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2009 Best Legal Department

By Vanessa Vidal

Corporate Counsel's fourth annual competition for "2009 Best Legal Department" was again a difficult one. The winning legal department was one that prevailed against a backdrop of financial meltdown. As Samuel Johnson put so eloquently, "nothing concentrates the mind so wonderfully as the prospect of being hanged." All three legal departments that were selected this year (the winner, runner-up, and finalist) remained firm in their commitment to value, innovation, and diversity even in the face of adversity.

- **Winner: The Hartford Financial Services Group**
- **Runner-Up: International Business Machines Corporation (IBM)**
- **Finalist: Exelon Corporation**

See below what made each of these legal departments stand out from the crowd:

The Hartford Financial Services Group

2008 Revenue/Net Income: \$9.2 billion/(\$2.7 billion) loss

General Counsel: Alan Kreczko

Number of In-House Lawyers: 210

Pro's: In-house lawyers heavily involved in all legal work, including litigation; liberal use of flextime and telecommuting; good career development program.

Con's: Pro bono isn't quantified; department could be more diverse.

Why Was It Picked as The Winner: Dealmaking under the gun and ongoing development of in-house lawyers.

When the market collapsed, the Hartford's bankers at The Goldman Sachs Group Inc., spotted a potential investor -- global insurance giant Allianz SE. Hartford lawyers gave themselves four days to nail down a binding agreement which bound Allianz to provide a cash infusion of \$2.5 billion. Pretty impressive.

When the U.S. Treasury Department announced its Troubled Asset Relief Program (TARP) General counsel Alan Kreczko asked Anzaldúawho heads the corporate law unit: "What can we do to qualify?" And that's when the lawyers decided that the company needed to buy a bank -- preferably one that was distressed, but not too distressed. And it needed to close the deal by the Nov. 14 deadline, which gave them about three weeks. And they did it.

What else are they doing right when not securing giants deals under the gun?

- They develop and care for their in-house counsels: They teach in-house lawyers how to hire outside counsel, and how to manage the relationship. They have a mentoring program for new hires and veterans. Senior counsels encourage their lawyers to "experiment and explore." The Company has also begun a pilot project-matching lawyers with mentors. G Lawyers who are interested in the program to sit down and discuss their goals with

management. When lawyers move laterally, they can explore different interests. The Company also offers flexible work arrangements. Lawyers can often change their schedules or work offsite to accommodate family or other needs.

- They provide their lawyers with hands-on experience: On the corporate side, they are heavily involved in the deals they do, both in big-picture items and important details at all stages of the transaction. Litigation is handled the same way. The Hartford's isn't content to simply hand off cases to outside counsel. Litigation chief (and deputy GC) Elizabeth Sacksteder has been known to personally argue motions and examine witnesses.
- They foster creative approaches and solutions: In-house lawyers at The Hartford are encouraged to experiment with new approaches. When parties in a massive asbestos case agreed to a settlement that would have required The Hartford to pay millions in claims, for example, the lawyers found creative ways to attack it. On the cost-cutting front, the department secured a discount on all the work one law firm does for it by agreeing to allow star associates to handle some appeals. And the ethics newsletter the compliance group launched contains more than just the usual tips and admonishments; it reports the results of misconduct probes.
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What could The Hartford legal department improve on?

- Diversity: Despite its success recruiting women, The Hartford's law department has had much more difficulty recruiting minorities -- they're 9 percent of The Hartford's lawyers. The key challenge: location. The Company is located suburbia, and it does not appeal to everyone.
- Pro Bono: The Company does not measure hours of pro bono participation. It's entirely discretionary. More than 20 Connecticut-based lawyers and paralegals at The Hartford have been involved with pro bono projects with The Partnership. The number is surprisingly low, considering that the company employs about 200 lawyers in the U.S.

Despite these shortcomings, The Hartford law department's accomplishments are worthy of placing it in the top spot for 2009.

International Business Machines Corporation (IBM)

2008 Revenue/Net income: \$103.6 billion/\$12.3 billion

General Counsel: Robert Weber

Number of In-House Lawyers: 580

Pro's: Global "matrix" that eliminates bureaucracy; "virtual law firm" of retired IBM lawyers that do patent applications; deft use of technology.

Con's: Could be more forthcoming about diversity numbers.

Why Was It Picked as The Runner-Up: Commitment to innovation, and "Smart Thinking."

Innovation and "Smart Thinking" has earned IBM record revenues in 2008 despite a shaky world economy. It also delivered record earnings per share, at \$8.93, according to its annual report. And behind all this success -- every invention, each major sale, and most of the risks and rewards -- stand IBM lawyers. To keep up with the innovations, intellectual property attorneys account for nearly 30 percent of the in-house legal staff. "The IP law department at IBM is the best in the world," boasts general counsel Robert Weber. And he doesn't just mean in-house, adding, "Including better than any law firm out there."

In 2008, for the sixteenth year in a row, the company's IP lawyers led the nation in number of new patents, with 4,186. According to IBM, that is more than the number of patents of six major competitors -- Hewlett-Packard Co., Apple Inc., EMC Corp., Microsoft Corp., Google Inc., and Oracle Corp. -- combined.

What else are they doing right when not leading the charge in patent applications?

- Providing cutting edge technology and pairing down bureaucracy: As you might expect, IBM lawyers are among the savviest users of legal technology in the profession. There are several examples of new gizmos, including e-billing and case tracking capabilities available to IBM in-house lawyers. But perhaps the most remarkable is the Legal Information System. David Kappos, IBM's assistant GC for IP law and strategy, says the LIS is a self-help system and an attorney's "first stop for law department resources." It includes a welcome kit: ten sections filled with tools and legal resources, news and documents, templates for contracts and other needs, case summaries, training opportunities, a calendar of events, legal blogs and wikis, and an advanced personnel finder that any IBM employee can use. For example, if a human resources executive in Arkansas needs an in-house HR attorney, she can search the LIS to find and call the closest one licensed to practice in her state. (Answer: in a branch office in Chicago.)

Recently the department used its Internet technology to stage a "Global Law Jam" over several days to brainstorm how to make the group better. Harriet Pearson, vice president for regulatory policy and chief privacy officer, describes the jam as a "real-time chat session" with lawyers all over the world. Three major themes emerged: Lawyers wanted more tools to help them write and close contracts, expand global opportunities, and collaborate more effectively.

- Developing a global platform with informal structures: The lawyers have helped IBM transform itself in the last decade from a computer hardware operation, selling PCs and hard disk drives, into a company that made 60 percent of its revenues last year on software and business services. To achieve such change, the legal department had to reinvent itself as well. For one thing, IBM has pushed into 170 countries, with 65 percent-and-growing of its revenue coming from non-U.S. operations. So the in-house legal team had to restructure to add a stronger global reach. First the department "dis-embedded" its lawyers from its business units and created a single global team. David Walsh, an assistant GC and managing attorney, says this allowed the eight assistant GCs who report to Weber along with several senior attorneys to prioritize needs globally and to match the best talent to the most important or difficult issues. The assistant GCs and senior lawyers work in a matrix, with duties crossing geographic and business areas, he explains. For instance, Walsh co-leads the sales and distribution legal team. "We don't have to go through any formal management structure to make decisions," he says.
- Using a "Virtual Law Firm" to help protect industry knowledge, train attorneys, and cut down cost. Supporting the IP department is a "virtual law firm" of nearly 100 retired IBM lawyers who practice as freelancers. The virtual law firm started with a handful of retirees in 1995. They work from home preparing patent applications or dealing with the same clients that they had as full-time employees. "They just bring an incredible depth of knowledge of IBM, and of its customers and its technology," says Manny Schecter, an associate general counsel and managing IP attorney. "Before the virtual law firm, that knowledge was just lost every time someone retired." The concept has worked so well, Schecter adds, that the department is expanding it to other areas of expertise, such as contracts.
- A commitment to diversity and pro bono work: In keeping with a 50-year IBM tradition, Weber has made sure that there is diversity in his 14-lawyer senior team. The group includes six women and three ethnic minorities. The department doesn't forget pro bono efforts, either. Assistant general counsel Michelle Browdy oversees volunteer efforts while heading the litigation group. Not only is her group's litigation record excellent, but the department was named an "Outstanding Volunteer" by the Pro Bono Partnership for its work with nonprofits in 2008. And on May 1 the group won the New York State Bar Association 2009 President's Pro Bono Award.

Exelon Corporation

2008 Revenue/Net Income: \$18.8 billion/\$2.7 billion

General Counsel: William Von Hoene

Number of In-House Lawyers: 59

Pro's: Uses a system to encourage, track, and reward diversity, both in-house and at outside law firms; extensive pro bono program; much of the company's legal work handled in-house.

Con's: Pro bono participation not a requirement.

Why Was It Picked as The Runner-Up: A firm commitment to diversity and pro bono work.

"I want us to be the best law firm in the country," Von Hoene says. The well-dressed Von Hoene may not look like a social activist at first glance. But he's made expanding pro bono work and improving lawyer diversity two of his department's top priorities. And this emphasis, among other qualities, made Exelon's legal department a finalist in this year's Best Legal Department competition.

What is Exelon doing to be the "best law firm in the country"?

- Committing to diversity. Exelon isn't just trying to hire more female and minority attorneys in-house. It's making sure that their outside counsels are doing that, too. And Exelon doesn't stop there. Von Hoene and his department carefully track whether women and minorities at outside law firms actually work on Exelon's legal matters. If they do, Exelon rewards them with more work. If they don't, firms might not have Exelon as a client for long. Last February Von Hoene won the American Bar Association's 2009 Spirit of Excellence Award for his efforts to promote diversity in the legal profession.
- Walking the walk with pro bono efforts. Exelon's attorneys are truly dedicated to pro bono work. Nearly all of Exelon's legal staff voluntarily provide free legal services for people in need, from helping seniors write wills to assisting a death row inmate with a post-conviction appeal. Last year, 54 of the legal department's 59 attorneys, and all of its 15 paralegals, spent a combined total of more than 1,600 hours on pro bono projects. Exelon encourages its lawyers to do pro bono by counting some of the time they spend on projects toward their 1,750 billable-hour requirement, which some attorneys routinely exceed. They get full credit for the first 20 hours of service, and one credit for every two hours after that, up to a maximum of 50 hours. And work done on pro bono projects is also tracked over time. "From the moment you step in the door, you know it's a priority," says assistant general counsel Amy Tarr, who was recently appointed to help coordinate pro bono projects for Exelon's eastern region. In 2007 Von Hoene won the Association of Corporate Counsel Pro Bono Award.
- Offering a diverse and "hands on" litigation practice. Exelon's lawyers deal with a wide array of litigation, much of it handled in-house. Cases range from typical employment, personal injury, and rate cases to litigation related to tritium, a radioactive substance that's discharged from nuclear facilities. In April of last year, the Northern District of Illinois granted a partial summary judgment in favor of Exelon against a uranium supplier. The supplier had refused to deliver 1.4 million pounds of uranium even though it had guaranteed delivery. The parties settled that month, and Exelon recovered legal fees, cash, and uranium valued at more than \$50 million.

- Trying to "Go Green." The law department is also charged with helping the company meet a goal of reducing, offsetting, or displacing more than 15 million metric tons of greenhouse gas emissions per year by 2020. That means retiring less efficient fossil fuel plants, increasing energy efficiency, and improving the fuel efficiency of its vehicles. In April the Environmental Protection Agency announced that Exelon had already reduced emissions by more than 35 percent from 2001 levels.

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