



305 Roundtable: Ask the Audience—Law Department FAQs

Carol Creel
Vice President & General Counsel
MSX International, Inc.

James R. Hilton
Associate General Counsel
Johnson & Johnson

Faculty Biographies

Carol Creel

Carol Creel is the vice president and general counsel of MSX International, Inc., a provider of collaborative technical and business services with locations in 27 countries.

Before joining MSX International, Ms. Creel worked in-house at Masco Corporation, specializing in mergers and acquisitions, corporate and securities law, and general commercial matters. Previously, she had served as a law clerk to the Honorable Ralph B. Guy, Jr. in the United States Court of Appeals for the Sixth Circuit.

Ms. Creel is a graduate of the University of Michigan and Detroit College of Law at Michigan State University.

James R. Hilton

James R. Hilton is associate general counsel of Johnson & Johnson with responsibility in the law department of Johnson & Johnson's business transactions including acquisitions and other business development activities, but excluding intellectual property licensing.

Prior to joining Johnson & Johnson, Mr. Hilton was an associate for six years with Kelley Drye & Warren in New York.

Mr. Hilton is a graduate of Oberlin College and the University of Michigan Law School.

Law Department Budgets

Excerpted from ACCA Census of In-house Counsel
December 2001
(Over 900 respondents)

Industry Categories

Manufacturing claims the largest percentage of in-house attorneys (27.0%), followed by Finance and Insurance (19.3%). The next three combined, Information (7.5%), Professional, Scientific and Technical (6.8%), and Utilities (6.3%), account for about one-fifth of the in-house attorneys. Each of the remaining categories were cited as the primary industry by fewer than six percent of respondents

Average:

Respondents indicate that the legal budget for their entire corporation the Calendar Year 2001 is \$1.96 million. This figure includes personnel, operative, administrative, occupancy expenses and outside counsel fees. Of this, \$400,000 is spent on outside counsel. An additional \$490,000 is spent on litigation.

Manufacturing:

Respondents indicate that the legal budget for their entire corporation the Calendar Year 2001 is \$1.81 million. This figure includes personnel, operative, administrative, occupancy expenses and outside counsel fees. Of this, \$390,000 is spent on outside counsel. An additional \$630,000 is spent on litigation.

Finance and Insurance

Respondents indicate that the legal budget for their entire corporation in the Calendar Year 2001 is \$2.12 million. This figure includes personnel, operative, administrative, occupancy expenses and outside counsel fees. Of this, \$420,000 is spent on outside counsel. An additional \$430,000 is spent on litigation.

Professional, scientific, and technical services

Respondents indicate that the legal budget for their entire corporation the Calendar Year 2001 is \$2.69 million. This figure includes personnel, operative, administrative, occupancy expenses and outside counsel fees. Of this, \$440,000 is spent on outside counsel. An additional \$540,000 is spent on litigation.

Information

Respondents indicate that the legal budget for their entire corporation the Calendar Year 2001 is \$1.35 million. This figure includes personnel, operative, administrative, occupancy expenses and outside counsel fees. Of this, \$360,000 is spent on outside counsel. An additional \$370,000 is spent on litigation.

Retail trade

Respondents indicate that the legal budget for their entire corporation the Calendar Year 2001 is \$2.06 million. This figure includes personnel, operative, administrative, occupancy expenses

and outside counsel fees. Of this, \$330,000 is spent on outside counsel. An additional \$960,000 is spent on litigation.

Industry	Total Legal budget	Amount Spent on Outside Counsel	Amount Spent on Litigation
<i>Average</i>	<i>\$1.96 million</i>	<i>\$400,000</i>	<i>\$490,000</i>
Manufacturing	\$1.81 million	\$390,000	\$630,000
Finance and Insurance	\$2.12 million	\$420,000	\$430,000
Professional, scientific, and technical services	\$2.69 million	\$440,000	\$540,000
Information	\$1.35 million	\$360,000	\$370,000
Retail trade	\$2.06 million	\$330,000	\$960,000

Excerpted from: ACCA Census of In-house Counsel 2001

Technology Tools

A. The Essentials

Many small law departments need to begin with identifying and securing the bare essential technology tools. Each corporation's Information Technology department will differ in its involvement and assistance in securing these tools. We recommend contacting them directly in advance to purchasing any of these products.

Tool	Comment
Personal computer & monitor	Many lawyers now prefer laptop computers to standard desktop units. The corporate law department should specify the particular brand and configuration. Most lawyers now use a 17" monitor to reduce eyestrain.
Printers	Four to five law department employees can share a standard laser printer.
Network Server	All law department members should be networked so that all electronic work product is stored on a centralized server for backup. Some law departments prefer to maintain their own Network server for security purposes.
Scanner	Good low cost scanners can now be purchased for under \$250. They are excellent for capturing articles and research in a digital format.
Internet connection	All lawyers should have access to browse the internet. Reasonable internet access speed begins at 28.8k, however most corporations will have much faster access.
Word Processing	Most corporations have standardized on Microsoft Word. Many law firms have converted from WordPerfect to Word. The law department should install the word processing package that is used by their corporation which 99% of the time will be Microsoft Word.
GroupWare / Electronic mail / Calendar	Most corporations will either be running Lotus Notes or Microsoft Outlook. The law department should install whatever is consistent with their corporate clients.
Spreadsheet	Small law departments can use spreadsheets for a variety of purposes. (Tracking outside counsel fees and costs, tracking types of matter handled by the department) Microsoft Excel is the most popular

Tool	Comment
	spreadsheet program.
Presentation	Many lawyers need to present seminars, compliance programs and legal strategies to large groups of people. Microsoft PowerPoint is easy to use and commonly found in corporate settings.
Adobe Acrobat Viewer	Downloadable for free at www.adobe.com . Law firms and law departments commonly use Adobe Acrobat as an effective means to distribute documents they do not want changed by the recipient.

B. A wish list

Beyond those basic technology tools law departments may want to consider more advanced products. The benefit of each will vary from department to department based on the volume of legal work handled, type of matters, usage of outside counsel and nature of industry the law department is serving.

Tool	Comment
Matter Management	Wide range in sophistication and price. Benefits are discussed in detail in subsequent sections of this Primer.
Corporate Secretary	Excellent products to track subsidiaries and changes in Board of Director members. Take a close look at Secretariat from Bridgeway Software www.bridgeway.com .
Document Management	Excellent products at organizing and tracking internally created work product. Often use to organize form banks for standardized agreements. Three products to consider; iManage www.imanage.com , PC Docs www.hummingbird.com , and WorldDox www.worlddox.com .
Contract Management	Every law department manages and reviews hundreds of contracts every year. Contract management can assist in tracking basic information about each contract including special terms and conditions agreed to. Consider ARM's product Contract Tickler www.contracttickler.com and MyContracts.com a fully outsourced alternative www.mycontracts.com .

Tool	Comment
Compliance Training	Compliance training is often identified by General Counsel as an issue that "keeps them awake at night". Intranet based compliance programs are now available. One of the best is from Legal Research Network (LRN) at www.lrn.com .
Law department Intranet site	Many law departments have developed sites on the corporate intranet to post answers to commonly asked questions. The versatility of an intranet site is endless and therefore only limited by time and dollars.
Entity and Ownership Tracking	Central repository for tracking corporate entity and ownership information. Two Step software's product Corporate Focus should be evaluated www.twostep.com .
Litigation Support	For small law departments that handle litigation internally and considering a rock solid "cost effect" solution to litigation support. Look closely at Summation www.summation.com .
Patent Management	Protecting intellectual property is essential to any business. Patent management systems are expensive to bring in-house. The two leading vendors are Computer Packages, Inc. and Master Data Center.

SPECIAL REPORT: THE VIEW FROM THE TOP

CEOs Give Their In-house Counsel an "Excellent" Report Card

Many senior executives at American corporations expect far more of their in-house counsel than of outside counsel and, in general, these expectations are well met, according to a new survey* of CEOs and other corporate executives.

The survey was conducted by the American Corporate Counsel Association (ACCA), the largest national bar association comprised solely of attorneys who practice in the legal departments of corporations and other private sector organizations, and sponsored by Spherion, one of the nation's leading providers of legal support services. The study sought the opinions of CEOs and other senior executives, such as COOs and CFOs, and focused on two broad categories of performance:

- (1) the roles that both in-house and outside counsel are expected to play, and
- (2) the characteristics respondents expect each to exhibit.

The findings rank the importance of these roles and provide insight about how well in-house and outside counsel measure up.

Although nearly nine out of ten respondents use outside counsel, they are much more likely to rate the overall performance of in-house counsel as "excellent." Nearly 70 percent rated the overall performance of their in-house counsel as "excellent"; 96 percent rated their performance as "excellent" or "very good." These ratings surpass the ratings for overall performance of outside counsel by a wide margin. Only 15 percent rated outside counsel's perfor-

mance as "excellent"; 79 percent rated it as "excellent" or "very good." Outside counsel earned the lowest performance levels (in other words, the lowest percentage of respondents who rated them as "excellent" or "very good") on these characteristics: focusing on cost/benefits (40 percent), focusing on prevention (43 percent), and understanding company business (49 percent).

Why an In-house Law Department?

Respondents were asked to identify statements that describe why they have an in-house legal department. The top responses were "In-house counsel understands the business . . . better than outside counsel" (93 percent) and "In-house counsel can participate in the strategic and business planning for the company better than outside counsel" (89 percent). Interestingly, only 60 percent of respondents answered, "It's cheaper to have in-house counsel."

WHY AN IN-HOUSE LAW DEPARTMENT?

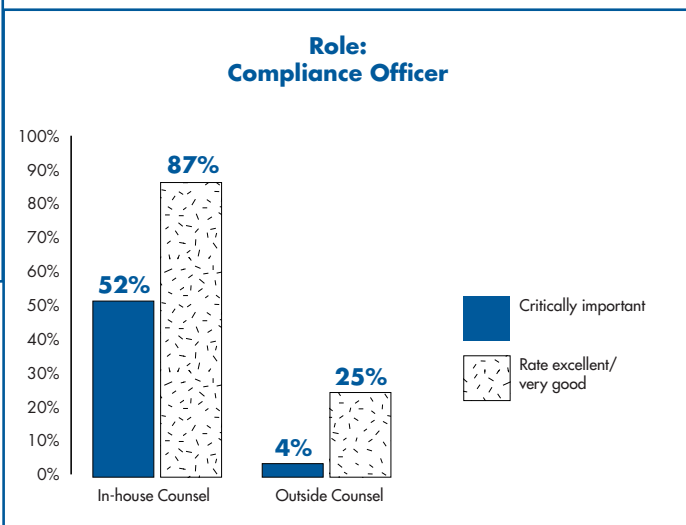
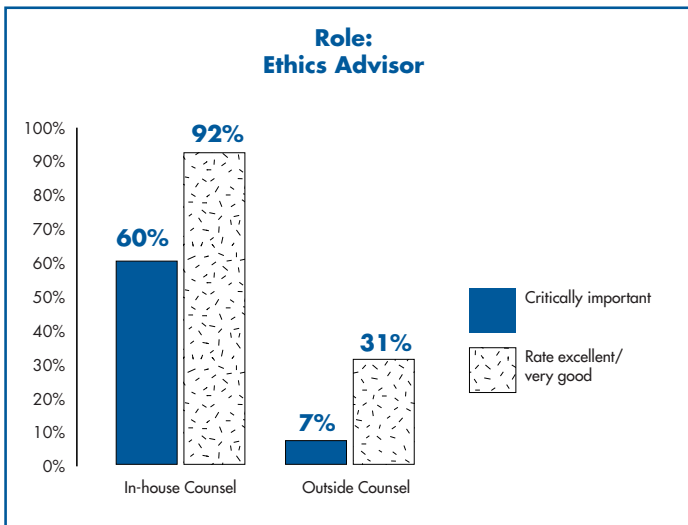
Reason	Responses
Understands the company better93%
Participates in strategic/business planning89%
Best to manage outside counsel81%
Better relationship with respondent79%
Cheaper60%
Provides better service60%
Costs are easier to control54%
Trust in-house counsel more37%
Knows relevant law better16%

**based on a 10 percent response rate
Source for data: "In-house Counsel for the 21st Century," The Work Institute, LLC, Brentwood, TN.*

Important Roles

Respondents were also asked to indicate how important it is for in-house and outside counsel to perform certain roles and to rank how well each performed these roles. Two interesting findings emerged from this exercise: (1) respondents ranked the importance of the roles for both in-house and outside counsel in the identical order; (2) respondents have significantly higher expectations of their in-house counsel. In performance ratings of either "excellent" or "very good," both in-house and outside counsel exceed top management's expectations in their performance of each role. Nonetheless, in-house counsel earned significantly higher performance ratings than outside counsel in every instance.

IMPORTANT ROLES		In-house Counsel		Outside Counsel	
		CRITICALLY IMPORTANT	PERFORMANCE EXCELLENT/VERY GOOD	CRITICALLY IMPORTANT	PERFORMANCE EXCELLENT/VERY GOOD
RANK	ROLE				
1	Educator re legal issues	61%	85%	19%	60%
2	Ethics advisor	0%	92%	7%	31%
3	Sounding board/confidant (CEOs)	1%	91%	14%	50%
4	Compliance officer	52%	87%	4%	25%
5	Sounding board/confidant (sr. execs.)	40%	81%	7%	38%
6	Business/contract negotiator	39%	88%	5%	47%
7	Member of strategic planning team	37%	75%	7%	21%
8	Human resources advisor	36%	77%	3%	36%
9	Sounding board/confidant (board)	25%	71%	6%	32%
10	Risk manager	23%	74%	1%	28%
11	Mediator/conflict resolution expert	16%	67%	4%	36%



Respondents were also asked to indicate how important it is for in-house and outside counsel to possess certain characteristics and to rank how well each exhibited these characteristics. Respondents ranked the list of characteristics in identical order of importance for both in-house and outside counsel, and both groups earned high performance ratings, though in-house counsel scored slightly higher overall. Notably, the level of satisfaction with outside counsel dipped significantly on the important characteristics of "Providing accurate feedback" and "Responding in a timely manner."

General Counsel Status/Department Growth

General counsel report to the company CEO in nearly three-quarters of the reporting companies. COOs, executive vice presidents, and CFOs manage general counsel in approximately 20 percent of the reporting companies.

Virtually every respondent indicated that general counsel are considered to be among the top executives in their organizations; over 90 percent placed them among the top 10 executives.

Queried about future growth of their legal departments, most respondents (59 percent) foresaw flat growth, although 36 percent anticipated their legal departments getting larger. Only 2 percent predicted a downsizing.

For more information, see the executive summary online at www.acca.com/Surveys/CEO. 📄

RANK	CHARACTERISTIC	In-house Counsel		Outside Counsel	
		CRITICALLY IMPORTANT	PERFORMANCE EXCELLENT/VERY GOOD	CRITICALLY IMPORTANT	PERFORMANCE EXCELLENT/VERY GOOD
1	Being trustworthy	92%	98%	81%	85%
2	Maintaining confidentiality	89%	98%	87%	90%
3	Providing accurate feedback	86%	95%	90%	76%
4	Responding in a timely manner	82%	89%	88%	69%
5	Understanding company business	73%	93%	26%	49%
6	Speaking/writing clearly	68%	89%	46%	48%
7	Being fair	68%	93%	48%	74%
8	Providing focused feedback	61%	86%	64%	66%
9	Focus on prevention	62%	85%	19%	43%
10	Maintain relationship w/ you (CEOs)	49%	95%	35%	66%
11	Communicating frequently	48%	89%	24%	51%
12	Focusing on cost/benefits	48%	79%	45%	40%
13	Maintain relationships with others	40%	90%	20%	63%
14	Being involved in company	29%	74%	8%	24%
15	Contributing to company image	27%	77%	11%	38%
16	Contributing to the community	18%	71%	5%	30%

