PARTNERING EFFECTIVELY WITH OUTSIDE COUNSEL

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State Bar of Texas
17TH ANNUAL
ADVANCED IN-HOUSE COUNSEL
August 9-10, 2018
Dallas

CHAPTER 13

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BIOGRAPHICAL INFORMATION

Dawn Estes is a founding partner of Estes Thorne & Carr – one of the largest women-owned law firms in the Southwest. Dawn's thriving trial practice includes managing and resolving sophisticated disputes for a variety of large and mid-sized corporate clients in state and federal courts and arbitrations.

Dawn's successful litigation track record has earned her an AV Preeminent® lawyer rating through Martindale-Hubbell, along with recognition as a Texas Super Lawyer, one of the Top 50 Women Lawyers in Texas, and a Best Lawyer in Business Litigation by *D Magazine*.

Before practicing for 18 years at a large Dallas law firm, Dawn graduated cum laude from Southern Methodist University, and earned her J.D. from St. Mary's University School of Law, where she served as Associate Editor of the Law Journal.

Dawn has served on the National Panel of Commercial and Employment Arbitrators for past 15 years and has held numerous leadership positions within the Dallas Bar Association. Dawn has two awesome kids and a lawyer husband. She sings in the band, Black Dirt Tango. You can download Black Dirt Tango's music on iTunes and Spotify.

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BIOGRAPHICAL INFORMATION

John Torres is Executive Vice President, Chief Legal Officer and Corporate Secretary of Lennox International Inc. (NYSE LII), a global leader in the heating, air conditioning and refrigeration markets, with approximately 12,000 employees. In this role he provides advice and counsel to senior management and the Board of Directors, and directs the activities of Lennox's Legal Department. He also oversees Lennox's Communications and Public Affairs, Government Affairs, Environmental Affairs, Ethics & Compliance, Trade Compliance and Real Estate.

John joined Lennox in 2008. Before joining Lennox he served five years as Senior Vice President, General Counsel and Corporate Secretary of Freescale Semiconductor, located in Austin, Texas. He was a Vice President in the Motorola Legal Department, and was in private practice for 13 years with a broad commercial law practice that included both transactional work and litigation.

Torres earned a bachelor's degree from the University of Notre Dame and a law degree from the University of Chicago. He is a member of the State Bars of Texas and Arizona.

A special thank you and recognition to Kelly Wray J.D., cum laude, SMU Dedman School of Law, 2018, whose dedication and valuable contributions made the creation of this paper possible.

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PARTNERING EFFECTIVELY WITH OUTSIDE COUNSEL

Working effectively with outside counsel calls for the application of many of the same skills that are required to manage any other interpersonal relationship. Like most relationships, communication is the key component to a happy, productive, beneficial, and creative long-term working relationship between in-house and outside counsel. Both in-house and outside counsel serve critical roles that must be expertly coordinated to fully accomplish the representation of their joint client.

As the client, in-house counsel should take the initiative in defining how and by what means communications should flow. In-house counsel should not wait for outside counsel to dictate the terms of engagement, nor should in-house counsel expect outside counsel to be mind readers. Expectations should be clearly communicated in each area that is important to the in-house lawyer for the benefit of the management team they represent. Likewise, outside counsel should always be willing to listen and adjust to the needs and requirements of in-house counsel. Bottom line, outside counsel need to understand that they are in a service industry.

This presentation by an in-house and outside lawyer contains a compilation of anecdotal information that will hopefully help to provide ideas and suggestions to address some of the issues that arise for in-house counsel in their daily work lives.

Let's start with the law firm selection process.

I. HOW IN-HOUSE LEGAL DEPARTMENTS SELECT LAW FIRMS

Every in-house legal department will have its own particular priorities when choosing outside counsel. This paper examines some criteria that are important considerations when choosing outside legal counsel.

First, in-house lawyers want a law firm that provides top quality legal work—the "table stakes" in the highly-competitive law firm market. Most surveys of in-house counsel list legal expertise as one of the first considerations in deciding which outside lawyers should be retained to assist with a matter. Having an "approved list" of lawyers (formal or informal) and identifying their particular areas of expertise, special skills and relationships should help in-house counsel identify and retain the best possible outside counsel when the need arises, even if it is during an emergency. While this list of lawyers need not be a formal group that has engaged in an RFP process (although that can be helpful in some circumstances); creating a written list with names and contact information is also helpful. Further, this list will likely change from time to time as lawyers do things to impress you or do things to disappoint you. Your list can also contain information about the lawyers that does not involve specific legal expertise. For example, this lawyer will usually be available on a Friday afternoon to help, or this lawyer enjoys tackling challenging injunction issues, or this lawyer knows the political landscape in this jurisdiction.

Second, in-house legal departments want an "easy to do business with" relationship. This can mean different things to different people, but generally, the minimum baseline requirements include that the law firm promptly responds to phone calls and emails, does not procrastinate, sends invoices in agreed format, and generally communicates well on a timely basis. Perhaps surprisingly, law firms most often trip over this factor, which puts stress on the relationship and can lead to a termination of the relationship. If outside counsel does not meet at least these benchmarks, it may be time to look around for an upgrade. The market is simply too competitive for these needs not to be met. This is not to say that outside counsel has to be perfect, but they should be self-aware enough to notice if your needs are not being met on a regular basis. Further, outside counsel should want to "check in" with in-house counsel about open matters from time to time. This inquiry should typically come from the most senior lawyer involved with client management for the firm. And when this phone call or visit is made, the in-house lawyer should provide a completely honest and forthright assessment, which will provide information and awareness to outside counsel in an effort to guide the relationship to evolve and grow in a positive way.

Third, in-house legal departments want to pay a reasonable amount for legal services (more on this topic below).

Outside counsel can be found in a variety of ways. Law firm size should not control the selection process. In-house legal departments hire lawyers, not law firms, and good lawyers are found in firms of all sizes. The referral network remains a key component of the selection process. Most in-house lawyers seek referrals from lawyers within their departments, from lawyer-contacts in other in-house legal departments, and from their regular outside counsel disabled by a conflict of interest or who may not possess the expertise needed for a particular project. Likewise, "lawyer best lists" can also provide a secondary source to confirm that other lawyers respect a candidate being considered and provide a check for in-house counsel to confirm that she/he has not missed or overlooked an obvious candidate who should be considered. Outside lawyers who provide a concise, targeted CLE presentation in their "wheel house" of expertise can often attract an in-house legal department that hungers for learning about that CLE topic. Law firm websites are also important. A well-maintained law firm website provides valuable information about individual lawyers and practice areas in an easily-searchable format.

Occasionally, an in-house legal department will invite two or more law firms to participate in a competitive interviewing process (sometimes referred to as a "beauty contest") for possible retention on a significant legal matter or matters. These can be time-consuming exercises for a law firm, and this paragraph highlights some dos and don'ts that can increase or decrease a firm's chances of success in this process. It is up to the in-house lawyer to decide whether to advise outside counsel about his/her own preferences before the presentation. First, if possible, it is a good practice for the outside firm to bring to the meeting those lawyers who would actually do the work, remembering, if possible to include more junior associates, since in-house lawyers should want to meet the newer lawyers and observe the chemistry between the partners and the more junior lawyers. On the other end of the experience spectrum, including "figure head" senior partners is likely not productive since it tends to consume time better spent getting to know the lawyers who would perform the legal services. It can also send a confusing signal if outside counsel is not clear on the role of each lawyer who attends the presentation. Similarly, be careful to ask appropriate questions of the outside law firm that brings two "lead partners." Be on the lookout for signs that the law firm was/is wrapped up in internal politics and was unable to decide which partner should lead the matter. Try to keep the outside lawyers focused on the task at hand; this is not a time for the telling of generalized "war stories." In-house legal departments should be focused on looking for a law firm who can explain why the firm is a great match for achieving the business' goals, not why the legal work is a great opportunity for the firm. Law firms should invest sufficient time studying the matter in advance of the meeting and come prepared to discuss strategic approaches. Also, in-house counsel should obviously be looking for law firms which have conducted a thorough conflict of interest analysis and come ready to openly discuss any concerns at the meeting. Finally, law firms should come prepared with a compensation proposal.

II. RETENTION LETTERS AND OUTSIDE COUNSEL GUIDELINES; MAKING THE RIGHT FIRST IMPRESSION

A law firm's retention letter is its handshake with an in-house legal department and the client. A law firm clearly wants to put its best foot forward and start the relationship on a positive and trusting note. In-house legal departments likewise have a reciprocal responsibility to foster a trusting partnership relationship. If an in-house legal department chooses to utilize outside counsel guidelines, which many do, providing those guidelines prior to receipt of the outside law firm's engagement letter will help set expectations for outside counsel and alleviate any confusion regarding expectations. Outside counsel guidelines presented to law firms should be clear, concise and minimize rules and bureaucracy. An example is attached at the end of this paper.

If there are provisions that the in-house legal department does not want to see in engagement letters, those can be addressed clearly in outside counsel guidelines. Some provisions that outside counsel guidelines can address pro-actively might include, advance waivers of prospective conflicts of interest, the prospect of late payment charges, the unilateral right to make staffing decisions, and the unilateral right to impose fee increases. Giving outside counsel advance notice that certain issues are non-negotiable will hopefully alleviate many issues and where issues are not alleviated, will prompt early discussions about potential issues that will likely arise down the road. And issues are usually much easier to resolve at an early stage in an engagement.

III. COMPENSATING OUTSIDE COUNSEL

Law firms are in business to sell legal services for money. In-house legal departments provide legal services to their companies or business units to achieve and protect their business goals and supplement their provision of legal services by purchasing additional legal services from law firms. In-house counsel and outside counsel need each other to succeed. And the two should strive to create a mutually acceptable compensation arrangement for the purchase of legal services from the law firm. The traditional compensation arrangement calls for a law firm to be paid based on the experience and expertise of the lawyers providing the service, with the amount calculated based on the amount of time, or billable hours, spent by each of those performing lawyers (with that time often measured in six-minute increments).

Many articles and books have attempted to wrestle with the issue of billable hour versus alternative fee arrangement. Notably, in 2007, lawyer and novelist, Scott Turow criticized the billable hour in an ABA article, in which he argued that the billable hour "foster[s] an environment that doesn't provide the right incentives for young lawyers to live out the ideals of the profession … [a]nd feed[s] misperceptions of our intentions as lawyers that disrupt[s] our relationships with our clients." Scott Turow, The Billable Hour Must Die, at http://www.abajournal.com/magazine/article/the_billable_hour_must_die (Aug. 8, 2007). While most lawyers appreciate the shortcomings of the billable hour model, it appears to be here to stay – at least for most matters. However, alternative fee arrangements can provide advantages under certain circumstances.

This billable hour, "taxi-cab" billing model of paying by time, is popular and easy to understand, but arguably not the most cost-efficient, as it creates no reward or upside for law firm attorneys who are efficient

in resolving disputes for their clients. Likewise, the billable hour model also potentially leads to the undesired result of unpredictable costs for legal departments. On the other hand, alternative fee models are often measured against the billable hour model and often, clients require outside counsel to keep billable hours ("shadow billing") for comparison purposes. Further, cases in which attorneys' fees can be recovered require billable hours to be kept in order for fees to be assessed and recovered.[1]

Outside counsel should be brought into any decision-making process regarding alternative fee arrangements. Any arrangement needs to be a win-win scenario for both in-house and outside counsel. There is a substantial body of material on alternative fee arrangements available. It is not the purpose of this paper to delve into them with any depth. Suffice it to say that designating a fee arrangement that works for both in-house and outside counsel requires creativity, trust, honest communication, integrity and a willingness to spend the time to analyze what each side needs to receive from the relationship to have it work well over the long haul. The key is usually designating the fee structure that fits and addresses the matter at hand and the roles to be played by both in-house and outside counsel. The alternative fee arrangement does not have to be for the whole representation and may only be for a portion of the representation that can provide a more predictable alternative for cost control purposes. If an alternative fee arrangement is considered, outside and in-house counsel should be prepared to discuss possible benefits to be gained and where the increased risk lies in the structure if costs and time spent are not controlled. Outside counsel, likewise, may be able to share general experiences with other clients where alternative fee arrangements have worked well or have not worked well. Again, the structure needs to be win-win in order to work in the long term.

John Torres advocates for fixed fee arrangements as follows:

> Contrast the taxi-cab hourly time-spent billing model with an "Uber-style" fixed fee model. The Uber model determines a fixed fee up front, taking into account distance, time, and variable driving conditions. Applying the Uber model to an in-house legal department's purchase of legal services results in a fixed fee that captures the value received from the legal services, not just the time it took to provide the services. Importantly, the Uber model informs the purchaser of the services of the total cost in advance, providing predictability of spend, which is extremely valuable to an in-house legal department. This model also provides the law firm with predictability of revenue, which is important for the firm. Also, a firm that maximizes efficiency under a fixed fee compensation arrangement can earn more than if it had billed on an hourly basis, thus earning extra rewarded for its efficiency
>
> Some law firms are reluctant to embrace a fixed fee compensation model for fear that the firm may "lose" if unforeseen events arise. That should never be the case because the compensation arrangement should not be a Las Vegas-style gambling event. The fixed fee should be based on discussed shared

[1] The standard calculation developed by American courts for determination of reasonable fees is known as the lodestar. To reach the lodestar figure, multiply a reasonable number of hours by a reasonable rate. There is a strong presumption that this lodestar figure represents a reasonable fee for the work performed. *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 478 U.S. 546, 565 (1986). However, a departure from the lodestar figure can be appropriate. To support a departure from the lodestar figure courts will perform a multi-factored balancing test. Federal courts typically look to a 12-factor balancing test like the one enunciated in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974). Texas courts lodestar jurisprudence is heavily influenced by the analysis of Federal courts. *El Apple I, Ltd. v. Olivas*, 370 S.W.3d 757 (Tex. 2012). Texas uses a condensed version of the 12-factor *Johnson* analysis, an eight-factor test commonly referred to as the *Arthur Andersen* factors, named for the case where the factors were initially laid out. *Arthur Andersen and Co. v. Perry Equipment Corp.*, 945 S.W.2d 812 (Tex. 1997). The eight Arthur Andersen factors for determining the reasonableness of a fee are as follows:

(1) the time and labor required, the novelty and difficulty of the questions involved, and the skill required to perform the legal service properly;
(2) the likelihood … that the acceptance of the particular employment will preclude other employment by the lawyer;
(3) the fee customarily charged in the locality for similar legal services;
(4) the amount involved and the results obtained;
(5) the time limitations imposed by the client or by the circumstances;
(6) the nature and length of the professional relationship with the client;
(7) the experience, reputation, and ability of the lawyer or lawyers performing the services; and
(8) whether the fee is fixed or contingent on results obtained or uncertainty of collection before the legal services have been rendered.

Id. at 818.

assumptions about the level of effort required by lawyers at all applicable skill and experience levels. Law firms are remarkably good at predicting these factors, as would be expected given their considerable experience. If the shared assumptions prove inaccurate, either party must have the right to initiate a good faith discussion about the changed circumstances and whether an equitable adjustment to the compensation arrangement is appropriate. Ideally the conversation about the impact of changed circumstances is just that—a discussion—and not a lawyer-like negotiation where either party feels like it is purchasing a used car. The parties should share a long-term (multi-year) view and strive to build a relationship of trust.

Consider the following example of a fixed fee arrangement in a significant litigation matter. Start with the local rules of procedure where the case is pending. Identify phases of the litigation that reflect the local rules, such as pre-discovery motions, depositions and other discovery, summary judgment or dismissal motions, pre-trial motions, trial preparation, trial, post-trial motions. Together, the law firm and the in-house legal department can discuss and agree on a fixed fee for each phase of the litigation, and the estimated time per phase. The fixed fee per phase would be paid in equal monthly installments. If the parties agreed that $75,000 was the appropriate fee for a phase, and the estimated time for the phase was three months, the in-house legal department would pay $25,000 per month. If after three months the phase was not yet completed, the law firm would continue to execute, having been "pre-paid" for that phase. However, if the reason the phase was not completed within the estimated time frame is because the shared assumptions about the phase proved inaccurate—e.g., the assumption was three depositions and instead there were six depositions—the law firm and in-house legal department need to discuss and agree on an equitable adjustment to the fee. Litigation usually settles short of a trial verdict. This means the law firm's representation will likely conclude before a phase is completed. In those circumstances the law firm and in-house legal department again need to discuss and agree on an appropriate payment for the uncompleted phase, taking into account the percentage of completion.

Critics of fixed fee compensation arrangements express concern that law firms might pass the work down to less qualified junior attorneys who produce lesser results. This does not happen for three reasons. First, law firms retained by in-house legal departments take tremendous pride in their work and provide their best effort. Second, lawyers by nature are competitors who want to "win" and provide their best effort. Finally, law firms are in a highly competitive market and would not risk losing important clients by passing the legal work to unqualified attorneys in their firms.

IV. OTHER POINTS TO CONSIDER IN STRUCTURING THE RELATIONSHIP WITH OUTSIDE COUNSEL

As discussed above, communication is the key to establishing and maintaining a valuable relationship with outside counsel. But everyone defines what is valuable in different ways. What is valuable to one client may be viewed as busy-work for another. Thus, it is important to establish proper expectations concerning the nature of the representation. We have attempted to develop a list of items that may be important to consider during the course of the representation. This list is obviously not complete and not every item on this list will be important for every matter. This list assumes that counsel has been chosen, has been determined to be qualified, and conflicts have been checked and cleared.

- Initial impression from in-house counsel
    - Tasks to preserve evidence/locate witnesses
    - Potential consequences or alternatives for resolution considered
- Pricing and fee arrangements
    - Hourly or alternative fee
    - Risks and potential benefits involved if alternative fee
    - Estimated budgeting and range of fees
        - Updates
        - Assumptions
        - Timing
        - Progress
- Outside counsel guidelines
- Engagement letter
    - Retainer
    - Invoices and contents

        - E-billing
        - Credit cards
        - Coding
        - Terms of payment
        - Monthly
        - Amount of detail in billing

    - Limitations on engagement
    - Conflicts of interest and waivers
    - Rate increases
    - What is billed/not billed
    - Items not billed

- Develop agreed plan of attack

    - Desired range of acceptable outcomes
    - What is a considered a "success"?
    - How does this matter affect the business?
    - Timing and associated issues

        - Corporate reporting deadlines

    - Revisit and revise as situations changes

- Status updates

    - How often
    - Mode and manner of communication (telephone, email, other)
    - Litigation plan needed

        - Formal, informal, periodic

- List of deliverables
    - Break into phases if appropriate
    - Possible joint planning session
    - Revisit often
    - Not included matters/issues
    - Utilization of proper legal resources for tasks

Timely provide materials for review

V. ETHICAL CONSIDERATIONS FOR IN-HOUSE AND OUTSIDE COUNSEL

A. Duty to Client

Answering the question of "who is the client" can sometimes become complicated in entity representation, but this must be answered to comply with the American Bar Association's (ABA) Model Rules of Professional Conduct ("Rules"). Under these Rules, there are certain universal obligations imposed on the attorney, which run to the client and should be a central focus for both in-house and outside counsel during representation of an entity. One of these duties, as spelled out in Rule 1.7, is the duty of loyalty an attorney owes to each client. Model Rule 1.7 cmt. 1. Rule 1.6, with some exceptions, establishes an attorney's responsibility to maintain confidentiality regarding information related to the representation of a client. Rule 1.6 gets its power from separate, but related, bodies of law: attorney-client privilege, work-product doctrine, and the rule of confidentiality established in professional ethics. Rule 1.6 cmt. 3. The principle of lawyer-client confidentiality created by these legal doctrines is broader than attorney-client confidentiality alone. The ethical mandate in the Rules themselves requires that, regardless of source, all information relating to representation of the client remain confidential. Rule 1.6 cmt. 3. There are a number of exceptions to both the obligation and privilege of the attorney's confidentiality. Such exceptions can be found in Rules 1.6(a), (b), 1.13(c) and cmt. 6.

1. Corporation as Client

The company, as an entity, must rely on its constituents to speak on its behalf. These representatives include directors, officers, employees, non-corporation shareholders, and the equivalents of these positions. Rule 1.13 cmt. 1. The Rule 1.6 confidentiality protections can extend to conversations between the attorney representing the company and the company's constituents, even though the constituents are not technically the attorney's client. Rule 1.13 cmt. 2. As such, the attorney can only disclose information relating to the representation to the constituent as authorized by the company. *Id.* If a situation arises where the attorney becomes aware that a constituent plans to pursue a course of action that would violate the law and could reasonably be imputed to the company, the attorney is authorized to act as detailed in Rule 1.13 cmt. 4. Under such procedure, the attorney is almost always allowed to reveal such information to the appropriate source, such as the SEC, to the extent the attorney believes is necessary to prevent substantial injury to the client, the company. Rule 1.13(c).

Closely-held corporations, particularly family corporations, present more complex issues of who the client is. In such corporations it is likely that many, if not all, of the corporation's constituents will have direct interactions with the legal counsel to the corporation, which may lead some of these constituents to the incorrect belief that the attorney who represents the corporation represents them individually as well.

2. Entity Rule

The prevailing approach is known as the entity rule, under which, the entity, namely the company, is the client and not the individual constituents. While the entity theory is fairly-well established in the legal field it may not be as apparent to the corporation's constituents. So, particularly when engaging in assignments that may appear to be representing both the company and a constituent, such as drafting a stock option contract, the attorney should notify the

constituent, preferably in writing, that the attorney does not represent the constituent.

B. *Upjohn* Warning

Another situation where it is particularly important for the attorney to navigate who they do and do not represent involves litigation or internal investigations. This is where *Upjohn* warnings, sometimes referred to as corporate Miranda warnings, come into play. The name comes from the 1981 US Supreme Court case, *Upjohn v. United States*, 449 U.S. 383 (1981). This case established that communications between company employees and in-house counsel are protected from disclosure to third parties by attorney-client privilege, and this serves as a way to allow the company to acquire legal advice. *Upjohn* warnings are usually given by the company's counsel prior to questioning any employee of the company.

1. Before giving an *Upjohn* Warning

Before giving an *Upjohn* warning and questioning an employee, counsel should evaluate a few things. Due to the potentially chilling effect of written *Upjohn* warnings, counsel often only give these warnings orally. However, particularly in cases where an employee may not readily understand the contents of the warning or might later contest the issue, one might want to consider a written *Upjohn* warning.

For multi-national companies, with offices and employees outside the US, it is important to note that communications between counsel and employees may not be privileged, such as in the EU.

In most cases counsel should avoid a situation where they may represent both the company and an employee. First, because this may compromise the duties of loyalty and confidentiality to the company established in Rules 1.6 and 1.7. Second, with a joint defense agreement between the company and an employee in a criminal matter, if the employee prevents the company from providing the government with information about the employee's conduct this may preclude the company from receiving cooperation credit. Both the Filip Memo and the Yates Memo require companies to disclose all relevant facts about the misconduct in question and the responsible individuals to be eligible for cooperation credit. *See* Mark Filip, *Principles of Federal Prosecution of Business Organizations*, U.S. DEPARTMENT OF JUSTICE (Aug. 28, 2008), https://www.justice.gov/sites/default/files/dag/legacy/2008/11/03/dag-memo-08282008.pdf; Sally Q. Yates, *Individual Accountability for Corporate Wrongdoing*, U.S. DEPARTMENT OF JUSTICE (Sept. 9, 2015), https://www.justice.gov/archives/dag/file/769036/download.

Counsel should also evaluate whether the particular employee's interests are in conflict with the company's interests in the relevant matter. The potential criminal liability of the employee should also be considered. If the employee decides to retain independent counsel, the company must determine if it is in the company's best interest to pay the employee's attorneys' fees.

2. Giving an *Upjohn* Warning

The *Upjohn* warning itself must be tailored to the facts and circumstances of the situation. For example, if the Department of Justice is the investigating body, more may be required of the warning, as detailed by the Yates Memo. Sally Q. Yates, *Individual Accountability for Corporate Wrongdoing*, U.S. DEPARTMENT OF JUSTICE (Sept. 9, 2015), https://www.justice.gov/archives/dag/file/769036/download.

As discussed previously, *Upjohn* warnings can have a chilling effect on employee's disclosure so it is particularly important to avoid using an aggressive tone when delivering the warning, particularly the more robust warnings. If an employee is uncomfortable they may refuse to answer questions or otherwise leave out pertinent information when responding to questions. If other employees are being interviewed in connection with the same investigation it may be helpful to explain this fact to the employee so they do not feel that they have been targeted or singled out for questioning.

It may be prudent to have an additional member of the legal team present during the interview to witness the Upjohn warning and take notes during the interview, including memorializing the *Upjohn* warning. This person need not be an attorney; a legal assistant is sufficient.

To begin, a brief explanation of the litigation or investigation necessitating the interview should be provided to the employee. From there, counsel must inform the employee that counsel represents the company and counsel does not represent the employee. The employee should be made aware that the company has requested legal advice from counsel and the employee has information that counsel needs to provide that legal advice to the company. The employee should be made aware that all communications between counsel and the employee are protected by the attorney-client privilege but that privilege belongs only to the company, not the employee. Further, at its discretion, the company alone can waive this privilege and disclose these communications to any third party, including government agencies, and no notice to or consent from the employee is required. Finally, the employee must not share the contents of the interview with anyone, other than the employee's own attorney, in order to preserve the attorney-client privilege of the interview. It may be worthwhile to have the employee sign a nondisclosure agreement to this effect.

3. After Giving *Upjohn* Warning

Counsel should ask whether the employee understands the *Upjohn* warning; if the employee has any questions about the contents of the warning or counsel's role in giving the warning and conducting the interview; and should ask the employee if they are willing to continue with the interview. In situations that necessitate a written warning the written acknowledgement should cover that counsel gave the employee an *Upjohn* warning; the employee understood the *Upjohn* warning; and the employee consented to being interviewed.

If during the interview counsel becomes aware that the interests of the employee are clearly adverse to the interests of the company, counsel must determine whether they are required to advise the employee to retain independent counsel. Rule 1.13(f) and cmt. 10. In making this decision counsel should consider how sophisticated the employee is with respect to legal matters; whether any of the employee's actions were improper; and whether those actions by the employee may have regulatory or criminal consequences. It is important to remember that employees may not be entirely forthcoming in these interviews out of fear of repercussions from the company or disclosure by the company of the information that they provide.

At the end of the interview counsel should remind the employee to keep the interview and the facts discussed confidential to preserve the attorney-client privilege. After the interview has ended counsel should document that an adequate *Upjohn* warning was given prior to conducting the interview. This can be accomplished by contemporaneously memorializing the *Upjohn* warning exactly as it was given or memorializing the witness interview in a memorandum that includes a verbatim description of the provided *Upjohn* warning.

VI. CONTINUOUSLY IMPROVING THE RELATIONSHIP

The best relationships between law firms and in-house legal departments mature and strengthen over time. Trust grows because outside and in-house counsel have worked through challenging legal experiences together and gained confidence that each of them will do the right thing. At the conclusion of a matter, in-house and outside counsel may consider having a lunch or dinner to celebrate the end of the project and evaluate how to work better together on the next project. Some things to consider discussing during this get-together might include:

- Did the handling of this matter meet in-house counsel’s expectations?
- How accurate was budget estimating? What could be done to be more accurate?
- What was good?
- Who performed admirably?
- What could be handled better next time? Any disappointments or frustrations?
- What improvements could be made?
- Were there surprises and could these be better anticipated next time?
- How were the communications? What could be improved to help with communications?
- How was the timing of everything? Did in-house counsel have sufficient time to manage expectations for her/his management team?

Another technique to help ensure that the relationship improves is an annual law firm evaluation. Outside and in-house counsel should endeavor to discuss detailed feedback, both positive and negative, about the outside lawyers who provided legal services. In-house counsel should be prepared to collect feedback and share it with law firms. Law firms are hungry for feedback. They appreciate the compliments of positive feedback and take critical feedback seriously. The annual evaluation dialogue is also an opportunity for the law firm to provide feedback about what the in-house legal department can do differently to improve the relationship. In-house legal departments should also consider identifying one law firm that made particularly significant contributions, singling the firm out as its “law firm of the year,” and hosting the firm at a celebratory dinner.