included in this survey—or if you would like additional information about OLSI—contact Nena Wong at nwong@corplegalstandard.com.

OLSI is all too aware of the time in-house counsel currently spend responding to various legal industry surveys. We are currently exploring the possibility of saving in-house counsel time by acting as a data clearinghouse to standardize the data collection and reporting requirements for all the major surveys in the legal industry. In-house counsel interested in promoting efforts for such an industry-wide approach to data collection and reporting should contact OLSI at info@openlegalstandards.org.

ACC's Law Department Management Committee has formed a subcommittee to monitor OLSI. If you have a background in Six Sigma and would like to join this new subcommittee, email Al Peters, assistant chief counsel of the Pennsylvania Turnpike Commission and vice chair of the LDM Committee, at apeters@paturnpike.com.

Many of these problems can be reduced or eliminated by appropriate survey design if benchmarking research is conducted by or on behalf of a single department. To keep the cost down, however, such a survey is usually more limited in scope (fewer respondents) or depth (fewer issues examined) than the industry-wide studies available. Its usefulness may be diminished accordingly. In addition, to the extent the law department's survey reflects that department's needs (as unique as they may be), its comparability to other surveys, and the utility of its findings, might be reduced also.

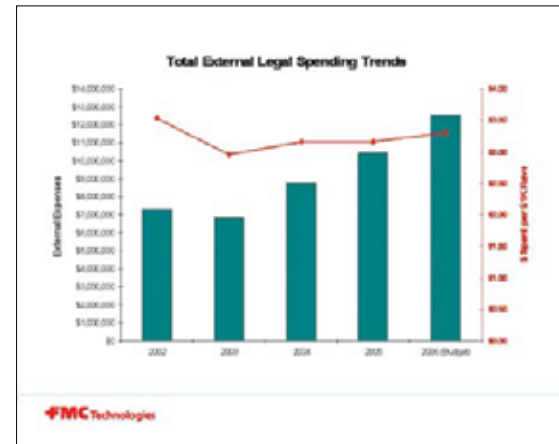
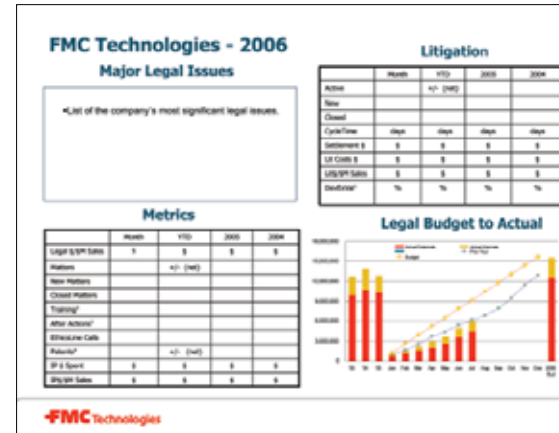
An Example of Self-diagnostic Metrics

Benchmarking isn't the only game in town. Another, often more useful type of metrics is the self-diagnostic kind. Self-diagnostic metrics are focused inwardly. They represent an effort to understand how the subject law department operates—not at a single point in time, but over time. This type of analysis demands more of the analyst than does benchmarking, because she must both collect and analyze the data. The data must be collected consistently over time so as to permit reliable comparison from year to year. It also requires a certain faith at the beginning of the process, because data collection will precede—perhaps by as much as two or three years or more—the collection of enough data to show any meaningful trends.

Self-diagnostic metrics can be much more useful than benchmarking for a number of reasons:

- If data are collected consistently over time, trends that appear from the data are more reliable.
- This type of analysis reveals more about the department's management and operation than does comparing the department to departments identified in a benchmarking survey that may already be dated in any case.
- This analysis can be the foundation for ongoing, periodic re-analysis in an effort to continuously improve the management of the department.
- The analysis can be extremely useful to a general counsel whose compensation depends on demonstrating improved results to senior management. A benchmark survey, in contrast, won't be as helpful; comparing your department to others doesn't tell you whether either your department or the surveyed departments are managing their legal services well, only how each compares to the others in terms of the reported numbers.

FMC Technologies' legal team tracks, over time, various performance-related metrics. These are summarized in an easy-to-understand, one-slide snapshot of the data that FMC's legal team and senior management consider most important. (See a snapshot of FMC Technologies' most important data on p. 79.) Of course, one of the most important metrics is the company's spending on outside legal service. (See "Total



External Legal Spending Trends," on p. 27.) Since the legal team collects the underlying data consistently over time, we know that the data in each year are of comparable reliability. That law department collects the amounts paid to individual law firms in another graph so that the company's lawyers and senior management can better understand some of the detail that the gross spending numbers cannot divulge.

How OLSI Creates Metrics Classification Systems

The first phase of OLSI's work, completed in 2005 and early 2006, focused on creating two classification systems: one for the business processes of corporate law departments and one for the metrics that could be used to evaluate those business processes.

OLSI spent several months collecting ideas on how law departments typically approach their various responsibilities in order to prepare these classification systems. Inasmuch as the inputs were somewhat limited, however, we consider these systems to be "works in progress." Accordingly, further refinement of those systems will occur as we collect more information. We invite readers to get involved in OLSI's efforts and provide us with their insights. In that way, OLSI's work will continue to represent the real world of in-house practice and serve as much more useful referents for in-house counsel in the future.

This year, OLSI also began to define the process and metrics classifications for law firms. These systems for classifying data are of course a prerequisite to designing any survey collecting data.

The OLSI Survey: How You Can Participate

As a follow-up to the Innovation Symposia, OLSI recently launched the first industry-wide survey of performance metrics. The OLSI Survey addresses a significant gap in metrics data collected and used in the legal industry by: standardizing both a list of metrics and the methodology used to collect those metrics; and

focusing on the performance-related metrics of cost-effectiveness, staff productivity, process efficiency, and cycle time. We expect that results will be released in early 2007. The OLSI Survey has been sent to Fortune 100 and ACC-member corporate law departments; we encourage you to contact us if you would like your department to be included.

External Legal Expenses - YTD Mar 2006							
Firm	Business Unit/Process	2005 \$K	Avg Days ¹	Evaluation ²	2006 \$K ³	% ⁴	Files ⁵
Firm	Litigation	542	24	2.7	208	12.5	6
Firm	Processing/Production - Gen & ABB Lit	2,237	22	3.0	173	10.2	19
Firm	AI - Annuity Payments	542	13	N/A	182	6.0	N/A
Firm	Europe - IP	391	22	None	98	5.8	24
Firm	ALL - Litigation & Corporate	611	12	3.6	88	5.2	9
Firm	Employment	556	21	2.8	82	5.0	16
Firm	Litigation & Arbitration	342	24	2.4	82	4.9	12
Firm	AI - TM	294	17	2.0	59	3.5	29
Firm	Processing/Production - IP	361	13	3.0	58	3.4	44
Firm	IP	300	22	2.2	46	2.7	36
Firm	IP	368	4	2.8	41	2.8	20
Firm	IP	97	11	1.9	31	1.9	20
Firm	Litigation	1,673	16	2.9	28	1.7	3
Firm	Contracts	66	27	None	28	1.8	1
Firm	IP	92	30	2.2	27	1.6	19
Firm	IP	79	22	None	27	1.6	10
Firm	IP - Litigation	108	11	None	26	1.5	1
Firm	Arbitration	0	26	None	26	1.5	1
Firm	Compliance	0	1	None	25	1.5	1
Firm	Litigation	46	17	1.2	25	1.5	3
Others	Misc.	2,273			249	20.8	
TOTALS		16,425			1,680	100	

survey” survey in that we hope it will serve as the foundation for much more useful surveys in subsequent years.

Focus on a KPI Approach

Of course, if you look at all of the metrics listed in the OLSI survey, you can quickly become overwhelmed. The eight categories of metrics in our survey collect over 200 separate metrics. We expect that no law department collects or is in a position to collect data for every metric listed.

One focus of the survey is therefore to help law departments narrow their data collection efforts by focusing on KPIs. Defining an appropriate list of KPIs helps us avoid the trap of collecting data or analyzing numbers for their own sake. A KPI would represent a measure of a particular law department’s performance on some scale or in respect of some specific area of performance or focus. For example, if a law department renounced the use of outside counsel, it would no longer have a reason to collect data on the number of outside firms retained or the amount of fees paid to outside lawyers. On the other hand, this same law department would

benefit from tracking a KPI that measured the effectiveness of its in-house lawyers’ work.

OLSI’s KPI approach also avoids an overdetailed drill-down into the numerous performance indicators and data points that could be measured for more detailed segments of the Process and Metrics Classification Systems. In this way, OLSI hopes to encourage a broader survey response that will generate more helpful data for benchmarking purposes.

Focus on Performance Metrics

Although one could choose relevant KPIs on any of several bases, OLSI is focusing on “performance-metrics” KPIs—metrics that drive the desired increases in quality, productivity, and efficiency that law departments seek. The OLSI Survey therefore focuses on metrics that can be used to provide: (1) feedback to guide change, (2) assessment and baseline information, (3) a compelling business case, and/or (4) a diagnostic tool to identify areas for improvement and set priorities. There are four general types of performance metrics:

Survey Components: Top 25 KPIs

The OLSI Survey is organized into two lists—one for law departments and the other for law firms—of “top 25” key performance indicators (KPIs) to serve as the benchmark for improvement across various key functions of each organization.

These top 25 KPIs are measures that OLSI encourages all law departments to track. General Top KPIs include “time to resolve/conclude matter” and “percentage of disputed matters resolved by ADR,” for example.

Optional Metrics: Top Specialized KPIs

In addition, OLSI has compiled other, more-specialized lists of metrics that might provide valuable information to law departments. Although OLSI does not currently track the results of such metrics, OLSI offers them to law departments who may wish to drill down in greater detail in the areas noted.

Those other metrics represent the following eight categories:

- Demographic Information,
- Top General Law Department Metrics,
- Top Law Department Operations Metrics,
- Top Litigation Metrics,
- Top Non-Litigation Metrics,
- Top Intellectual Property Metrics,
- Top Knowledge Management Metrics, and
- Top Compliance Metrics.

The foregoing are KPIs in several specialized areas that OLSI encourages law departments to track if relevant to their needs. (Top specialized KPIs include, for example, metrics that focus on law department operations, litigation, nonlitigation, intellectual property, knowledge management, and compliance.)

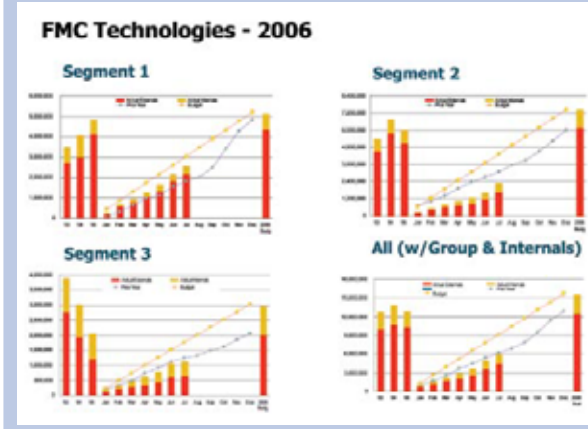
With respect to all of these lists, OLSI invites the reader to provide insight into how useful this information is or would be. Whether by taking the survey, where that insight can be submitted, or by contacting OLSI directly, give us your thoughts on this subject. This iteration of the OLSI Survey constitutes a “pre-

Displaying KPIs in Dashboards

To simplify their use, key performance indicators (KPIs) can be grouped and displayed in what are known as dashboards. Dashboards provide insights into business performance in a snapshot format: They provide a high-level understanding of how a business is performing by simultaneously illustrating data about several aspects of the organization’s performance.

The dashboards below contain data about the internal and external expenses of FMC Technologies along four business

segments and those segments’ performance against budget forecasts. Note that although FMC designed its reports prior to OLSI’s development of its KPIs, the sum of internal and external legal expenses shown in FMC’s charts should correlate approximately to OLSI’s KPI, “Law Department’s Total Budget.” These graphs, since they appear in one screen, allow the reader (senior corporate management comprises the intended audience) to readily compare those segments’ performance. Of course, you can create a dashboard display for any KPI that is especially critical for your legal department’s performance.



- **Cost-effectiveness (e.g., \$6.22 per invoice):** these measures tell how well companies manage cost, including allocation of personnel resources.
- **Staff productivity (e.g., 95 invoices processed per FTE):** these measures describe how much output each FTE has produced.
- **Process efficiency (e.g., 11.2 percent error rate):** these measures provide insight into how well procedures and systems support the organization.
- **Cycle time (e.g., processing time of 5.8 days):** these measures describe how long it takes to complete a task. The OLSI Survey also seeks to fill a gap in current benchmarking data: customer evaluations of outside counsel and law firm (name, region/city, type of work); dispute disposition and settlement data (type of dispute, region/city, complexity); and legal fees and expenses (type of matter, region/city, complexity, type of work).

Standardizing Definitions and Methodology for Metrics

Effective “apples to apples” and “oranges to oranges” benchmarking comparisons require common measurement approaches. OLSI is therefore using the survey as a way to facilitate the standardization of legal department metrics by asking surveyed law departments both to list the metrics that they are currently collecting (whether those metrics are on OLSI’s list or not), and to provide data as they can for any KPIs that OLSI has proposed. Future versions of the survey will use these data to further refine which KPIs are most useful and which methods of collection are most practicable.

The OLSI Survey will contain, where relevant:

- definitions of appropriate terms,
- consistent formulas for calculating KPIs,
- guidance on the utility of the particular KPI, and
- suggested standardized methodologies for collecting and tracking metrics data.

OLSI is mindful that certain metrics, although highly useful, may be difficult to measure and track. If in the process of identifying methodologies OLSI determines that the cost of tracking a particular metric outweighs its usefulness, OLSI may recommend against including that metric in the proposed KPIs.

A Word About Measuring Quality

Defining consistent criteria for measuring quality in delivering legal services and operating a legal department is difficult. In-house counsel feedback to OLSI has indicated particular concern over subjective KPIs. Accordingly, OLSI has focused on developing KPIs that measure quality indirectly via a more objective proxy. For example,

one way to think about quality is to envision it as representing an absence of errors (this is similar to the concepts that underlie Six Sigma and total quality management), so that the more frequently an organization follows its own procedures in a class of tasks, the higher the quality is for that particular procedure. Strictly adhering to a mandate to prepare a budget for every litigated dispute in excess of a specified threshold would represent high-quality on matter budgeting. For another example, instead of a measure that directly goes to satisfaction ratings (which may not exist in areas like the proactive delivery of legal advice), we have proposed a KPI to measure the degree to which the department is meeting the client satisfaction targets it has set for itself in collaboration with its clients. This approach gives users flexibility while maintaining a degree of comparability. Since OLSI metrics do not contain a distinct category for “quality,” we have classified quality-focused metrics as process efficiency metrics.

Standardizing Data Collection and Reporting

In order to promote effective benchmarking, one of OLSI’s key missions is to standardize the process by which law departments collect and report data. Until such industry standards are finalized, we offer several guidelines on data collection.

- A law department should strive to collect the appropriate data as simply and as effortlessly as it can. Technology can help. For example, by using electronic submission of law firms’ invoices, a corporate law department will regularly receive the invoices of its outside counsel in a format that enables that department to examine and analyze that information easily, either by individual law firm or by multiple firms.
- Try to assure that any specific datum is collected by the individual or entity that possesses that datum first. This may be the outside lawyer (or legal assistant) or the in-house personnel. Since matter cycle time is an important KPI, for example, whenever outside counsel represents a company, that counsel should be able to enter start and completion dates most efficiently (counsel must, of course, be aware of those dates and probably already inputs them into some docketing system or other database). If a matter is handled entirely by in-house personnel, those personnel would possess that information and be able to enter it into the system.
- A consulting expert on a litigated matter might even be the party with the information for inputting purposes.
- Take steps to prevent duplicate data entry, because that only introduces more opportunities for error or for inconsistent data.
- Capture as much data as possible in a single, flexible

database to which all those who might have use of the information possess direct access.

Some matter-management systems might allow a law department to collect data, for purposes of preparing reports, easily from information otherwise entered into the software for general management purposes. For example, starting and ending dates for legal matters appear in all matter-management systems, and one might generate a report that aggregates those data for classes of matters and thereby produce a report on cycle time organized by matter class (e.g., environmental matters or employment-law matters).

A More Businesslike Approach to the Practice of Law

So, what should you do? Rather than wait for your company’s management to ask you to demonstrate that your department is on top of all the company’s legal issues, take an inventory of your department’s use of data. Can it collect information about those issues that can help you demonstrate how your department has mastered them? Does it have the systems in place to analyze data so as to anticipate issues and problems before they become too large to confront successfully? Answer these test questions:

- Do the in-house and outside lawyers routinely collect information about the legal matters on which they work, such as cycle time and budget success?
- Do you report to management regularly with data from those matters and demonstrate the department’s management of the company’s legal affairs?
- Does the department regularly collect and index its intellectual product in a database that the in-house and outside lawyers can access in order to reuse that knowledge and avoid redoing prior work?

If you answer “yes” to these questions, you’re already using metrics and applying businesslike concepts to your management of the company’s legal affairs, and you deserve congratulations. We hope you will get involved in OLSI and offer your insights as we work to develop a consistent approach to law department and legal metrics. But if you answer “no,” we suggest that you take another look at how metrics and management principles can help you. Consider joining the other, innovative law departments that have begun incorporating business management principles to help them operate more leanly and efficiently. ❏

Have a comment on this article? Email editorinchief@acc.com.

ACC Extras on... Metrics

Leading Practice Profiles:

- *Law Department Metrics*, ACC, 2005.

Description: Effective metrics programs create a framework for continuous evaluation against objectives and include components that lead to action. They also can serve as a solid platform from which to demonstrate to clients how the law department is supporting business objectives and adding value. This practice profile explores metrics practices implemented by six law departments, including BellSouth Corporation, Charter One Bank, NA, MCI, and United Technologies Corporation.
www.acc.com/resource/v5899

Annual Meeting Course Materials:

- *209 Metrics Methodologies*, ACC and others, 2005.
Description: 209 Metrics Methodologies
www.acc.com/resource/v5581
- *304 Litigation Management-Using Metrics to Demonstrate Value*, ACC and others, 2005.

Description: 304 Litigation Management-Using Metrics to Demonstrate Value
www.acc.com/resource/v5585

Webcasts:

The following ACC webcasts and transcripts are available:

- *How to Measure the Effectiveness/Value of the Legal Department*, 2005.

Description: Smart companies measure results. In an era increasingly driven by metrics, it is essential for law departments to find or develop tools that provide some measure of the value of the work being accomplished. Our law management authorities will explain key performance indicators and benchmarking data for in-house counsel that can be used to measure and track the performance of a law department and how you can apply these tools to the performance of your own department.
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LEADING PRACTICES IN LAW DEPARTMENTS: ADDING VALUE AND MOVING BEYOND THE COST CENTER MODEL

Part of an Ongoing Series of
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Law departments, like human resources and accounting departments, have traditionally been viewed as cost centers. Under this model, the organization pays the operating costs and, in return, the law department provides a range of services to address the company's needs. Since legal costs are often allocated to business units, the law department's value proposition can be blurred from the viewpoint of business unit leaders.

To help clearly demonstrate the great results that in-house lawyers are well-positioned to help their companies achieve, some law departments are adopting proactive practices that move beyond traditional notions of law departments as cost centers. Law departments interviewed for this Profile have described practices they are implementing that bring dollars into the company and/or that save the company money—both obvious impacts to the company's bottom line. In addition, they are implementing proactive practices that further business objectives, strengthen client relationships, protect company interests, provide enhanced 'line-of-sight' into risks and costs, and add value in other ways.

Among the value-adding practices described in this Profile are: aggressive pursuit of entities that owe money to the company or with which the company has a claim to recover amounts owed; anti-piracy initiatives designed to help protect company intellectual property and root out counterfeiters; internal metrics programs designed to help identify and address problem areas; patent and licensing measures designed to protect intellectual property rights; legal business reviews designed to provide enhanced 'line-of-sight' into costs, analyze risks, and develop action plans; and matter and legal spend management measures designed to align outside law firm practices with in-house objectives.

Featured are practices for the following five selected companies: **FMC Technologies, Inc.**, **IKON Office Solutions, Inc.**, **Microsoft Corporation**, **Sears, Roebuck and Co.**, and **The Procter & Gamble Company**. Company representatives provided information on the types of practices their law departments are implementing, how these practices help to demonstrate value-added to the company, and on how they're communicating with clients to achieve and share information on their successes.

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Section I below lists practices and results achieved, and summarizes key themes and program insights gathered from discussions with representatives from the companies. Section II describes the programs of each of the five companies in more detail. Section III provides a list of resources identified by company representatives and ACC as resources that may be of interest or helpful to others in evaluating or considering value-adding practices.

I. SUMMARY OVERVIEW OF PRACTICES & THEMES

PRACTICES

The law departments featured in this Profile have implemented a broad range of practices that have resulted in value-added to their companies' bottom lines and move beyond the traditional notion of in-house law departments as cost centers. Some of the practices result in cash flow into the company. Some result in cost-savings. Other described practices add value by providing insight and enhancing client understanding of the value added by in-house lawyers. Still others have positive impacts demonstrating the value that in-house lawyers can bring to their companies.

Below is a list of the types of value-adding programs and practices featured in this Profile. Additional information on these practices is included in the company program summaries in Section II.

- **Aggressively Pursuing Entities on Claims and/or to Recover Amounts Owed:** law department practices in this area have resulted in millions of dollars of cost recoveries for the company.
- **Anti-Piracy Initiatives:** include work by law department members around the world to investigate claims, assist government officials with criminal cases, and help developing countries to establish laws to protect software from piracy. Positive impacts include: winning judgments represents money back to the company; putting counterfeiters out of business thereby allowing the company to sell more products; and helping the company and its partners and customers who are able to receive genuine products.
- **Intellectual Property Initiatives:** practices to work collaboratively with business clients to pursue licensing and aggressively protect intellectual property rights.
- **Internal Metrics Practices:** help to identify and address potential problem areas through data collection, root cause analysis, client training, and process improvements. Through these practices, a law department has successfully and positively impacted bottom line savings by reducing the company's litigation portfolio by 50% and dramatically reducing legal costs as compared to 1999 numbers.
- **Internet Safety Initiatives:** regarding internet spam practices, partnering with Attorneys General in jurisdictions around the country and with the Federal Trade Commission to help with enforcement, identifying targets, uncovering evidence, and working with law enforcement on training and public education.
- **Law Department Information Systems Initiatives:** include developing and supporting key technology systems for assisting with the law department's anti-piracy and patent and licensing initiatives. Additional initiatives spear-headed by this embedded team of information systems professionals include: helping the law department to serve as a "test bed" for company technology, helping to educate vendor partners on the company's technology applications and to develop product solutions, and providing enhanced visibility for the law department with the company's product groups.
- **Legal Business Reviews:** performed semi-annually, these reviews help business leaders to have enhanced 'line-of-sight' into legal costs and to understand how behaviors impact costs.

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Positive impacts include shifts in client views from considering in-house lawyers as costs and 'checkpoints' to having a greater appreciation for the value that lawyers can add to the business and involving lawyers earlier to help improve results and lower costs.

- **Patent & Licensing Initiatives:** law department helped develop and supports company licensing initiatives allowing the company to license its software. In addition, law department has large role in increased number of patent filings to help protect the company's intellectual property rights. Dollars generated through this process will be 'turned' to company business units that developed them. Additional benefits derived through patent filings to protect intellectual property rights.
- **1 Law Program™ and ACES™ Practices:** programs and practices that focus on value rather than cost savings and on practicing law in a proactive way. In addition, the ACES™ Practices help to achieve service relationships based on sharing risks and rewards with outside counsel. Results include: helping to align outside law firms with in-house case management goals focused on success and total disposition costs, reduced case cycle times, and case resolutions at levels below estimates. Practices include integrating legal team with clients and incorporate up-front discussions with clients on objectives, all described leading to better results.

LAW DEPARTMENT PROGRAM THEMES

Practices described by the law department representatives are all different; however a number of themes emerged and are summarized below:

- **Alignment with Business Interests:** companies described how practices were aligned with business interests, and how results demonstrate value added by the law department. Representatives also described the importance of knowing the business and understanding business strategies.
- **Law Department Practices Proactive:** each of the companies described proactive practices being implemented by the law department. Practices reflect broad range of initiatives, including internal metrics practices to help address problem areas and develop process improvements, legal business reviews designed to provide enhanced 'line-of-sight' and provide analysis of costs, risks, and action plans, and client meetings to set objectives for matters managed by the law department using programs that integrate technology as a platform for collaboration. Practices also include aggressively protecting intellectual property rights, aggressively pursuing cost recovery and claims actions, and engaging in anti-piracy initiatives to recover judgments and put counterfeiters out of business.
- **Communication of Results:** program initiatives for many of the companies include structured communication components. Representatives described both written and oral communications practices. Sit-down sessions with clients are components of some initiatives. Others include structured reports or scorecard communications.
- **Bottom-line Impacts:** some companies described practices that involve recovering costs and bringing dollars into the company (e.g., through anti-piracy judgments and initiatives, aggressive pursuit of entities that owe money or for which the company has a claim, licensing revenues, etc.). Representatives also described practices that improve the bottom line by saving money (e.g., reduced legal expenses, reduced case disposition costs, etc.).
- **Value of Involving Law Department Early Demonstrated:** some companies described how clients have a greater appreciation for the value in-house lawyers can add. They also shared that practices have helped to foster earlier involvement and communications with in-house lawyers.

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II. COMPANY PROGRAM SUMMARIES

Following are summaries from discussions with five companies about their practices.

FMC Technologies, Inc.

"The FMC Technologies legal team is relentless in trying to find new and better ways to deliver legal services to our customer," shares Jeffrey Carr, Vice President, General Counsel & Secretary for the company. Key tenets of the team's approach to adding value are to focus on value rather than cost savings, and to practice in a proactive way. Carr shares that value-adding initiatives implemented by the law department have "substantially changed the way the legal team works and have delivered good results, including winning more cases, improved cycle time, and cost reductions."

Among the programs described by Carr as the backbone for the law department's value-adding initiatives are the law department's 1 Law Program™ and its ACES™ practices (ACES stands for Alliance Counsel Engagement System-patent pending). "We are a seven-person legal team for a \$2.5 billion company. Our programs and practices were initially developed to find a way to do more with less. We have seen additional positive benefits within our team, and are making the ACES™ program commercially available to others," says Carr.

1 LAW

The keystone components of the 1 Law program are the core concepts of: (1) integrating technology in practices as a platform for collaboration; and (2) the ACES™ approach and philosophy of performance-based compensation and alignment with business interests. With these two core principals at the center, the 1 Law Program™ also emphasizes the importance of the following four competencies:

- **Financial/Administrative Management:** The law department demonstrates and achieves these objectives through ACES, its e-billing and Visa P-card payment systems and its Serengeti matter management systems.
- **Matter Management:** The law department uses the Tracker™ matter management tracking system provided by Serengeti. Lawyers (both inside and out) are required to input and update all matters in the system. Carr has direct and real-time access to all matters within the system, and the other lawyers have the same access to matters for their specific business units and other matters within their specialty area. "Using technology in this way as an information platform and collaborative tool eliminates the need for lawyers working on matters to write separate reports and/or schedule meetings to discuss case status, and enhances overall efficiencies," says Carr. In addition, key internal consumers of legal services such as business managers and controllers have access to their matters as well.
- **Risk and Knowledge Management:** Carr shares his view that this competency is the most important. It emphasizes the need for a "holistic" approach to providing legal services, with an overall goal of managing risks to avoid disputes. "Litigation is an irritant, and takes business people's focus away from the things they do that are core to the business – making new law and trying cases are not and should never be, core competencies of this company," he explains.

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With regard to risk management, this competency includes three components: (1) conflict avoidance; (2) when they arise, manage and resolve disputes as quickly and effectively as possible; and (3) perform after action reviews to close out transactions, litigation, and administrative matters to determine what can be done better, and how to avoid the situation in the first place. This last element closes the circle with the first – learning from situations and processes to avoid repeating the past. Carr shares that the philosophy behind requiring formal after action reviews in order to close out matters within the Serengeti system “is to get sustainable continuous improvement in business performance.”

On knowledge management, Carr explains that the law department should strive to stop answering the same question twice and certainly should never actually pay outside firms to answer the same question twice. The goals behind the knowledge management competency include having a system that allows for retrieving and re-using information, and for managing and extracting value from what is in the overall portfolio.

- **Relationship Management:** The main objectives for this competency are to understand business priorities and strategies and align law department activities with them, and to manage outside counsel in a way that encourages efficiency and cost-effectiveness while allowing them to be profitable. Carr shares that the latter objectives are achieved through using the law department’s ACES™ program.

ACES™ MODEL

The underlying principles of this model are to achieve service relationships based on partnering and sharing risks and rewards. “Traditionally, the law firm business model is designed so that firms make more money by billing more hours. ACES™ links pay to performance by placing a portion of fees at risk and paying bonuses for efficiency and results. The program encourages law firms to align their interests with the FMC Technologies legal team’s interests and to create a system that allows the firms to share in overall cost savings,” says Carr.

As noted above, through the standard or ACES™ LT model, perhaps best described as a “report card system,” outside lawyers are paid eighty cents on the dollar for their services, with twenty percent of the fees being placed in an ‘at-risk’ bucket for payment depending upon performance. Using an evaluation matrix integrated with the law department’s matter management system, law firms are rated on their performance in key metrics areas that track the law department’s core values: Responsiveness; Goals Achievement/ Effectiveness; Knowledge; Predictive Accuracy; and Efficiency. Depending upon performance, law firms may receive zero to 200% of the at-risk fees (i.e., 80%-120% of the face amount of the firm’s invoice”). An example of the evaluation form may be accessed via link in the Resource List in Section III of this Profile.

Carr shares that there is also a more complex ACES™ model used for outside litigation services. “Our legal team’s goal is to resolve these matters expeditiously and avoid the big ticket expenditures of discover and trial,” says Carr. The model requires that law firms provide an initial assessment of the case, including defining objectives, target budgets by each phase, work plans, and success.

As with the other ACES™ model, law firms are paid eighty cents on the dollar up to the matter target level. Up to the phase target, twenty percent of the overall fees are placed in an ‘at-risk’ bucket. If the firm determines that additional work is required above the phase budget target, they are free to do that work, but now 80% of those fees are placed in the ‘at-risk’ bucket. This avoids

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the ‘stop-work’ problem when a phase target is exceeded, but encourages the firm to do only that work which will materially contribute to success. If success as agreed is reached, the ‘at-risk’ amount is paid out using various multipliers depending on at what phase of the litigation process success is achieved. The multiplier is higher for resolving cases in the earlier phases.

In addition, the model includes a “second level adjustment” which increases the multiplier for resolving matters for less than the total target budget – or reduces it if the total budget is exceeded. Finally, a “third level adjustment” increases or reduces the success multiplier for differences in resolution from the “expected value.” In other words, a firm could theoretically recover its at risk amount plus nearly 300% under circumstances of extreme efficiency and success. “Our goal is to encourage rapid resolution. The system works incredibly well. It pays law firms for success, rewards efficiency, and aligns interests because law firms are focused on success and total disposition costs,” emphasizes Carr.

ADDING VALUE

Carr shares that the law department is delivering results using these systems and processes. As noted above, case cycle time has been reduced, and Carr notes that the vast majority of matters have been resolved at expected values significantly below the estimated numbers. In addition, the team has achieved the important goal of aligning its outside service providers with its values.

“The 1 Law and ACES™ models have also been instrumental in demonstrating to internal business clients the value that our legal team brings to the business. These practices require up-front discussions with business clients to understand their objectives. The legal team is very integrated with the business functions, and all of this leads to better results for the company,” explains Carr.

LEADING PRACTICES

Asked for his thoughts on which elements of the law department’s practices in this area he would consider to be leading practices, Carr shares “the legal team’s risk-reward system for compensation and the holistic way the team members use technology as a platform for legal services are cutting edge.” In addition, he notes that the law department’s after action review requirements help to extract valuable lessons learned from matters and add value on a going forward basis.

IKON Office Solutions, Inc.

The law department at IKON has developed a set of internal metrics practices that add value to the business by helping to identify and address potential problem areas through data collection, root cause analysis, training, and process improvements. Don Liu, Senior Vice President and General Counsel, shares that these practices and the supporting infrastructure have been in place since around 1999, and have yielded great results. “Our litigation portfolio has been reduced by 50% since 1999, and we have dramatically reduced corresponding legal expenses to about 1/3 of the department’s 1999 spend. In addition, these practices help the company’s bottom line by allowing our people and management resources to be focused on the business rather than on investigating and responding to complaints,” explains Liu.

METRICS PROCESS, ROOT CAUSE ANALYSIS & COMMUNICATIONS

How do these practices work? Liu shares that much of the data on allegations of misconduct or potential ethics violations is collected, collated and analyzed by an in-house lawyer on his team

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specializing in employment matters. The data comes from a broad range of sources, including: information reported by the business units; calls placed to the company's 800-number call line; information communicated to the company's Ethics Committee; internal audit or security department communications; anonymous letters or emails; and communications from company executive management or the Board. In addition, the lawyer on point for monitoring and analyzing the data may also review external on-line chat rooms for relevant information on questions of company conduct.

Reports summarizing information on a geographic and business line basis are prepared, and Liu explains that he shares these statistics, including relational information on trends, regularly with the company's Board. In addition, Liu provides the information on trends and results to the company's senior management semi-annually, and to the business managers of the units directly affected as often as needed to effectively communicate areas of opportunity and work on resolving any problem areas that may be identified.

INTERNAL EFFORT

IKON's practices in this area and the supporting data collection infrastructure were developed in-house. Liu shares that it took around one year to create the infrastructure necessary to support the overall process. To date, the program and practices are being implemented in North America and Europe. Liu explains that adjustments to reporting criteria and program implementation are made on a country-by-country basis consistent with local requirements, including privacy and employment considerations.

CHALLENGES

Asked for thoughts on challenges faced in developing and implementing these practices, Liu notes "convincing and persuading management, the company's human resources team, and employees of the benefits of reporting the data and the need for good data were early program challenges." He explains, "we needed to persuade folks that we were collecting the data to help the business achieve its results—not to punish anyone." In addition, Liu emphasizes the importance of having multiple ways to make it easy for people to share information. "The data collection form shouldn't be an obstacle to reporting. Some people may be reluctant to fill out the form, and having alternative ways for them to share the information is important to gathering good data and helping to achieve good results," says Liu.

Microsoft Corporation

Microsoft's Law and Corporate Affairs Group (LCA) is implementing a number of practices that distinguish the LCA as a law department that adds value to the company's bottom line. Kevin Harrang, Deputy General Counsel for Operations, Business Management & Information, explains "Microsoft's LCA has always included an innovative group of professionals that have played roles extending beyond those associated with traditional law departments." Among the key program areas highlighted by Harrang as examples of the LCA's value-adding initiatives are the group's work in the areas of: Anti-Piracy, Internet Safety, Patents and Licensing, and Information Systems.

ANTI-PIRACY INITIATIVES

"The main focus of the LCA's anti-piracy work is to expand the market for the company's lawful, legitimate software and to root out counterfeit goods," explains Harrang. Adding to this, Annmarie Levins, Associate General Counsel for the company and leader of the LCA's North America anti-piracy initiatives, emphasizes that the LCA's efforts "are directed towards protecting the company's intellectual property and its customers."

LCA'S ANTI-PIRACY EFFORTS

How does the LCA accomplish its objectives in this area? Microsoft's LCA includes a large, worldwide network of former law enforcement officers and prosecutors on point for helping to protect the company's products from piracy and counterfeiting. Levins and Harrang share that LCA's anti-piracy efforts include:

- Investigating claims of selling fake software or improperly loading machines with company products;
- Assisting government officials with criminal cases pursuing offenders;
- Bringing civil suits and collecting judgments against offenders; and
- Helping developing countries around the world to develop intellectual property laws and regulations to protect software products from piracy.

Key Success Factors

"Having a really good team of experienced people who understand what it takes to make a good case and who are trusted by law enforcement is a critical factor contributing to the success of our overall program efforts," explains Levins. In addition, Levins notes "the law department effort really needs to be both coordinated and worldwide in scope since the counterfeiting area tends to be so interrelated."

The LCA's Information Systems team also plays a huge role in supporting the LCA's anti-piracy efforts. More specifically, the team has developed a number of technology tools that assist in product tracking and recovery efforts. "LCA's Information Systems professionals have developed databases with inventories of Microsoft's products and analyses of anti-piracy progress. These tools allow LCA professionals to track recovered products, and to track and monitor efforts in stopping piracy," explains Steven Levy, Director of Information Systems for LCA. Levy also shares that the Information Systems team works with a forensic "disk fingerprint" tool that helps to track software to the machines that copy it.

Positive Impacts and Value-Added

"LCA's anti-piracy efforts directly help the company's bottom line. Judgments recovered represent cash back to the company. By putting the counterfeiters out of business, the company is able to sell more legitimate product, which has positive impacts on sales and helps Microsoft, its partners, and its customers who are receiving the genuine company product," explains Levins.

Communicating Results

LCA communicates information on its anti-piracy initiatives in a number of ways.

- **Internal Presentations to Company Executives:** The LCA keeps an internal scorecard on anti-piracy, and shares results through presentations to company executives. Among the categories of information tracked on the scorecard are:
 - Number of lawsuits initiated;
 - Number of counterfeit products seized & estimated retail value;
 - Number of raids;

- Number of individuals arrested; and
- Civil lawsuits & settlement dollars.

- **Press releases:** The company issues press releases to inform the public about successes in larger raids. In addition, the company may include information on anti-piracy successes in marketing materials. Levins explains “these types of public communications send a message to the public and to our partners that those who aren’t playing by the rules are getting caught and prosecuted.”

INTERNET SAFETY

Another key area where the LCA is proactively taking steps to add value is internet safety. In providing background on efforts in this area, Levins notes “internet spam can be annoying, offensive, and sometimes fraudulent.” She shares that to help address these problems, the LCA has been focusing efforts on these issues and has partnered with Attorneys General in jurisdictions around the country and with the Federal Trade Commission to help with enforcement efforts. Microsoft’s investigators have helped identify targets and uncover evidence of criminal misconduct around the world, and work collaboratively with law enforcement on training and public education as well as enforcement activity.

PATENTS AND LICENSING

Another key area where the law department is undertaking a range of initiatives that add value to the company’s bottom line is in patents and licensing. “At its heart, Microsoft is an information technology company. We spend around \$7 billion each year in research and development, and this has the effect of producing a tremendous amount of intellectual property,” explains Marshall Phelps, Corporate Vice President and Deputy General Counsel for Intellectual Property & Licensing. Phelps joined Microsoft after retiring from IBM, where he spear-headed IBM’s licensing initiatives which resulted in around \$1.9 billion per year in profit from licensing revenues.

LCA Licensing Initiatives

Phelps describes licensing as “a way of interfacing with the world and to build relationships.” He explains that companies with large investments in research and development and associated large numbers of intellectual property can make one of three choices: “(1) Do nothing, which would raise huge questions for stakeholders wanting to know why so much money is being invested with no action on the back-end; (2) Use intellectual property in an offensive way, which may have an emotional attraction, but which generally doesn’t make sense; or (3) License the technology to help take advantage of the intellectual property and advance the company’s interest.”

In December 2003, the company decided on option three, and publicly announced that it was “open for business” in licensing its technology. Phelps explains that the company is engaged with “many tens of companies, and at one level, around a hundred companies” in various licensing systems. He shares his view that law departments wanting to add value in this way “need robust licensing functions that include experienced lawyers and licensing professionals as well as good technology systems that allow the law department to monitor and analyze the company’s portfolios.”

Asked whether the LCA has tracked licensing revenues to date, Phelps shares that this will likely be occurring in the future. “The company has set revenue targets, and we’re tracking progress

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on those,” says Phelps. In addition, Phelps shares “dollars generated through licensing will be ‘u-turned’ to those units in the company that developed the products rather than being attributed to LCA as department revenues.”

Patents

LCA is also playing a key role in the company’s worldwide efforts to greatly increase company patents on its technology. Phelps shares that recent changes in the law have opened the door for filing patents on software inventions, and that the company will increase its patent filings from around two thousand in 2003 to over three thousand U.S. Patents in 2004, with many of those filings also being made overseas. To support these initiatives, the LCA has increased within the group the number of lawyers with patent expertise.

“It is important to protect intellectual property in the right way and to make thoughtful judgments on how to treat it. To accomplish this, a company needs a sophisticated group of lawyers and business people who can make educated guesses looking down the road even though not much lasts that long these days,” explains Phelps. In addition, Phelps notes the need to have a process at the back end to “weed out the relics,” and to evaluate whether maintaining a patent still makes sense or whether there has been a “paradigm shift in technology.”

LCA INFORMATION SYSTEMS CAPABILITIES

Another key area where the LCA is moving beyond traditional notions of a legal service delivery model is with respect to the LCA’s Information Systems team and its capabilities. “Because Microsoft is a software company, the LCA is always looking for ways to use and build on the company’s own tools. An internal mission is to be the ‘first and best customer’ of the company’s technology, and the LCA wants to be the showcase for that. The LCA’s Information Systems team helps us to achieve these goals and to interface with the outside world to make this happen,” explains Harrang.

The LCA Information Systems team consists of technology systems professionals embedded within the LCA function, and is led by Steven Levy, Director of Information Systems for the LCA. As described above, the Information Systems team has developed and supports a number of key systems to assist the LCA in providing services in the anti-piracy and patents and licensing areas. In addition, the Information Systems team helps to educate the company’s vendor partners on Microsoft’s technology applications and helps to develop solutions for products to work more effectively. The team also works with internal company product groups to help refine their products.

“We are reaching out to the outside world and are more visible to the company’s product groups. In our efforts within LCA to be the ‘first and best user’ of the company’s technology, the LCA often serves as a test bed to run versions of company software long before it is rolled out to other parts of the company – or to customers,” shares Levy.

LEADING PRACTICES

Asked which elements of the LCA’s practices in these areas they would consider to be leading practices, representatives interviewed for this Profile described a range of initiatives. With regard to LCA’s anti-piracy work, Levins identifies as a best practice “the way the LCA is able to develop a well-coordinated program for law enforcement referrals, and the way LCA partners with law

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enforcement to support its cases.” With regard to leading practices in the area of patents and licensing, Phelps underscores the importance of “having world class systems abilities to analyze patent and licensing portfolios and world class licensing executives.”

In addition, Phelps describes as a leading practice “the willingness of the company and its developers and researchers to work in a collaborative mode with the legal function.” He adds, “having clients look at the LCA as a partner, rather than as a line-of-defense, is a perspective that fundamentally supports viewing the law department as adding value.”

Sears, Roebuck and Co.

The law department at Sears, Roebuck and Co. is implementing practices to provide company business leaders with enhanced “line-of-sight” into legal costs and risks, and the benefits of engaging in this up-front dialogue are many. As part of the Legal Business Review, law department representatives meet semi-annually with business leaders to discuss and help analyze information on legal costs, legal risks, and opportunities for improvement.

“The Legal Business Reviews have helped the business to get a clearer view of their legal matters, and are viewed as adding value and providing information on what lies ahead. The overall process also tends to engender conversation around legal matters and developments generally, which leads to efficiencies in providing legal services and better business solutions,” explains Andrea Zopp, Senior Vice President & General Counsel for the company.

LEGAL BUSINESS REVIEWS

Zopp shares that a primary objective of the Legal Business Review is to drive behaviors. “For some business units, legal costs are a significant cost item, and understanding how behaviors impact those costs is helpful. To the extent that behaviors may increase the company’s risk profile and there are other ways to achieve business results, information from these reviews can help drive changes,” explains Zopp.

Rolled out in 2004 and initially performed quarterly, the Legal Business Reviews are now conducted semi-annually. The reviews are generally an hour long, and are structured as sit-down sessions among business leaders and the business legal team for that unit. Zopp also joins each of the teams for the Legal Business Reviews.

What types of information are included in the Legal Business Review? The Reviews are prepared to summarize information at the business unit level, and include the following:

- Forecasts of legal costs for the next quarter, summary of how costs are tracking against forecast, and anticipated costs for the remainder of the year
- Information on what is driving these costs, such as highlights of key litigation matters and business transactions
- Analysis of the legal risks and proposed action plans to address

An example of an outline of a Legal Business Review report may be accessed via link in the Resource List in Section III of this Profile.

DATA COLLECTION

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Information on legal costs and matters is tracked and accessible through the law department’s electronic billing and matter management systems. Describing these systems as “robust,” Zopp notes that the sophistication of the systems allows the law department to analyze on many different levels a broad range of information relating to legal matters for given business units.

CLIENTS EVALUATE LAWYERS

As part of the overall process, business leaders complete an evaluation form to provide feedback on legal services. The evaluation process gives the law department feedback on the usefulness of the review content and also of the discussion of legal issues during the review. “This helps us ensure that the information we provide is relevant and has an impact,” Zopp said.

CHALLENGES

Zopp notes that getting the overall process started and getting business people to understand why the reviews are important was an initial challenge. “Some business leaders saw the law department primarily as a cost item and a checkpoint. The Business Legal Reviews have helped them to see that company lawyers can engage our clients as business people and share in objectives to bring value to the business and improve results,” says Zopp.

LEADING PRACTICES

Asked for thoughts on elements of the law department’s practices that she considers to be leading practices in this area, Zopp explains “having a Legal Business Review and doing it from the perspective of cost and risk is a valuable practice. Pulling together the information in a way that helps the business understand the law department’s value is an important component.”

Zopp notes that, through this process, in-house lawyers are able to demonstrate to the clients that they are capable of thinking like business people, and share ideas on how to provide value for the business. “Speed is important in the retail business. The Legal Business Review process has helped business leaders to recognize that getting lawyers engaged earlier is more efficient and cost-effective,” says Zopp. She also shares that a long-range goal associated with this practice is to move towards overall business practices that involve the law department in business planning processes.

The Procter & Gamble Company

“The law department at Procter & Gamble is thought of as ‘value-adders.’ Legal services can be purchased on the outside, but the real value that our in-house lawyers bring to the table is in getting to know the business, being familiar with the company’s people and their business strategies, and providing creative counseling to help the business win disputes and operate in a sound fashion,” explains Robert J. Miller, Vice President & General Counsel-Global Legal.

STRATEGIC HANDLING OF COST RECOVERY SUITS

Among the practices implemented by the law department that directly add value to the company’s bottom line, are the law department’s efforts to aggressively pursue entities that owe the company money or with which the company has a claim, to recover amounts due to the company. Here, the law department’s in-house lawyers play a leading role in developing strategies on a broad range of

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matters, including cost recovery on vendor over-charges, recoveries relating to off-spec goods, and insurance claims and recoveries.

Miller shares that these efforts have resulted in millions of dollars of cost recoveries for the company. "Although our lawyers are not primarily focused on plaintiff work, the department's in-house lawyers look for opportunities to protect the company's business assets and pursue aggressive strategies where warranted to achieve good business results," says Miller.

INTELLECTUAL PROPERTY

Another key area where in-house lawyers have played an important and valuable role is in helping the business personnel to pursue licensing its technology and to aggressively protect the company's rights in the intellectual property arena. Miller emphasizes the importance of intellectual property rights protections to the company in light of the company's investments in research and development, and describes the relationship between in-house lawyers and business personnel on point for these issues as "a collaborative arrangement, with in-house lawyers working together as partners with business personnel."

COMMUNICATING VALUE

Asked how the law department communicates its contributions to the company's bottom line, Miller replies "good news travels quickly." He notes that the law department doesn't have formal metrics specifically designed to measure contributions in these ways, and shares that internal self-promotion might be an area of opportunity.

SUCCESS FACTORS; LEADING PRACTICES

Miller shares "knowing the business levers and what is important is a key success factor." He describes the company's in-house lawyers as "active members of the business team" and "well-connected" with the business personnel. On leading practices, Miller shares his view that the company's law department "does a good job of interfacing with outside counsel and helping to set litigation strategy."

ACC thanks Renee Dankner, former senior counsel for Mobil Oil Corp., for her work in preparing this profile.

III. RESOURCE LIST

Please note that inclusion on this list does not constitute a recommendation or endorsement for any product, service or company, nor is the absence of any product, service, company, or resource from the list an indication that it is not worthy of your attention. The following are simply resources identified by companies interviewed or by ACC as items of interest that may be helpful to you if you wish to pursue this topic further.

COMPANY RESOURCES

FMC Technologies, Inc.
Sample ACES™ LT Evaluation Form
http://www.acca.com/protected/forms/outsidecounsel/fmc_bonus.pdf

Sears, Roebuck and Co.
Sample Outline of Legal Business Review Report
http://www.acca.com/protected/forms/outsidecounsel/sears_ldreport.pdf

ARTICLES; PUBLICATIONS; WHITE PAPERS; PRESENTATIONS

Article: "Increase Legal Department Value—Establish a Goal Focus," by Ronald F. Pol, J. Justin Hansen, and Richard I. Hansen (ACC Docket Oct/Nov 2003)
<http://www.acca.com/protected/pubs/docket/on03/value.pdf>

Article: "Get More Value from Your Outside Counsel: Show Them the Flipside," by Ronald F. Pol (ACC Docket April 2003)

<http://www.acca.com/protected/pubs/docket/am03/flipside1.php>

Article: "Adding Value Around the Globe," by Michael Roster, J. Daniel Fitz, John Scott, Peter J. Turner, and M. Elizabeth Wall (ACC Docket Nov 2001)
<http://www.acca.com/protected/pubs/docket/nd01/add1.php>

Article: "Law Department Critical Success Factors: An Organizing Principle for Your Vision," by Stephen E. Nowlan (Chief Legal Executive, Fall 2002)
http://www.chieflegalexecutive.com/sub_pages/publications/CLE/PDF/2002_fall/44nowlan.pdf

Article: "FMC Technologies Case Study: Adding Value Through Alignment of Corporate Goals and Legal Service Provider Objectives," by John G. Kelly, Esq. (Law Partnering Institute, Jan/Feb 2002)
http://www.lawpartnering.com/press_detail.tpl?SKU=3098389992356104

Presentation: "Chair's Choice Best of ACC '00 and '01: Adding Value to Your Corporation" (ACC 2002 Annual Meeting)
<http://www.acca.com/education2k2/am/cm/402.pdf>

Presentation: "Chair's Choice: Adding Value Around the Globe" (ACC 2001 Annual Meeting)
<http://www.acca.com/education2k1/am/cm/011CD.pdf>

Presentation: "Maximizing Value from Your Portfolio" (ACC 2003 Annual Meeting)
<http://www.acca.com/education03/am/cm/101.pdf>

Presentation: "Strategies for Measuring Value-Added" (ACC 2000 Annual Meeting)
<http://www.acca.com/education2000/am/cm00/html/measurevalue.html>

Presentation: "Valuing the In-House Legal Department" (ACC 2000 Annual Meeting)
<http://www.acca.com/education2000/am/cm00/html/valueinhouse.html>

Using Litigation Metrics to Demonstrate Value to the CFO

Session 605

Karen Gase

Brian Cadwallader

Henry Walker

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Today's Agenda

- The What, Why and How Of Litigation Metrics
- Key Litigation Metrics In Action
- Tips on Presenting Litigation Metrics To Your Management

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BIG PICTURE BASICS: Laying the Groundwork for Metrics

Educate Key Client Personnel About Litigation Challenges Facing the Company

- Key Cases – Risks and Rewards
- Overall Inventory of Cases
- Skills and Experience of Group
- Strategic Objectives of Group
- Rationale Behind Each Objective

Important: Metrics only help you deliver the message

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What General Counsel and CFO's Expect from In-House Litigators

- Excellent Results Through Good Lawyering
- Efficient and Effective Performance
- Do More With Less – Reduce Costs
 - Particularly Outside Counsel Fees and Expenses
- Plus, They Want You to Demonstrate How You Met These Expectations
 - Using Objective Criteria Like the Rest of the Business Units

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BIG PICTURE BASICS:

Key Questions

Key Questions Every Legal Department Should Be Able to Answer.

1. **Why should the company invest the shareholder's money in the legal department?**
2. **If the in-house litigation lawyers were gone tomorrow, would the company's financial performance decrease, improve, or stay the same?**
3. **How do I make my case in a persuasive fashion using objective criteria?**

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Roadblocks to a Successful Litigation Management Program

- Litigators are not historically trained, by education or experience, to be proactive macro litigation managers
- Data collections systems are either non-existent or not designed to gather data to support metrics
- Litigators are too busy “putting out fires” to implement systematic change necessary to have a successful metrics program

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Eight Key Questions

- What Are Your Specific Legal Department Goals?
- How Do You Determine if You Meet These Goals?
- What Measurements are Appropriate?
- What Data Must be Accurately Captured?
- If That Data Is Not Available, What Must You Do To Capture It?
- How Will You Assure Data Quality?
- What Is The Communication Plan?
- What Are The Rewards If Goals Are Met?

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Performance Metrics Demonstrate the Strategic Value and Contribution of the Legal Department

- Metrics Help Improve Performance
- Metrics are a way to communicate to executives that the legal department's activities are aligned with and contribute to corporate objectives.
- Credibility With Executive Officers = Adequate funding for the legal department to fulfill its potential as a vital company

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Litigation Metrics in Action

Karen Gase
BP America



What do we use litigation metrics for . . .

- Managing Spend
- Evaluating Outside Counsel
- Improving Budgeting Accuracy
- Portfolio Management
- Other Uses . . .



Managing Spend

- Identifying where internal and external resources are going
 - By client or BU
 - By matter type
 - By geography
- Use that information to help predict spend based on varying business scenarios

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Evaluating Outside Counsel

● Quantitative Metrics:

- **Matter spend**
 - Total resolution cost
 - Settlements
 - Cycle time
- **Rates**
 - Average rates and weighted average rates
 - Billing rates by years of experience
- **Hours**
 - Hours billed by years of experience
 - Hours billed by minority and women lawyers
- **Minority and women lawyer representation in the firm**
- **Billing time lag**

● Qualitative Metrics:

- **Outcomes**
- **Legal skills**
 - Trial/Pre-trial/Appellate
 - Regulatory
 - Negotiation
 - Strategic thinking
 - Writing
- **Matter and Relationship Management**
 - Accessibility/Responsiveness
 - Partnership with in-house counsel
 - Knowledge of business/industry
 - Rapport with clients/judges/counsel
- **Cost Management**
 - Billing rates
 - Efficiency
 - Budget performance

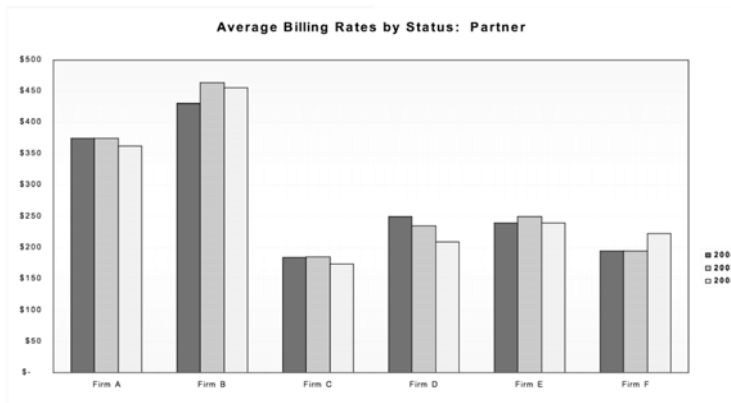
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Managing Outside Counsel Rates – Average Billing Rate Comparison

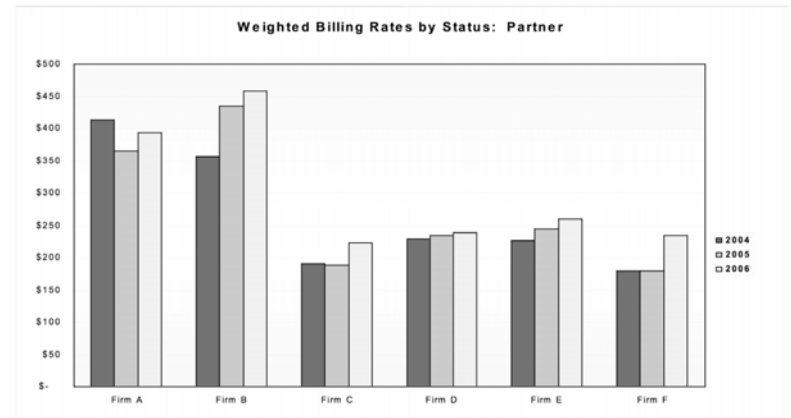


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Managing Outside Counsel Rates – Weighted Billing Rate Comparison

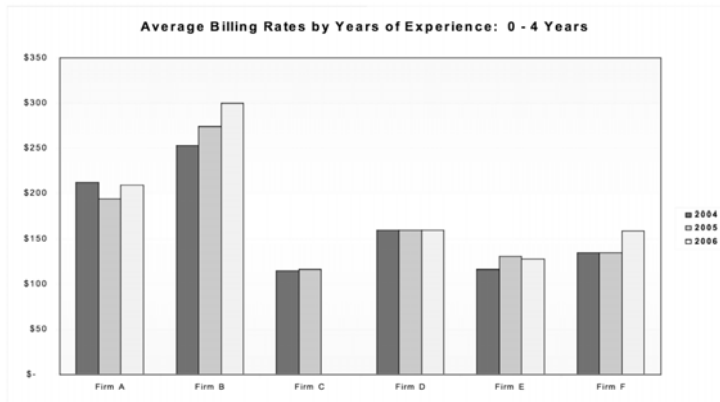


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Managing Outside Counsel Rates – Average Billing Rate Comparison by YOY



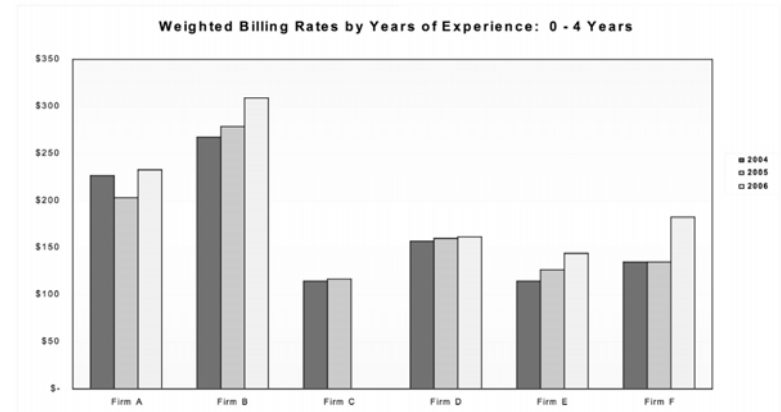
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Managing Outside Counsel Rates – Weighted Billing Rate Comparison by YOY



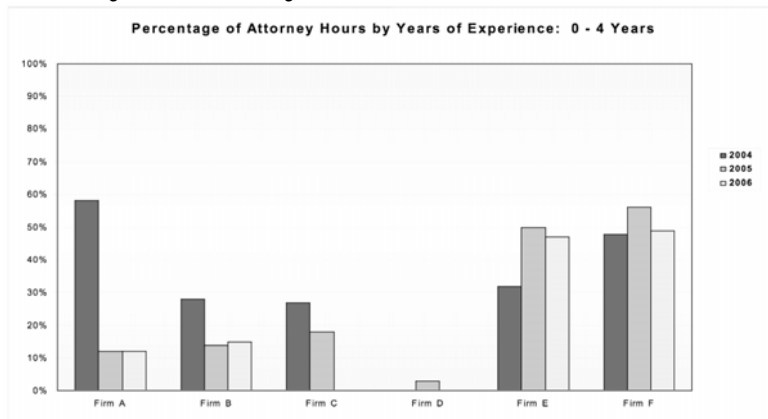
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Managing Outside Counsel Spend - % of Attorney Hours by YOY



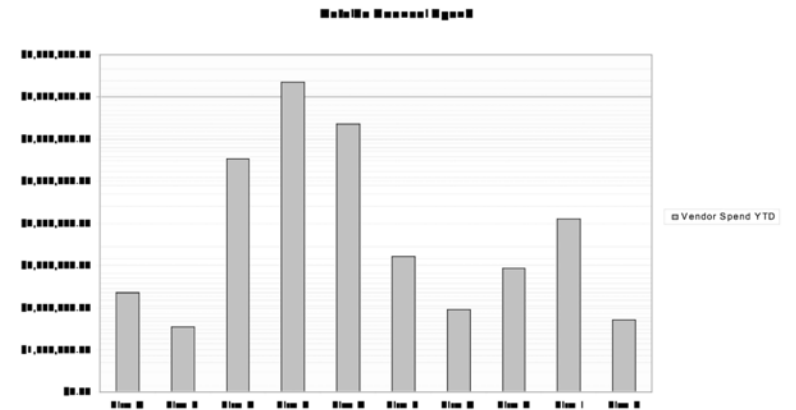
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Managing Spend of Outside Counsel



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Outside Counsel Spend by Matter by Year

Law Firm	Matter Name	2005	2006	2005	2006	2007 (YTD)	Grand Total
Firm A							
	Matter 1	\$ 7,226.77					\$ 7,226.77
	Matter 2	\$ 3,388.70					\$ 3,388.70
	Matter 3	\$ 68.50					\$ 68.50
	Matter 4	\$ 3,388.72					\$ 3,388.72
	Matter 5	\$ 4,290.47	\$ 3,213.17				\$ 7,503.64
	Matter 6	\$ 2,526.79	\$ 188.00				\$ 2,714.79
	Matter 7	\$ 41,793.06	\$ 98,061.10				\$ 139,854.16
	Matter 8			\$ 805.00			\$ 805.00
	Matter 9				\$ 3,652.40		\$ 3,652.40
	Matter 10				\$ 94,606.10		\$ 94,606.10
	Matter 11	\$ 84,163.06	\$ 35,892.58	\$ 53,099.27	\$ 117.50		\$ 173,272.41
	Matter 12	\$ 762.50					\$ 762.50
	Matter 13		\$ 689,365.17	\$ 584,260.48			\$ 1,273,625.65
	Matter X	\$ 1,524.25	\$ 531.00				\$ 2,055.25
	Matter Y	\$ 1,731.30					\$ 1,731.30
	Matter Z	\$ 37,178.52	\$ 25,423.78	\$ 6,248.73			\$ 68,851.03
Firm A		\$ 122,104.08	\$ 127,254.92	\$ 850,706.44	\$ 679,789.08	\$ 3,652.40	\$ 1,783,506.92

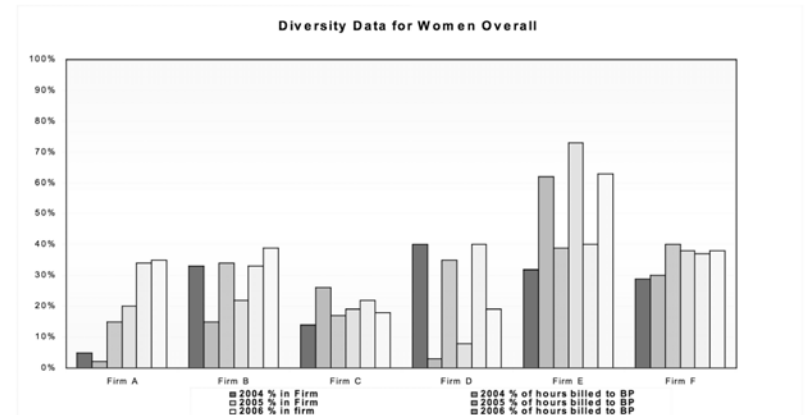
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Managing Outside Counsel Diversity



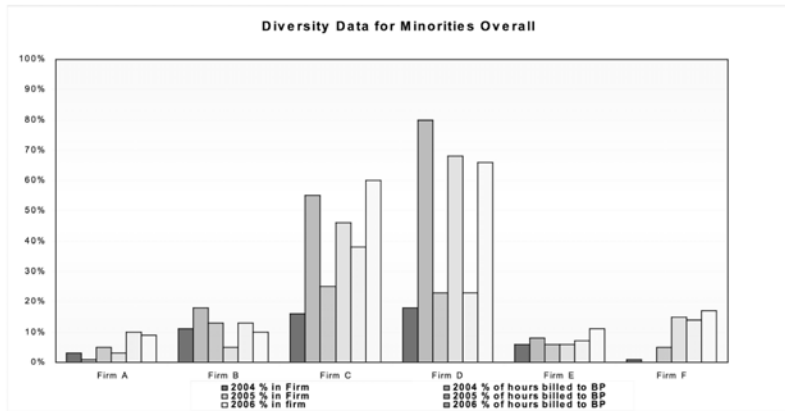
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Managing Outside Counsel Diversity



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Improving Budgeting Accuracy

- Understanding cost of matters
 - By type
 - By geography
- Understanding cost of particular projects
 - Electronic discovery
 - By number of custodians
 - By number of bites
 - Certain motion practice
 - Trial

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Portfolio Management

- For particular portfolios of matters track:
 - External spend
 - Settlement costs
 - Total resolution costs
 - Total time to resolve
 - Number of matters existing/ resolved (by sub-category, by geography)
 - Use of particular external resources
- Leads to:
 - Improved cost management
 - Improved efficiency
 - Improved vision for trend/issue analysis

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Portfolio Report

Portfolio Report - 2007 2008								
Business Unit	2007 Cases Resolved by Settlement, Mediation, Arbitration	2007 - Number of New Cases	2007 - Total Number of Settlements	2007 - Settlement Value (\$MM)	2007 - Average Cost of Settlement	2007 - Average Cost of Case Resolution	2007 - Balance Sheet	Open Matters as of 2007
Business Unit 1								
Business Unit 2								
Business Unit 3								
Business Unit 4								
Business Unit 5								
Business Unit 6								
Business Unit 7								
Business Unit 8								
Business Unit 9								
Business Unit 10								
Business Unit 11								
Business Unit 12								
Subtotal								

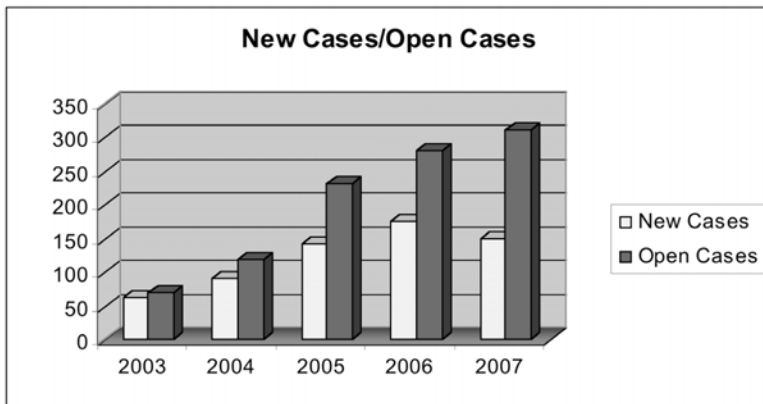
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Litigation Trends – Number of New Matters Per Year



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Other Uses . . .

- Use of ADR and cost savings associated therewith
- Spend on minority or women owned firms
- Risk identification

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Number of ADR Events	1Q 2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007
Type of ADR						
Arbitration						
Expert Determinations						
Mediation						
Pre-trial Settlement Conferences						
Court-Ordered						
Voluntary						
Percentage of Voluntary ADR's						
Cases Pre-Filed						
Cases With Stay Filed						
Percentage of Cases with Stay Filed						
Case Results						
Cases Resolved						
Cases Unresolved						
Resolution Rate						
Court-Ordered ADR's Resolved						
Court-Ordered ADR's Unresolved						
Resolution Rate for Court-Ordered ADR's						
Voluntary ADR's Resolved						
Voluntary ADR's Unresolved						
Resolution Rate for Voluntary ADR's						
Type of Cases						
Contract						
Environmental						
General Corporate						
Insurance/Reinsurance						
Intellectual Property						
Labor						
Real Estate						
Regulatory (non-environmental)						
Tort (general)						
Trust/Trustee						

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Type of Cases					
California					
District of Columbia					
Florida					
Illinois					
Indiana					
Iowa					
Michigan					
Minnesota					
Missouri					
Montana					
Nebraska					
New Jersey					
New York					
Ohio					
Oregon					
Texas					
Utah					
Virginia					
Washington					
Wisconsin					
Wyoming					
Corporate Leads					
Assigned Attorneys					
Financial Impact					
Average Cost					
Estimated Savings					
\$0 - \$10,000					
\$10,000 - \$25,000					
\$25,000 - \$50,000					
\$50,000 - \$100,000					
\$100,000 or greater					
Unknown					

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Litigation Management Metrics: Using Metrics to Demonstrate Value to the CFO

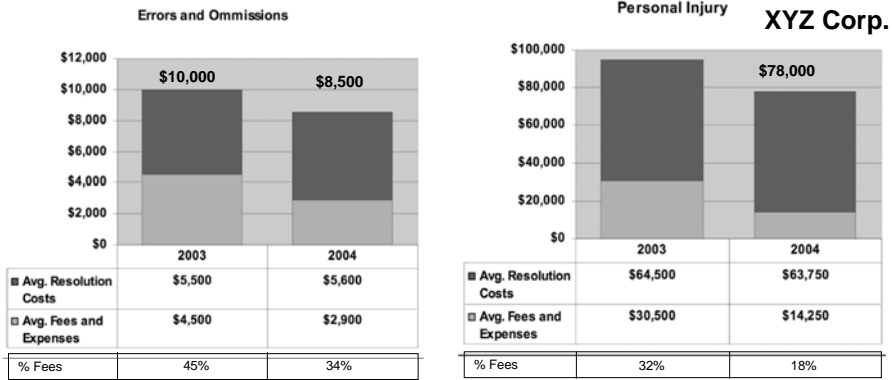
Henry Walker
Kilpatrick Stockton LLP

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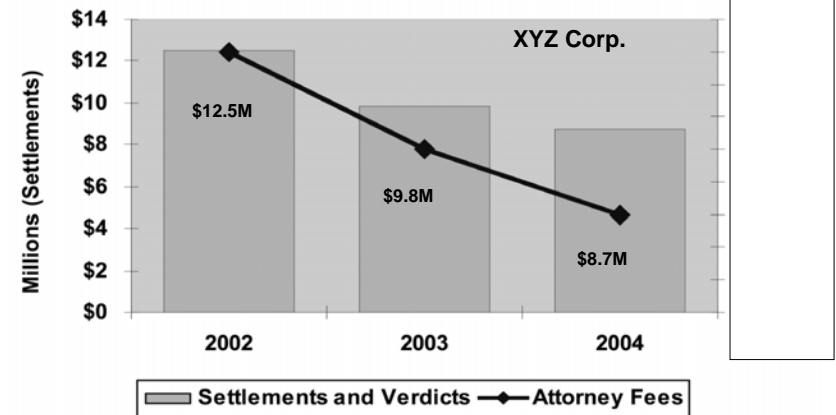
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Reduced Total Cost To Resolve By Case



Total Cost Resolution – Personal Injury



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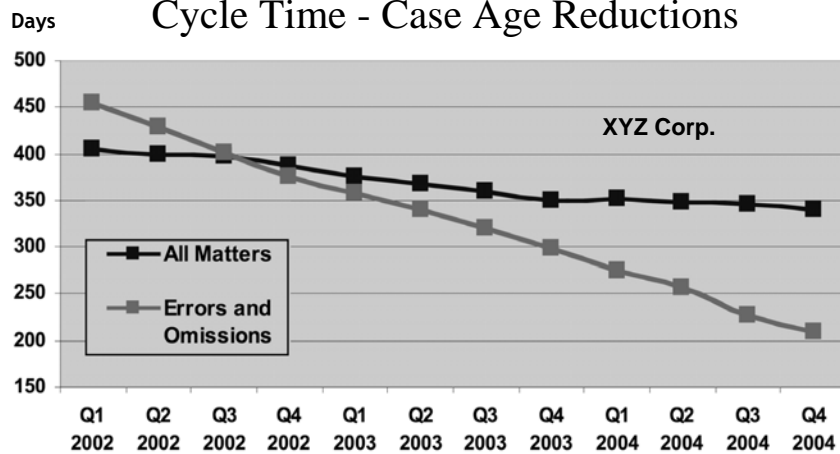
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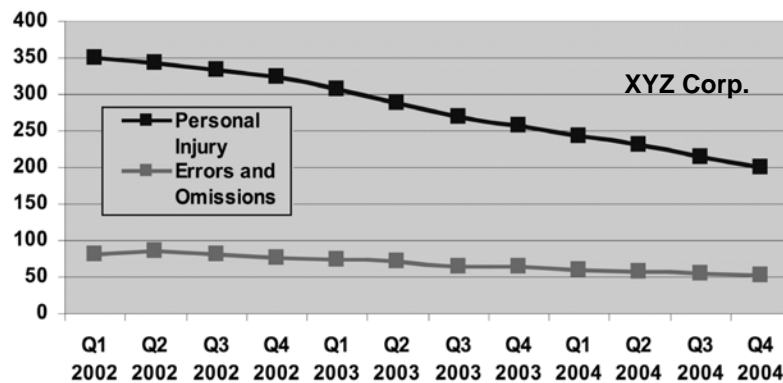
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Cycle Time - Case Age Reductions



Pending Suit Reduction



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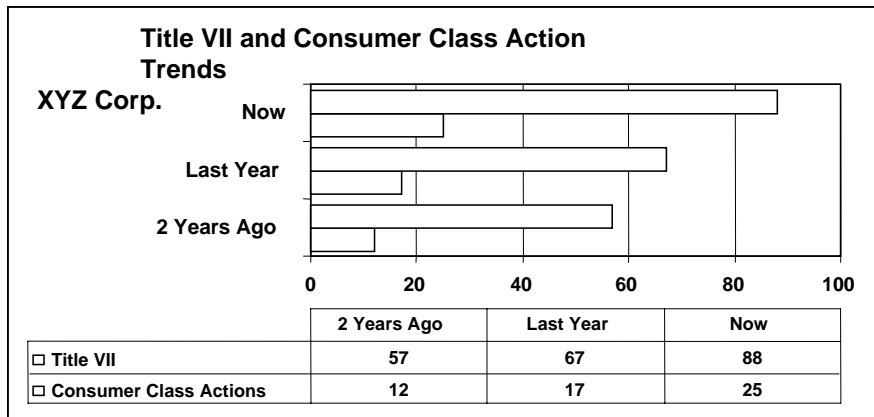
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Marked Increase in Selected Actions



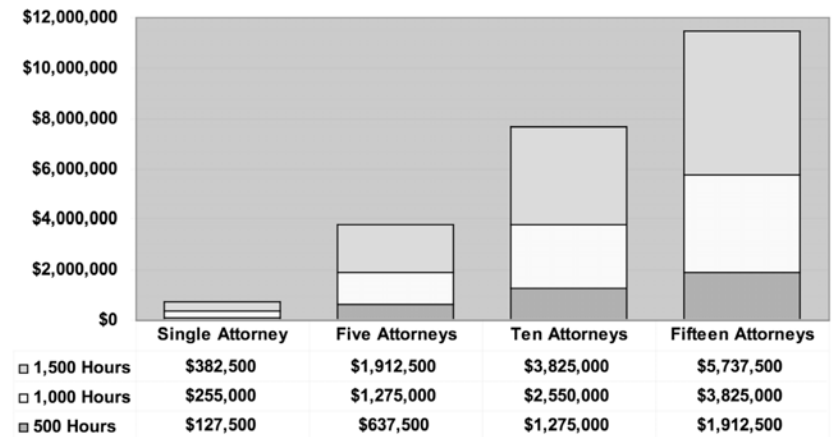
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Services by In-House Utilization Attorneys



*Based on In-house Loaded Rate of \$175 and Outside Counsel Average Partner Rate of \$430.

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Other Legal Departments - Benchmark Metrics

- Industry Peer Comparison - Total Number of Attorneys
- Industry Peer Comparison - Total Number of Attorneys Per \$1B Gross Revenues
- Number of Legal Department Attorneys Per 1,000 Employees
- Number of Legal Department Employees Per 1,000 Employees
- Total Legal Spend Per \$B in Gross Revenues
- Total Legal Spend Per 1,000 Employees
- Outside Counsel Spend Per \$B in Gross Revenues
- Outside Counsel Spend Per 1,000 Employees

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Using Metrics With Your Management Team

Brian Cadwallader

International Paper Company

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How We Use Spend and Data Analysis

- Where are you spending money?
- Areas that require focus
- Trends/root cause analysis
- Budget and staffing needs (make vs. buy)

How we present data to management

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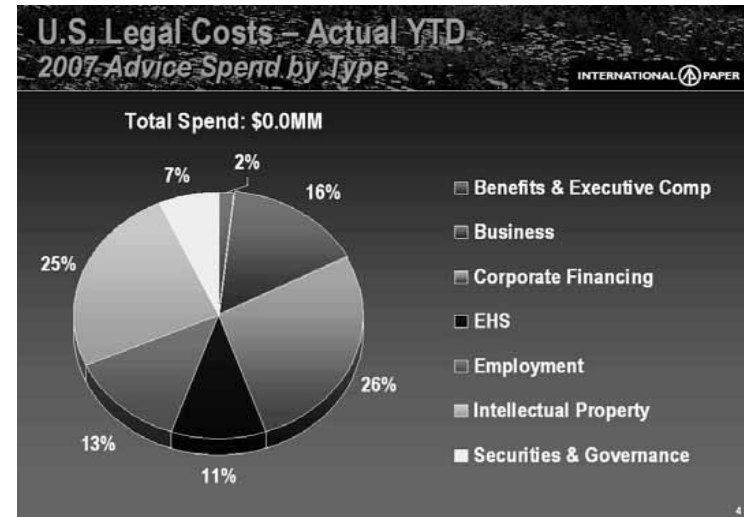
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Where are we spending money?



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What areas require focus?



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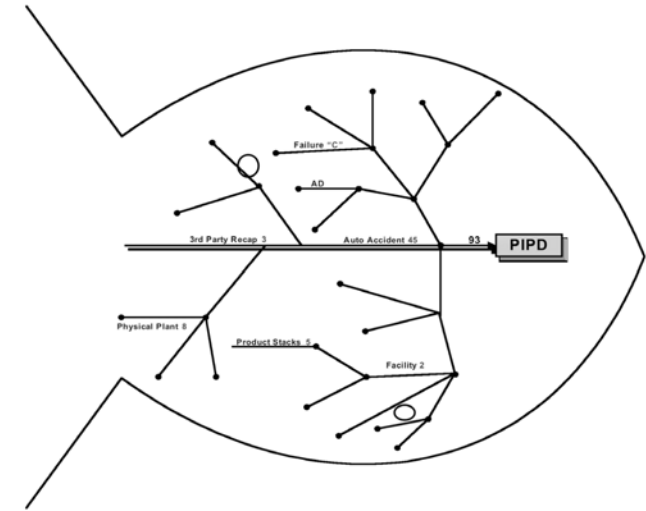
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What is Root Cause of the Trends?



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How do we Budget and Staff?

- Make vs. Buy. . .

What is make vs. buy?

- A conceptual framework that we use to explain to our clients the decision to use internal vs. external resources.



Some Basic Assumption include:

- An internal legal resource is almost always cheaper than an external resource.
- Optimal mix is approximately 40/60 or 50/50; external vs. internal.
- Make what you do repeatedly; buy one off skills.
- Internal resources tend to be more aligned with the clients interests.

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2007 Make vs. Buy Analysis – 3:1 Ratio

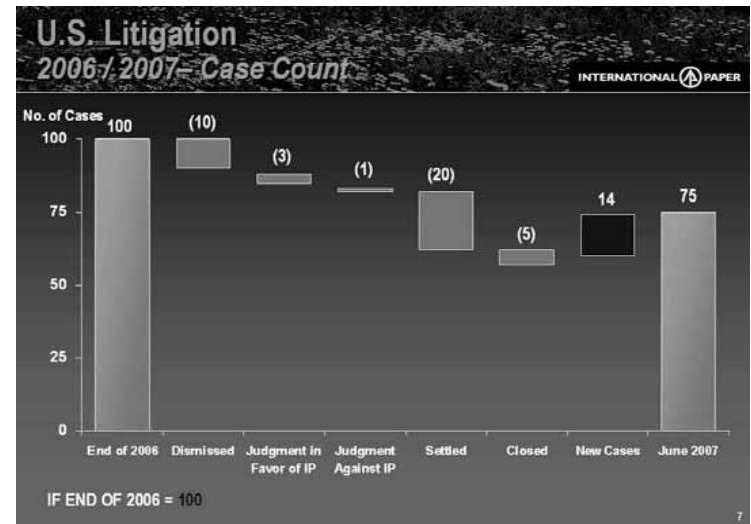
INTERNATIONAL PAPER

	# of Lawyers	Internal Costs*	Cost / Lawyer / Yr. Avg.	Cost / Hr.**
Make ≈ \$00MM				
U.S.	46	\$00.0MM	\$000,000	\$000
Europe	8	0.0	000,000	000
Asia	2	0.0	000,000	000
Brazil	6	0.0	000,000	00
Total/Ave	62	\$00.0MM	\$000,000	\$000
Buy ≈ \$00MM				
◆ Hire 000,000 billable hours from law firms @ \$500/hr.				
– Plus charges for paralegals, support costs, copies, etc.				

*Internal Costs—fully loaded, includes salaries, benefits & bonuses for all lawyers, paralegals, admin. assistants, plus all office costs
** Assumes average of 2,000 hours per year

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