



504 Leading Edge Processes for Selection of Outside Counsel

Eric L. Abbott

Associate General Counsel & Director of Intellectual Property Management
Progressive Gaming International Corporation

Bradley Block

Managing Counsel, Litigation
McDonald's Corporation

Michael R. Booden

Senior Attorney
Recon/Optical, Inc.

Mark F. Leopold

Deputy General Counsel-Litigation, Employment and Antitrust
HSBC--North America

Faculty Biographies

Eric L. Abbott

Eric L. Abbott is the associate general counsel and director of intellectual property management for Progressive Gaming International Corporation (PGIC) in Las Vegas. His responsibilities include managing worldwide litigation and managing worldwide intellectual property strategies.

Prior to joining PGIC, Mr. Abbott worked primarily as a litigator for several law firms in Las Vegas. Mr. Abbott has had experience handling a wide variety of litigation including: construction defect, medical malpractice, insurance bad faith, personal injury, collections, and intellectual property.

Mr. Abbott received a B.S. from Lafayette College and is a graduate of Capital University Law School.

Bradley Block
Managing Counsel, Litigation
McDonald's Corporation

Michael R. Booden

Michael R. Booden is the senior attorney at Recon/Optical, Inc., a global leader in the design, development and production of reconnaissance cameras and stabilized, remotely controlled weapon systems. He previously served as a trial lawyer with the United States Postal Service where he concentrated in labor relations and employment-related litigation. Prior to joining the Postal Service, he was the senior associate general counsel with the ABA.

Mr. Booden has served as either first or second chair in over thirty trials in state and federal courts and before administrative judges. Upon graduating from law school, Mr. Booden served as a judicial clerk to the late John J. Stamos, who formerly served on the Illinois Appellate Court and Illinois Supreme Court.

Mr. Booden previously served as president of ACC's Chicago Chapter and currently serves on the BOD. He is a member of ACC's executive committee of the national litigation committee of and a past chairperson of this committee. Mr. Booden served for many years as chair of the corporate law departments committee of the Chicago Bar Association.

Mr. Booden received his B.S. from Northern Illinois University and his J.D. from The John Marshall Law School.

Mark F. Leopold
Deputy General Counsel-Litigation, Employment and Antitrust
HSBC--North America

Purpose and goals of presentation

- Factors to consider in deciding to retain outside counsel
- Asking the right questions, getting the right answers
- Formalizing the relationship
- Evaluating the results

There are three main factors in considering whether to retain outside counsel

- Geography
- Need for specialized expertise
- Staff resources

How do you institute a deliberate process for making a determination of whether and how to select outside counsel?

Initial Complaint Evaluation

- Make sure you know when your responsive pleading is due
- Is the complaint barred?
 - Previous settlement
 - Member of a previous class
 - Have they named the wrong defendant?
 - Service proper?

Do you need to hire outside counsel?

- If one of the above-mentioned factors applies, perhaps a phone call to plaintiff's counsel will be the impetus leading him or her to dismiss the complaint
- Can you or a paralegal negotiate a resolution without outside counsel intervention? (Make sure you protect response date if the discussions are protracted in this context.)

Do you need to hire outside counsel? – cont'd.

-
- Small claim where a member of the bar isn't required to represent defendant?
- Administrative agency filing that would allow a business person or in-house attorney to appear?
- Insured and carrier has right of selection?

Previous Counsel Relationships

- Right jurisdiction?
- If good relationship:
 - Did the lawyer understand what inside counsel wanted; as conveyed by inside counsel, what the client needed? Did he or she understand the client's litigation strategy? Were communications satisfactory?
 - Does this lawyer have the proper skill set for this case? (which we shall discuss below)

Previous Counsel relationships- cont'd

- If good relationship:
 - Assuming yes to the foregoing, past counsel brings:
 - ❖ Knowledge of the client and the inside legal team—don't have to pay for education;
 - ❖ Established billing rates and related requirements — including systems
 - ❖ Conflicts waivers
 - Despite the foregoing, do you want to try another lawyer on this matter for some other reason?

New Relationship

- Criteria to consider:
 - Jurisdiction
 - Experience
 - Knowledge of underlying substantive legal area
 - Knowledge of judge
 - Knowledge of plaintiff's counsel
 - Reputation of firm and principal attorney
 - "Staffing"

New Relationship – cont'd.

- How find?
 - Internal referrals (colleagues dealt with previously)
 - Current outside counsel
 - ❖ Same location, but different specialty area
 - ❖ Different location
 - ❖ Same firm, different offices
 - Counterpart in-house counsel
 - "E-mail search"
 - Seminar speakers
 - Martindale Hubbell or other directories

New Relationship – cont'd.

- Talk to several candidates whenever you have that option
- Face-to-face verses telephone interviews
 - Cost
 - Interface with clients
 - Prospective length of relationship
- Level playing field
 - Share same information
 - Standard questions
 - Don't prejudge

New Relationship – cont'd.

- What resonates with you?
 - Criteria mentioned above
 - Are you hiring a "name" and, if so, is the "name" going to do the work?
 - Is there backup? Do you need it?
 - "Hit it off"

New Relationship – cont'd.

- Other factors:
 - Reduce number of firms—if so, branch office of existing relationship
 - Potential customer?
 - Close relationship to competitor despite no conflict?
 - Diversity
 - Pro bono

Formal Establishment of the Relationship

- Documentation required-Not just “no first class airfare”
 - E-billing?
 - Written reports?
 - Use of your outside vendors
 - ❖ Copying
 - ❖ Court reporters
 - ❖ Settlement administrators
- Communicate
 - Do so on informal basis
 - Don't delay
 - Be candid whenever possible

Requests for Proposals

- Often used when a company seeks outside counsel to handle a large number of matters
- The process requires written responses from eligible firms to specific written criteria by the corporate buyer

Requests of Proposals – cont.

- The written responses address the issues raised in our presentation, e.g. expertise, hourly rates, timekeeping practices, etc.
- Because of the expense and effort required to design the RFP, respond to it, and evaluate the responses, RFPs should generally not be used unless a substantial amount of legal work or a large number of repetitive cases is involved

Beauty Contests and Presentations

- Are frequently employed in connection with RFPs and give in-house counsel a chance to ask questions on a more informal basis and to negotiate potentially more favorable terms and conditions, e.g., hourly billing rates, explore alternative billing arrangements and to discuss staffing issues

Requests for Qualifications

- These are similar to RFPs in format and design but are used to establish a list of pre-approved counsel in a specific geographic area or in a particular specialized field of expertise
- The biggest disadvantage of these pre-approved lists is that they often become very dated and therefore must be updated every six to twelve months in order to keep the information current

Selection of Outside Counsel by Insurance Companies

- Depending on the language of your insurance policy and whether you have a self-insurance retainer, or deductible, you may have limited or no choice in who represents you
- Even if the insurer has the right to choose the law firm, you may be able to advise it which firm you want to represent you from the group of approved counsel

Selection of Outside Counsel by Insurance Companies – cont.

- If your policy is “experienced rated” the amount of the judgment and counsel fees may be added to your premium the following year
- The law firm designated by the insurer may have done substantial work for the insured and have divided loyalties
- If the insurer has reserved its rights with respect to coverage issues, you must be careful that retained counsel does not allow the facts to develop in a way that provides a basis for denial of insurance coverage

Selection of Outside Counsel by Insurance Companies – cont.

- At a minimum, you should seek to have the retained law firm directly communicate to you at all stages of the litigation
- This level of communication can be particularly important to make sure the law firm does not reject a reasonable settlement offer within the policy limits only to obtain a verdict far in excess of those limits

Selection of Outside Counsel by Insurance Companies – cont.

- Check all of your insurance policies to determine whether you or the insurer has the right to pick outside counsel
- If the policy does not allow to pick outside counsel, try to negotiate that provision upon renewal of the policy
- At the very least, you should be able to choose which of their approved counsel will represent you

Engagement Letters

- Before retention begins, the corporation should issue an engagement letter that sets forth the terms of the agreement with respect to at least three matters:
 - Who from the law firm will be responsible for the work,
 - What are the billing arrangements and rates to be applied, and
 - What are the nature and extent of the services to be provided

Engagement Letters – cont.

- If the corporation anticipates that a particular lawyer will have principal responsibility for the matter, he or she should be identified in the engagement letter and that the parties have agreed that there will be no change without the corporation's approval
- If it was necessary for conflicts to be waived in order to retain the selected firm, the terms of that waiver should be set forth explicitly in the engagement letter

Engagement Letters – cont.

- Likewise, the engagement letter is the perfect place to include a corporate law department's policy positions and rules concerning how various kinds of litigation are handled, reporting requirements, procedures for submission of invoices, what expenses will be reimbursed, etc.
- Any other special matters such as the role of in-house counsel in discovery, approval of pleadings, coordination with other outside counsel or public relations consultants can be addressed

Billing Guidelines

- As noted previously, the engagement letter should include the agreed-upon billing arrangements
- Many corporations have specific billing guidelines which may be incorporated into the engagement letter
- Such billing guidelines may include provisions prohibiting block billing, specificity in the content of billing entries, measurements of time (e.g., tenths v. quarterly hours basis) and prohibitions against recording the amount and/or types of charges (e.g. secretarial overtime, copying and faxing, etc.)

Evaluation

- The performance of outside counsel can be reviewed on a case-by-case basis or at regular intervals, e.g., a year end review
- The criteria to consider includes, but is not limited to:
 - Legal knowledge, skill, effort and results
 - Matter/case management and administration
 - Use of systems, process and technology
 - Compliance with set goals (including diversity and pro-bono) and procedures, and
 - Teamwork

Billing Guidelines

1. **No block billing.** Every legal task must be billed separately. Legal tasks meaning the following: drafting letters/pleadings/motions/discovery etc.; telephone calls; research; and review of incoming documents/pleadings/motions/letters etc.

The following is an example of block billing:

Telephone conference with John Doe regarding outstanding discovery; Draft Motion to Compel Plaintiff's Answers to Interrogatories; Review Plaintiff's fifth supplemental production of documents. Total Time: 8 Hours

Here is an example of how the entry should look:

Telephone conference with John Doe regarding outstanding discovery (.4); Draft Motion to Compel Plaintiff's Answers to Interrogatories (3.6); Review Plaintiff's fifth supplemental production of documents (4.0). Total Time: 8 Hours

2. **Research of more than one hour.** We want to know the issue or issues being researched in one or two sentences. For example, on a Federal Court venue issue: research regarding transfer of venue under s. 1404.
3. **Identify who you are communicating with.** For example: telephone conference with John Doe.
4. **Do not inflate the time on the bills.** We are not asking you to use a stopwatch. As an example, rounding up to four hours when the work takes 3.2 hours is not acceptable. Rounding up everything to an hour is also not acceptable.
5. **Identify the billing employee's title.** We want to know whether the person is an associate, partner, law clerk or paralegal. This can be done on a cover sheet.
6. **Efficiency:** One person can research and write the same motion. We have seen firms who have one person research, another person writes, and another person does factual investigations. Obviously, having a partner review the motion and make corrections for content makes sense. However, we do not want to pay for two people to draft and review perfunctory documents like: notices of depositions, subpoenas, discovery requests, letters etc. The way that we look at it is that if a partner cannot trust their associates to draft something simple, then there is a problem.
7. **No ghost dad.** This means that we want to see the name of the person actually doing the work on the bill. Also, if associate X needs something, then we do not want a letter from

partner Y. Associate X should contact us directly.

8. **All billable tasks must require legal acumen.** Paralegals are a valuable resource in litigation cases. However, too often law firms like to have secretarial work or filing classified as paralegal work. Typing, filing (whether or electronic or otherwise), copying, labeling, mailing, taking documents from a file and mailing them to somebody are all tasks which do not require legal acumen and are not billable.
9. **Telephone calls.** Law firms like to bill for long distance calls. We will not pay more than fifteen cents a minute which allows for the most egregious cell phone Company. If the per minute rate is not on the bill, then we will cut all telephone charges. If you cannot find telephone service at this rate, then please explain.
10. **Cover letters for pleadings sent to the Company.** Any pleadings sent to us by mail or e-mail do not need a cover letter. We know what they are. Cover letters are a billing exercise.
11. **Copy charges.** We will pay no more than fifteen cents a page for copies. If the actual law firm cost is higher, then please explain. If the rate is not on the bill, then we will cut the copy charges.
12. **Ten Hour Rule:** If any motion opposition or reply brief will take more than ten hours to research and write, then you need pre-approval from the managing in house counsel . Most routine motions that use form legal research that is just shepardized should not take more than ten hours. During the pre-approval process, the managing in house counsel MUST be notified that the work will take more than 10 hours.
13. **No Reinventing the Wheel:** Our counsel are expected to have some legal forms for their motion work. This means that motions regarding reoccurring issues like personal jurisdiction, summary judgment, venue etc. should be based on some legal forms. We will not pay for a re-analysis of the International Shoe case on a personal jurisdiction issue.

The following document may be use to evaluate performance by outside counsel.

PERFORMANCE EVALUATION WITH OUTSIDE COUNSEL

FIRM: _____ DATE: _____

Coordinating or Lead Partner: _____

Number of Matters Currently Being Handled: _____

Number of Firm Attorneys Handling Matters: _____

PERFORMANCE CRITERIA

1. Legal Knowledge/Skill/Effort Results (Overall)

	This Evaluation	Last Evaluation
Results		
Legal knowledge/expertise		
Quality of service/advice/counsel		
Professionalism		

2. Matter/Case Management and Administration (Overall)

	This Evaluation	Last Evaluation
Efficient staffing of cases		
Cost consciousness and control; working within budget		
Cooperation with other legal services providers		
Organization and planning		
Timeliness of work product		

3. Use of Systems, Process and Technology

	This Evaluation	Last Evaluation
Timely and detailed case plans and budgets		
Timely and Detailed invoices		
Uses of e-mail for communication		
Sensitivity to cost issues – expenditures, experts, travel, lodging, service providers		

4. Compliance with Set Goals and Procedures (Overall)

	This Evaluation	Last Evaluation
Timely delivery of documents		
Timely delivery of legal research studies and memoranda		
Securing approval when appropriate or required		
Prompt notice of significant changes or events		

5. Teamwork (Overall)

	This Evaluation	Last Evaluation
With other outside counsel		
With client's in-house counsel		
With other legal service providers		
With outside counsel		

6. Cost Consciousness and Control (Overall)

	This Evaluation	Last Evaluation
Understanding client position re legal expenses		
Willingness to consider the/use alternative billing arrangements, rate discounts and freezes		
Performance re budget and plans		

A, B & C
 200 North LaSalle Street, Suite 500
 Chicago, IL 60610

Re: Request for Qualifications

Dear Named Partner:

From time to time, Recon/Optical, Inc. ("Recon") requires the services of outside counsel to represent it in intellectual property litigation. In preparation of the assignment of necessary matters to outside counsel, we wish to pre-qualify one or more attorneys with expertise in this area.

This letter is a Request for Qualifications (RFQ). We will use the responses to this RFQ to evaluate attorneys on both objective and subjective bases and then intend to develop a short list of attorneys to participate in oral discussions with our General Counsel and senior members of the Law Department. Your strict adherence to the ground rules included in this RFQ will be appreciated *and will be an important evaluation criterion.*

1. *Publicity.* There is to be no publicity about this RFQ or the underlying evaluation process. Moreover, if you practice with a firm, no one should be informed of this RFQ or the evaluation process except those with a "need to know" so that you may respond to it. Finally, even people in your firm with a need to know should be cautioned to strictly abide by the requirements of this paragraph of the RFQ.
2. *Recon Contacts.* For further information regarding this RFQ your primary contact at Recon is Michael R. Booden, Senior Attorney, 847/381-2400, x2510. In Mr. Booden's absence, you should call Ron Polasek, General Counsel, 847/xxx-xxx.
3. *No Obligation.* This letter is a request for information only. Recon reserves the right to engage outside counsel or not to engage counsel on any basis that it sees fit. Attorneys and firms engaged may be terminated for any or no reason in the absolute discretion of Recon. Attorneys and/or firms receiving or responding to this RFQ shall bear all costs of responding and Recon shall be under no obligation, financial or otherwise, to them.
4. *Responses Due.* You are requested to submit your written responses to this RFQ no later than 5 PM on June 4, 2007, by facsimile, mail or e-mail (michael.booden@reconoptical.com).

5. *Responses Submitted.* Responses to this RFQ should be in written form only. Responses should be "stand-alone"—that is, they should be complete and self-contained and *not* require reference to other documents or sources in order to be complete. Responses should mirror, to the greatest extent possible, the format and requirements of the RFQ and should *not* include elaborate or unnecessarily lengthy material.

6. *Qualifications to Submit.*

a. *Experience.* Describe the nature of your practice and your experience in intellectual property litigation. If you practice with a firm, describe your firm's history, culture, management structure, specialty areas and unique qualifications. In particular, describe your firm's experience in litigating intellectual property matters. Your description must be limited to matters on which current firm members and associates worked. As to each of these matters, please list the firm members and associates who worked on them. Please describe the track record, court, jury trial and appellate experience of yourself and these individuals, with particular detail regarding those key attorneys whom you anticipate being involved in matters on behalf of Recon.

b. *Resumes.* We request your resume, and if you practice with a firm, the resumes of your key attorneys and other firm employees who you would anticipate being involved in Recon's intellectual property litigation. Each resume should be limited to one page and should include only that experience and those qualifications relevant to the subject matter of this RFQ.

c. *Hourly Rates.* For all persons whose resumes are submitted, please include lists of their current hourly billing rates.

d. *Administrative Processes:* Describe your practice in timekeeping on an hourly basis (e.g. minimum charge, segments of time billed--tenths of an hour or one quarter of an hour), notification of changes in billing rates, net terms of bills issued, etc.

e. *Other Fee Bases.* Please state whether you or your firm accepts engagements on bases other than hourly and if so, briefly describe each of them. In addition, please describe your recent experience with fee bases other than hourly.

f. *Other Charges.* Please list and give current rates for charges other than those based on time billed to clients on litigation matters, e.g. facsimiles, copying, court filing charges, computer research, secretarial overtime and word processing.

g. *References.* Please include the name, title, address and phone number of at least three (3) client references. References should be limited to clients who have retained you or your firm to represent them in intellectual property litigation.

h. *Conflicts of Interest.* To the extent they can be foreseen from the information in this RFQ, please indicate any actual or potential conflicts of interest that might arise from you and/or your firm's representation of Recon in one or more of the matters listed.

i. *Firm Contacts.* Please include in your submission to Recon the names, title and phone numbers of the primary *and* backup contacts in your firm for the purposes of this RFQ and evaluation.

7. *Questions.* If you have any questions about this RFQ or how to respond to it, please call or write me. If your question illuminates a significant deficiency in the RFQ, our response to it will be sent to all attorneys receiving the RFQ.

Sincerely,

Michael R. Booden

C: Ron Polasek