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DAILY REPORT

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BUSINESS MATTERS

U.K. banks are taking out new loans—on lawyers. Banks are getting free legal help after trimming their own legal departments. Page 6.

An inquisivertela publication

Cutting costs is a way of life for in-house

LAWYERS AT EVENT IN ATLANTA say cost cutting for outside counsel to corporations has reached unprecedented levels this year

BY KATHERYN HAYES TUCKER

HOW ONE LOCAL IN-HOUSE counsel approaches outside law firms may very well summarize the state of today's legal economy.

"I have to personally reduce outside counsel costs," said Norcross' Michelle L. Meiselman, assistant general counsel for Akzo Nobel Inc., a global supplier of paints, coatings and specialty chemicals based in Amsterdam, Netherlands. "If I don't, then it comes out of my bonus—if there are bonuses this year."

Meiselman's comments, that cost cutting for outside counsel services to corporations has reached unprecedented levels this year, was echoed by another in-house lawyer and law firm attorneys at a panel discussion in Atlanta last week.

The event was part of the spring meeting of the Legal Netlink Alliance, a network of 50 small firms that work in 37 states and 20 countries.

Meiselman spoke on a panel addressing "strategic value and cost effectiveness of out-



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Michelle Meiselman said she has to reduce outside counsel costs in order to protect her bonus.



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Virginia Wadsworth: The economic crisis coincided with and ignited a move to change the billing paradigm side counsel."

W. Scott Schulten of Schulten Ward & Turner who organized the event, mentioned the Association of Corporate Counsel Value Challenge

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Cutting costs is a way of life for in-house

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initiative as a starting point for the discussion.

"It's an effort to restore sanity," Schulten told the group of about 30 lawyers. "The goal is to improve the relationship between in-house counsel and outside counsel and make it more affordable and effective."

The in-house bar didn't launch the value challenge because of the economy, but the economic crisis coincided with and ignited the movement, said another panelist, Virginia Wadsworth, vice president and general counsel for Automobile Protection Corp., a Ford spin-off that provides extended warranty contracts for automakers.

As a board member of the Georgia chapter of the in-house association, Wadsworth has taken a leading role in value challenge discussions. She said the objective is to "change the hourly billing paradigm."

Two other panelists as well as all the participants were from law firms. As the only GCs present, Wadsworth and Meiselman laid out in detail their current strategies for cost cutting. They include: flat fees; hold-backs, a portion of fees outside lawyers collect only as a reward for good results; using smaller firms; reducing the total number of firms used by a corporation; moving business out of New York and other major cities to less expensive markets; and sometimes using national firms rather than local firms for repetitive litigation.

One alternative arrangement that wasn't popular was the blended rate. Blending associate and partner billing time winds up taking longer and costing too much, according to Meiselman.

"I'd rather pay a partner for 30 minutes and get an answer than to pay an associate to stumble along for eight hours," she said.

The in-house lawyers added that they don't like surprises on their bills or surprise associates on their bills. Too many hours billed by unknown associates is one reason Meiselman gave for moving away from mega firms to smaller shops.

But the talk wasn't all negative toward new lawyers. "I don't mind seeing associates on my bill if it's task appropriate," said Meiselman, who graduated from Emory University Law School and was admitted to the bar in 1994. Appropriate tasks might include document reviews or research, at which associates might be better because

of their age and technological skills.

Meiselman noted that while GCs don't like them to appear on their bills, training is important because "in 10 years, we're going to need new lawyers."

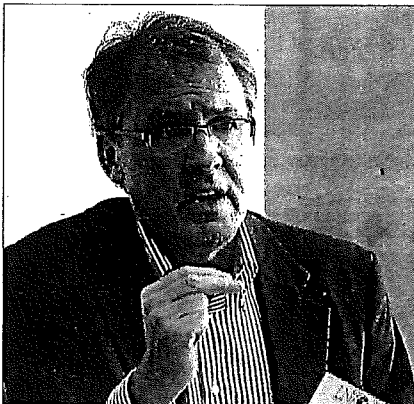
Peter Watson, senior partner and head of litigation at Levy & McRae of Glasgow, Scotland, represented the law firm point of view on the panel and also pointed out differences between the United States and the United Kingdom.

"We don't expect clients to pay for the training of trainees," said Watson, even though he has trainees working with him.

Economic pressures have been particularly pronounced with Watson's practice, much of which has been representing media companies. He referred nostalgically to "the glorious days of hourly rates" when owning television stations or newspaper groups was "a license to print money."

The industry began to change in the U.K. about three years ago. "Things got tight," he said. "We had to change the way we work. We have to justify our worth."

The changes include providing total transparency on work and billing. Clients



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Scottish lawyer Peter Watson: The way lawyers account now "was unthinkable when I started."

can go the firm's Web site and track every matter to see what's being done at any given moment.

He added that lawyers' flights to London were replaced with video conferencing. Sometimes even local meetings are handled by video conference. And the lawyers are available 24/7 via BlackBerry.

"We have to account now in a way that was unthinkable when I started out practicing law," Watson said. "We've had to come away from the high and mighty mindset. Now we're working as part of a team with the in-house lawyers." ☉

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