

DBJ FOCUS ON CORPORATE COUNSEL

Want to be an in-house general counsel in North Texas? **BE READY TO DO IT ALL**

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When Dan Reed joined GameStop Corp.'s corporate legal team 10 years ago, his hire doubled the department's headcount. To two. Now, the Grapevine-based video game retailer has nine in-house attorneys who were hired as legal issues became more complex and the company grew geographically and through acquisitions. Today, GameStop's business lines include not only video games, but mobile wireless, prepaid wireless, video game-themed merchandising and mobile publishing, to name a few. "We have very much diversified our business as time went on," said Reed, GameStop vice president and deputy general counsel. "It's a different set of legal challenges as we grow."



Stephen Yeager, an assistant dean at SMU's Dedman School of Law, says a big career opportunity for in-house counsel includes stepping into the role of CEO.

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CHANGING FACE OF GENERAL COUNSEL

What's different now in the role vs. a decade ago

- ▶ **MORE FOCUS** on containment of legal expenses
- ▶ **OUTSOURCING** legal work to fewer outside law firms
- ▶ **INCREASED USE** of cloud-based and online legal services
- ▶ **GREATER FOCUS** on data privacy and cybersecurity
- ▶ **MORE USE** of alternate fee agreements between general counsel and outside law firms

The corporate legal department's job is to advise, control, regulate and communicate to different parts of the company. The in-house counselors try to keep companies in compliance with ever-changing and increasing regulation, and keep them out of the courtroom, where the stakes and risks run high.

The challenges abound, the learning is non-stop, and the lawyers who love in-house work wouldn't have it any other way.

"I like learning new things," said Betty Ungerman, vice president and deputy general counsel for Richardson-based Lennox International Inc. "I like developing relationships with other lawyers. The law is limitless in how you can grow and expand."

An increased focus on compliance by the U.S. Department of Justice has put the spotlight on corporate legal departments, making them more visible than they have been in the past, said Bill Morrison, vice president and assistant general counsel of Dallas-based Tenet Healthcare Corp.'s Law Department.

The DOJ is closely analyzing companies' policies and programs to make sure that they have teeth and aren't mere window dressing, Morrison said.

"That provides a real opportunity for (legal department employees) to show value," Morrison said.

While the legal workload is increasing, the money budgeted for in-house and outside

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counsel often isn't keeping up, said Monica Velazquez, an employment lawyer who works closely with a wide variety of companies' general counsel and a partner with Dallas-based Strasburger & Price.

"There's significant pressure from companies to reduce their legal spending, either internally or externally," Velazquez said. "That can mean downsizing legal departments, which puts a lot of pressure on in-house counsel. They have more work and fewer resources."

Many companies are narrowing the number of outside firms they're using. Large firms that do business in every U.S. state and around the globe often have hundreds of law firms they use, depending on the geographic location of the legal issues and subject-matter expertise needed, Velazquez said.

"Reducing that to a more manageable size is something that more corporations are trying to do," she said.

The typical in-house lawyer's career path has traditionally started at a law firm, and that's still the case, but the path is beginning to change as companies fill in-house slots with more junior lawyers, said Stephen B. Yeager,

assistant dean for student affairs at Southern Methodist University's Dedman School of Law.

The school is seeing more of its graduates hired directly out of law school for in-house positions, said Yeager, who teaches a course called Role of the General Counsel.

"Some companies, particularly large companies, have the resources to adequately train recent law school graduates," Yeager said. "They prefer to interview, hire and train attorneys they identify and cultivate the technical and professional development of that attorney."

Hewlett-Packard Co. was at the forefront of the movement, and Yeager said he expects to see more and more companies following suit.

In the past, in-house counsel was relegated to their own department and handled only legal issues, said Yeager, a former general counsel himself. Today, inside counsel is becoming much more involved on the business side and included as an integral part of the executive team. It's a path that increasingly leads from the GC to the CEO position, he said.

On the downside, lawyers face limited career development opportunities in many legal departments, Yeager said. Many corporate legal departments are fairly flat with little to no room to move up within the department.

"To advance to deputy general counsel or general counsel, inside counsel may find it necessary to move to the legal department of another company," he said.

WE TALKED TO DFW GENERAL COUNSEL & LEAD LAWYERS ON CHALLENGES, OPPORTUNITIES AND LEGAL TRENDS



Allison Levy

General counsel,
AdvoCare International LP

What are the biggest opportunities and challenges facing in-house general counsel? The biggest challenge is managing our business interests with increased legal and regulatory changes and oversight. Managing expectations and making sure communication with business partners are clear is an opportunity for the legal team to provide value in business decisions. Also, managing risk while promoting good business practices is a challenging aspect.

What challenges are you facing for in-house general counsel in your industry specifically? Staying ahead of the evolving regulatory and legal environment and making sure our internal and external partners and the independent contractors who sell our products understand parameters are challenges we face specifically at AdvoCare and in the direct-selling industry.

What piece of advice did you receive early on that still rings true, and what advice about the profession would you give a young in-house lawyer today? We are all in the customer service business. It's about relationships. Treat people with dignity and respect no matter what the situation is. (For lawyers), take the time to get to know people in other departments – what their goals and priorities are, understand their perspective. Build good relationships – learn the business and be able to provide valuable and meaningful legal work and advice.



Bill Morrison

VP and assistant general counsel,
Tenet Healthcare Law Department

What's the biggest challenge your corporate legal department faces? The biggest challenge for in-house counsel is finding ways to reduce costs without sacrificing quality. Legal departments are in this constant evaluation between in-sourcing and outsourcing legal services. Tenet is by no means a bargain hunter when it comes to outside counsel spend, but I am particularly challenged by finding value with even our most expensive counsel. So what I'd like to see or understand with outside counsel are the results retained and how much does it cost me to get that result.

Are you trying to reduce the number of outside firms Tenet is using? It is a priority for us. For us, it is important to consolidate the legal work into a group of core law firms that understand your business and that will share risk with you in terms of alternative-fee arrangements and different types of value billing. It's important that they know us and know our business cycle and know our people. We can achieve a lot of efficiencies by not reinventing the wheel with new law firms. We have a core group of less than 25 firms, but the overall number of firms that we deal with on medical malpractice litigation, employment litigation and workers' comp, which all tends to be local, is much larger than that. It's probably between 100 and 150.

What type of work is Tenet's legal department spending more time on than in the past? We operate in an incredibly complex regulatory environment, and the regulatory environment has changed over the last five years. What's driving it is the increased resources from the federal government in combating fraud, waste and abuse in the health-care system. We're seeing more attention in this space from plaintiffs' lawyers and from regulators.



Dan Reed

Vice president and deputy general counsel,
GameStop Corp.

What challenges are you facing as in-house general counsel for GameStop? We are a business that is evolving rapidly.

We're growing fast, and we have a high rate of change. Our challenge is matching the growth and the type of change we're seeing in our business with our law department.

What is different than a decade ago? As you grow and add different businesses, the volume moves up disproportionately. The volume of legal issues goes up substantially as you grow.

How do you decide what work you handle in-house and what you outsource? When we're looking for outside counsel, we're typically looking for deep subject-matter expertise. We have a lot of expert knowledge, but we look to outside counsel to leverage us. We outsource our litigation. To do litigation in house, we would really need to have one to two lawyers who are specializing in that. Our goal has been to build a team of in-house generalists as opposed to specialists, so we have not chosen to handle litigation in-house.



Craig Williams

Principal and chief legal officer,
HKS Inc. architecture and design firm

What legal challenges are you facing in your industry? Being in-house in a large international design firm presents many interesting challenges. For example, negotiating contract terms with consideration for different laws, cultures and industry practices. Also, negotiating the minefields lining the paths of the business and contractual relationships between the major participants on large construction projects is very challenging, in a good way.

What trends are you seeing for in-house general counsel at HKS related to mergers and acquisitions? We have acquired a few design firms in the past several years. That seems to be a trend in the design industry, larger firms acquiring smaller firms, and even a growing number of mergers of larger firms. The challenge is melding the people, cultures and business practices of the two firms.

What do you enjoy most about your job, and what is your least favorite part? I enjoy combining my two chosen professions, architecture and law, as an advocate for architects, and the relationships that have developed for me as a result. My least favorite part is dealing with other lawyers.



Stephen B. Yeager

Assistant dean for student affairs,
SMU Dedman School of Law

What are the biggest opportunities for in-house general counsel at companies? One of the biggest opportunities I see is the chance to advance into the CEO role. More and more GCs are taking on CEO roles. They know the legal issues facing the business and have a strong grasp of the business issues. This is a powerful combination, especially when coupled with the strong analytical, critical thinking and communication skills taught in law school.

What tasks are increasingly handled in house vs. being outsourced? In-house attorneys normally provide legal counseling to a corporation's core business units. Depending on the particular company and industry, corporate legal departments usually handle contract review and drafting, labor and employment, and general corporate matters internally. There is usually plenty of legal work related to these types of matters. Large companies with thousands of employees, for example, have a steady flow of labor and employment issues. Technology companies have many R&D-related legal issues such as technology licensing and patent prosecution. Hiring full-time attorneys to handle these types of matters internally is justifiable and more cost-effective than sending all this work to attorneys at firms who bill by the hour.

Is there a trend either toward or away from in-house counsel? There's a definite trend toward in-house counsel. Many companies are handling more matters internally and sending less work to outside counsel.