

More corporate legal work going in-house, survey says

BY PATTY TASCARELLA

Chief legal officers at corporations across the country said they are bringing more work inside and increasing their staff and budgets to do so, according to a survey conducted by Altman Weil Inc., a Kennett Square, Pa.-based consultant to law firms and legal departments.



Tim Ryan of Eckert Seamans Cherin & Mellott said Pittsburgh corporations aren't beefing up internally as much as those in other big cities.

The study, which had 174 chief legal officer respondents, revealed the CLOs were focused on finding more cost-effective ways to operate, with 29 percent decreasing their use of outside counsel and 81 percent using some form of alternative fees in place of hourly rates to pay law firms.

At the same time, many of the CLOs said they are beefing up internal operations.

The study said 63 percent of chief legal officers surveyed in September and October increased their internal budgets, 41 percent plan to hire new in-house lawyers over the next 12 months, and 32 percent expect to add more paralegals.

Downtown-based recruitment firm Carpenter Legal Search typically does 60 percent of its job searches for corporations and 40 percent for law firms but, so far this year, 85 percent of the lawyers it has placed are at corporations, said President Lori Carpenter.

"Corporations who had been thinking about adding to their legal departments at the end of 2008 put things on hold, and, after the first quarter of 2010, they're back in the throes," she said.

Tim Ryan, CEO of Downtown-based law firm Eckert Seamans Cherin & Mellott said corporations are beefing up internally in cities like Philadelphia and Boston, though not so much in Pittsburgh. "The reason we see it is because clients are looking to hire some of our people," Ryan said.

In addition, the CLOs are seeking new forms of pricing when they use outside firms. In 2009, 77 percent of CLOs used

alternative pricing; in 2010, that percentage rose to 81 percent. Traditionally, CLOs have used hourly fees.

"In general, companies are looking for alternative billing arrangements that either provide more certainty or better value than the traditional hourly billing," said Kenneth Christman, president of the Association for Corporate Counsel's Western Pennsylvania chapter, and assistant general counsel at NiSource Corporate Services Co.

Downtown-based Carmeuse Lime & Stone Inc., a supplier of lime and limestone, has been using alternative fee arrangements with outside law firms for the past several years, said Kevin Whyte, vice president and general counsel, though the bulk of its work assigned to outside firms is still the hourly based fee. He believes there's been a gradual move by companies toward alternative fee arrangements but described it as a slow process.

"You want to design them so they can be beneficial not just to the company but also to the law firm," Whyte said.

Carmeuse does not have plans to increase its in-house staff of four lawyers.

Some local law firms are taking steps to provide more payment options.

Thorp Reed & Armstrong LLP has set up a committee to analyze alternative fee arrangements, said Managing Partner Jeff Conn, with the aim of providing different types of billing arrangements.

"I think it is more of an issue now than it ever has been, and firms like ours need to be open-minded and responsive to those requests," Conn said.

Pepper Hamilton LLP is using alternative arrangements geared to individual clients as a marketing strategy, said Richard Thomas, managing partner of the firm's Pittsburgh office.

"We ask, what are your issues? We'll make them our issues and work with you so, at the end of the day, everyone is satisfied with the fee arrangement between us," Thomas said.

ptascarella@bizjournals.com | (412) 208-3832

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