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A Role for the Business Attorney in the Twenty-First Century: Adding Value to the Client's Enterprise in the Knowledge Economy

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ARTICLES

A ROLE FOR THE BUSINESS ATTORNEY IN THE TWENTY-FIRST CENTURY: ADDING VALUE TO THE CLIENT'S ENTERPRISE IN THE KNOWLEDGE ECONOMY

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I. INTRODUCTION

This Article seeks to identify and evaluate the major emerging influences that will affect the practice of business law in the United States in the twenty-first century and to suggest ways in which attorneys can address the consequent challenges to their practices.

The two principle influences that will affect the practice of law are the same ones that will affect virtually all aspects and sectors of economic activity—globalization of commerce and the transition from a manufacturing to a knowledge economy.

Globalization will introduce into the practice of law intensified competition and pressures on profit margins through commoditization and increasingly sophisticated consumers, as it will throughout the entire economy. Globalization will also introduce pressures that are more specific to the legal profession, including an accelerating trend toward specialization, growing resistance to "unauthorized practice of law" regulations, and incentives to develop multidisciplinary practices.

The transition to a knowledge economy will require that business attorneys become skilled in understanding and utilizing the legal

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framework in which transactions—especially those involving clients with knowledge-based business activities—will be contemplated, negotiated and carried out. That legal framework will be intellectual property law which, beyond having its own body of complex law, regulations and statutes, will thoroughly inform business law generally, including contract, employment and corporate law.

In responding to economic pressures and in an effort to maintain profitability, law firms and attorneys typically seek to make their practices more efficient. However, success in the twenty-first century will demand that business law practitioners shift their focus from efficiency to producing effective legal services that add value directly to the client's business activities. The attorney's value-adding service will, in part, entail enabling the client to make better business decisions by using the thinking and analysis behind the attorney's legal advice, rather than merely providing the advice itself. This new business method will require that business lawyers and their firms develop a culture of innovation and make a continual commitment to create new knowledge that will contribute value to a client's enterprise.

An area in which business lawyers will be in a position to provide especially valuable assistance to clients with knowledge-based business activities will be the development and implementation of knowledge asset management strategies. Both the attorney and the client should, however, assure that any such management strategy makes the most effective use of resources, including legal expertise. Therefore, this paper concludes by presenting a proposed generalized division of duties between client and attorney toward that objective.

II. EMERGING INFLUENCES IN THE PRACTICE OF LAW

A number of significant challenges face the legal profession in the new century. Foremost among these challenges are the globalization of commerce; a trend toward highly specialized practices; the arrival of competition from a growing number of attorneys and from non-attorney legal service providers; increasing resistance from consumers and non-attorney professionals to unauthorized practice of law prohibitions; the advent of multidisciplinary practices; the commoditization of legal services; an increasingly sophisticated and demanding legal client; the emergence of powerful and knowledgeable in-house legal counsel; and, perhaps most significantly, the worldwide transition from a manufacturing to a knowledge economy.

A. Globalization

American businesses routinely seek legal advice as they grapple with government regulations, "liability for injuries to workers, consumers, and other(s) . . . ," and deregulation of finance and merger activity.[1] Businesses are more frequently exposed to litigation[2] as "corporations, . . . officers and board members more frequently find themselves as defendants in securities and derivative action lawsuits, in employment discrimination and wrongful discharge cases, in contract disputes with other businesses,"[3] and in intellectual property infringement actions. The American business lawyer has traditionally played an important role in counseling clients in these and many other business matters, but that role will change dramatically[4] as the globalization of commerce imposes a multinational legal framework[5] that will significantly alter corporate legal practice.[6]

"Globalization," a financial, social and cultural phenomenon, is the result of the worldwide spread of capitalist economic policies and of rapid advances in telecommunications, transportation and information technology.[7] Globalization will likely not have orderly effects on business in a multipolar world characterized by transnationalism and regionalism, in which economic power is increasingly measured less by land, labor and capital than by knowledge.[8] Nor will globalization spare the practice of law from its effects, as it will unleash upon the legal

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1. Robert L. Nelson, *The Futures of American Lawyers: A Demographic Profile of a Changing Profession in a Changing Society*, 44 CASE W. RES. L. REV. 345, 349 (1994) (footnotes omitted).

2. Robert L. Nelson & Laura Beth Nielsen, *Cops, Counsel, and Entrepreneurs: Constructing the Role of Inside Counsel in Large Corporations*, 34 LAW & SOC'Y REV. 457, 487 (2000).

3. Nelson, *supra* note 1, at 350 (footnotes omitted).

4. Harry V. Ruffalo, *Firm Marketing: Understanding Client Satisfaction a Key to Staying Competitive in the Marketplace*, LAW FIRM PARTNERSHIP & BENEFITS, Dec. 1999, at 3.

5. James W. Jones & Bayless Manning, *Getting at the Root of Core Values: A "Radical" Proposal to Extend the Model Rules to Changing Forms of Legal Practice*, 84 MINN. L. REV. 1159, 1179 (2000).

6. Mary C. Daly, *The Cultural, Ethical, and Legal Challenges in Lawyering for a Global Organization: The Role of the General Counsel*, 46 EMORY L.J. 1057, 1058 (1997) [hereinafter Daly I] (footnotes omitted).

7. *Id.* at n.2.

8. Thomas Earl Geu, *Chaos, Complexity, and Coevolution: The Web of Law, Management Theory, and Law Related Services at the Millennium*, 65 TENN. L. REV. 925, 935 (1998). *See generally* RICHARD D. LEWIS, WHEN CULTURES COLLIDE (2001) (providing an in-depth discussion of the role and effects of differing cultures on negotiations and transactions).

profession an accelerating pace of change and of competition to serve increasingly sophisticated and cost-conscious clients.[9] Despite such change and competition, however, globalization will stimulate increased demand for legal services as lawyers performing business transactions are forced to comply with international protocols and the laws and regulations of multiple sovereigns, and as competition across all industries forces transactions to be executed efficiently and effectively.[10] Thus, even under growing competitive pressures, business lawyers will fulfill "an increasingly important role"[11] in structuring client transactions in a globalized business world.[12]

B. *Specialization*

The effects of globalization come at a time when "the practice of corporate law [in America] has changed from one characterized by longstanding relationships with . . . clients to one [of discrete transactions that require] increased . . . technical specialization."[13] The trend toward specialization has become even more pronounced[14] as increasingly complex transactions and the emergence of powerful in-house counsel have led business clients "to rely on a variety of law firms for different legal services."[15] The rise of in-house counsel, which is

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9. Michael M. Boone & Terry W. Conner, *Into the New Millennium: Change, Change, and More Change: The Challenge Facing Law Firms*, 63 TEX. J. BUS. LAW 18, 20 (2000).

10. Sandra M. Huszagh & Fredrick W. Huszagh, *Lawyers as Exchange Engineers in Commerce: An Empirical Overview*, 74 OR. L. REV. 147, 147 (1995).

11. Peter Roorda, *The Internationalization of the Practice of Law*, 28 WAKE FOREST L. REV. 141, 142 (1993) (footnote omitted).

12. Huszagh & Huszagh, *supra* note 10, at 149 (noting that exchanges among entities with differing cultural, political and economic perspectives will require translation services by lawyers whose special vocabularies, knowledge and perspectives will be critical features of this translation infrastructure). *See also* Robert C. Clark, *Why So Many Lawyers? Are They Good or Bad?*, 61 FORDHAM L. REV. 275, 297 (1992) (explaining that long term internationalization trends will increase demand for lawyers in complex, formal organizations).

13. Ronald J. Gilson & Robert H. Mnookin, *Coming of Age in a Corporate Law Firm: The Economics of Associate Career Patterns*, 41 STAN. L. REV. 567, 592 (1989) (footnotes omitted). *See also* Jones & Manning, *supra* note 5, at 1176 (discussing that increased complexity of corporate legal practice amid great growth in federal and state regulation since World War II encouraged widespread specialization among lawyers).

14. Jones & Manning, *supra* note 5, at 1176.

15. Thomas L. Ambro & J. Truman Bidwell, Jr., *Some Thoughts on the Economics of Legal Opinions*, 1989 COLUM. BUS. L. REV. 307, 310. *See also* Abram Chayes & Antonia H. Chayes, *Corporate Counsel and the Elite Law Firm*, 37 STAN. L. REV. 277, 294 (1985) (stating that outside lawyers are chosen for a particular job); Jones & Manning, *supra* note 5, at 1178-79 (stating that the popular conception of the independent general practitioner no longer represents what most American corporate lawyers actually do); Robert A. Kagan & Robert

discussed further below, will force[16] outside firms to provide still further "specialized services on a . . . transaction-by-transaction basis"[17] in areas such as "litigation and quick, intense transactions,"[18] "rapidly changing and complex areas of the law,"[19] and areas where specific expertise is required to accomplish a particular legal task.[20]

C. *Intensified Competition*

Lawyers must now attract and retain clients[21] in an intensely competitive[22] and increasingly unregulated marketplace[23] as domestic

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Eli Rosen, *On the Social Significance of Large Law Firm Practice*, 37 STAN. L. REV. 399, 423 (1985) (asserting that "the influential-and-independent-counselor role . . . has been declining as a proportion of . . . large firm lawyers' work, to the point that it is now comparatively infrequent."); Gary A. Munneke, *Lawyers, Accountants, and the Battle to Own Professional Services*, 20 PACE L. REV. 73, 76 (1999) (explaining that "[m]ediation, arbitration, and other forms of alternative dispute resolution have diluted the lawyer's prerogatives . . . [as an] advocate for a client.") (footnotes omitted); Milton C. Regan, Jr., *Foreword: Professional Responsibility and the Corporate Lawyer*, 13 GEO. J. LEGAL ETHICS 197, 198 (2000) [hereinafter Regan I] (noting that businesses now seek specialized rather than general services from outside counsel).

16. Chayes & Chayes, *supra* note 15, at 278 (arguing that the rise to power of in-house counsel will alter significantly both the substantive emphasis and the nature of the client base of outside corporate law firms).

17. Nelson & Nielsen, *supra* note 2, at 458.

18. Chayes & Chayes, *supra* note 15, at 293.

19. S. S. Samuelson & L. Fahey, *Strategic Planning for Law Firms: The Application of Management Theory*, 52 U. PITT. L. REV. 435, 453 (1991) (footnotes omitted).

20. Michael S. Harris et al., *Local and Specialized Outside Counsel*, *in* SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL § 20:1 (Robert L. Haig ed., 2000).

21. Lowell J. Noteboom, *Professions in Convergence: Taking the Next Step*, 84 MINN. L. REV. 1359, 1380 (2000) (stating that "lawyers compete with each other and with [other service providers] to attract and retain clients.").

22. Milton C. Regan, Jr., *Law Firms, Competition Penalties, and the Values of Professionalism*, 13 GEO. J. LEGAL ETHICS 1, 6-7 (1999) [hereinafter Regan II]. *See also* Boone & Conner, *supra* note 9, at 20 (explaining that the law business is now a highly competitive marketplace in which competition for legal business is fierce); Daniel R. Fischel, *Multidisciplinary Practice*, 55 BUS. LAW. 951, 951 (2000) (stating that the practice of law today displays many of the indicia of a competitive industry); Regan I, *supra* note 15, at 198 (noting that "[c]ompetition among law firms for both clients and lawyers has intensified."); Milton C. Regan, Jr., *Professional Reputation: Looking for the Good Lawyer*, 39 S. TEX. L. REV. 549, 558 (1998) [hereinafter Regan III] (explaining that "the intensity with which law firms must compete for clients . . . has increased.") (footnote omitted); Frederick L. Trilling, *The Strategic Application of Business Methods to the Practice of Law*, 38 WASHBURN L.J. 13, 77-78 (1998) ("An unprecedented level of competition has resulted from the substantial increase in both the number of lawyers and the sophisticated demands of clients. . . .") (footnote omitted).

23. Susan Raridon Lambreth, *The New Economy: Law Firms Rethink Practice Management*, N.Y. L.J., Aug. 15, 2000, at 5 (noting that new providers of legal services and information are "carving off pieces of the . . . 'value chain' from traditional law firms.");

banking, consulting and accounting firms fight for a share of the work historically ceded to lawyers.[24] Lawyers must even, in a very real sense, compete with potential clients themselves, as the Internet has made vast amounts of information easily available[25] and, in the process, has accelerated "a . . . trend toward . . . disintermediation [whereby clients] are increasingly able to bypass [attorneys] to gather information and to make [their own decisions]."[26]

Small law firms face heightened competition from, and the constant threat of losing lawyers to, expanding large firms,[27] and smaller firms with less specialized skills will be especially vulnerable to price

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Munneke, *supra* note 15, at 83. *See also* Thomas D. Morgan, *Economic Reality Facing 21st Century Lawyers*, 69 WASH. L. REV. 625, 633 (1994) (explaining that do-it-yourself books, nonlawyers and other lawyers will compete for legal business).

24. Ronald J. Gilson, *Value Creation by Business Lawyers: Legal Skills and Asset Pricing*, 94 YALE L.J. 239, 301 (1984). *See also* Boone & Conner, *supra* note 9, at 22 (stating that accounting firms, banks and consulting firms have aggressively entered the legal market); John S. Dzienkowski & Robert J. Peroni, *Multidisciplinary Practice and the American Legal Profession: A Market Approach to Regulating the Delivery of Legal Services in the Twenty-First Century*, 69 FORDHAM L. REV. 83, 205 (2000) (explaining that increased competition from foreign providers will exert additional pressure on American attorneys); Munneke, *supra* note 15, at 90 (noting that consulting firms will likely make inroads into the traditional domain of lawyers); Samuelson & Fahey, *supra* note 19, at 453 (noting that "[c]ompetition from lay producers of legal services is also on the rise [as] [a]ccounting firms compete for tax work, consulting firms offer labor and environmental services, financial institutions provide estate planning and probate services, and both accountants and consultants serve as counselors to corporate management.") (footnotes omitted); *Increasing Margins: "Revenue-Busters" That (If Left Unchecked) May Affect Partners' Profits*, PARTNERS REPORT FOR LAW FIRM OWNERS, Apr. 1999 (stating that the historical bread-and-butter work that sustains most midsize firms has dried up).

25. Ellen E. Deason, *Confronting and Embracing Changes in the Practice of Law*, 86 ILL. B.J. 628, 629 (1998). *See also* Terry Carter, *Law at the Crossroads*, A.B.A. J., Jan. 2002, at 29 (stating that "consumers will be able to create their own documents on the Internet, including smart documents that customize the process."); Jones & Manning, *supra* note 5, at 1181 (arguing that "the Internet has raised a serious challenge to the monopoly on specialized information traditionally held by professionals.") (footnotes omitted); Catherine J. Lanctot, *Attorney-Client Relationships in Cyberspace: The Peril and the Promise*, 49 DUKE L.J. 147, 151 (1999) (stating that "laypeople are gravitating to the Internet to seek help with their daily legal problems, and they are beginning to find such help.").

26. Jones & Manning, *supra* note 5, at 1181-82 (footnotes omitted). *See also* Peter Rouse, *Managing Intellectual Property Assets: Emerging Issues* (presentation to International Trademark Association 1999 annual meeting) (provided to author by Mr. Rouse) (explaining that client access to real time intelligence on which to make decisions may radically alter the traditional attorney-client service relationship).

27. Regan II, *supra* note 22, at 6-7. *See also* Boone & Conner, *supra* note 9, at 20 (noting that competitors for legal business have changed dramatically as local law firms now face direct competition from branch offices of large regional, national and even international firms.).

competition.[28] There will, however, be opportunities for smaller firms with specialized high-end niche practices,[29] especially for those that take advantage of communications and information technologies that will "make it possible for legal work to be performed from nearly anywhere."[30] As with smaller firms, "the [future] of solo practitioners [will] depend on the . . . services they offer, the networks through which they obtain clients, [and] the kind of competition they face from other lawyers, and . . . from . . . other institutional service providers."[31]

Although this new, competitive legal marketplace cannot be ignored,[32] a recognition of "clients' . . . willingness to look to alternatives to lawyers[33] [and] attorneys' dedication to service quality and to managing legal costs"[34] should be a positive development for clients and for the entire profession.[35]

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28. Fischel, *supra* note 22, at 95. *See also* John E. Morris, *King Arthur's March On Europe*, AM. LAW., June 1998, at 48 ("In current competitive environment, law firms that rely on run-of-the-mill work for a significant part of their revenues are open to competition.").

29. Boone & Conner, *supra* note 9, at 22.

30. LEIF EDVINSSON & MICHAEL S. MALONE, INTELLECTUAL CAPITAL: REALIZING YOUR COMPANY'S TRUE VALUE BY FINDING ITS HIDDEN BRAINPOWER 190 (Harper Business 1997). *See also* Rouse, *supra* note 26 (explaining that remote service providers will be able to access and to share information and knowledge); E-mail from Markus M. Mobius, Professor, Dept. of Econ., Harvard Univ., (Sept. 22, 2001) (on file with author) (arguing that advances in technology will enable small highly specialized law firms to do work across the country).

31. Nelson, *supra* note 1, at 381.

32. Noteboom, *supra* note 21, at 1381. *See also* Roger C. Cramton, *Delivery of Legal Services to Ordinary Americans*, 44 CASE W. RES. L. REV. 531, 610 (1994) (noting that competition in legal services markets will not go away in the 21st century); Trilling, *supra* note 22, at 77-78 (implying that some lawyers will continue to ignore the realities of competition even after they have gone out of business); Allan W. Vestal, *Special Ethical and Fiduciary Challenges for Law Firms Under the New and Revised Unincorporated Business Forms*, 39 S. TEX. L. REV. 445, 457 (1998) (quoting Howard v. Babcock, 863 P.2d 150 (Cal. 1993), *rev'd upon appeal from remand*, 46 Cal. Rptr. 2d 907 (Ct. App. 1995), *review denied and opinion ordered not officially published*, Cal. Minutes, at 24 (Feb. 15, 1996)) ("[T]he contemporary changes in the legal profession . . . make the assertion that the practice of law is not comparable to a business unpersuasive and unreflective of reality . . . . [N]o longer can it be said that law is a profession apart, untouched by the marketplace.").

33. Kenneth R. Margolis, *Responding to the Value Imperative: Learning to Create Value in the Attorney-Client Relationship*, 5 CLINICAL L. REV. 117, 120 (1998) (footnotes omitted).

34. Boone & Conner, *supra* note 9, at 22.

35. Trilling, *supra* note 22, at 77-78. *See also* Cramton, *supra* note 32, at 611 (arguing that "competition, specialization, and efficient organization have brought more good than harm."); Joel F. Henning, *The New Reality in the Legal Profession*, 70 TEMP. L. REV. 1247, 1250-51 (1997) (stating that "the practice of law . . . is more competitive but it is also more responsive to the needs of customers, and it is more price responsive.").

D. Resistance to the "Unauthorized Practice of Law" Prohibition

Though there may be good reason for concern among lawyers about competition, the legal profession will have to cast its own concerns in the context of clients and a public[36] increasingly questioning lawyers' vigorous prevention of the practice of law by non-attorneys—the "unauthorized practice of law" regulation. Much frustration surrounding prevention of unauthorized practice involves the profession's claim that it must regulate the practice of law to protect the public.[37] But because the regulation gives lawyers an effective monopoly over legal services in the United States,[38] it is criticized as a device to control competition,[39] as an effort to preserve a "medieval guild,"[40] and as simply economic protectionism.[41] Indeed, courts have suggested that the regulation is

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36. Roderick A. Macdonald, *Challenges for the Legal Profession: Let Our Future Not Be Behind Us: The Legal Profession in Changing Times*, 64 SASK. L. REV. 1, 26 (2001).

37. Grace M. Giesel, *Corporations Practicing Law Through Lawyers: Why the Unauthorized Practice of Law Doctrine Should Not Apply*, 65 MO. L. REV. 151, 158 (2000). *See* Lowell Bar Ass'n v. Loeb, 52 N.E.2d 27, 31 (Mass. 1943) (citations omitted).

> The justification for excluding from the practice of law persons not admitted to the bar is to be found, not in the protection of the bar from competition, but in the protection of the public from being advised and represented in legal matters by incompetent and unreliable persons, over whom the judicial department could exercise little control.

Id. (citations omitted).

38. Dzienkowski & Peroni, *supra* note 24, at 92-93.

39. Giesel, *supra* note 37, at 158.

40. Henning, *supra* note 35, at 1250.

41. Elijah D. Farrell, *Accounting Firms and the Unauthorized Practice of Law: Who Is the Bar Really Trying to Protect?*, 33 IND. L. REV. 599, 604 (2000). *See also* Thomas R. Andrews, *Nonlawyers in the Business of Law: Does the One Who Has the Gold Really Make the Rules?*, 40 HASTINGS L.J. 577, 655 (1989) (arguing that "rules prohibiting lay involvement in the business of law . . . serve the profession's economic self-interest [more] than . . . any valid public purpose."); Dzienkowski & Peroni, *supra* note 24, at 94 ("[L]ack of empirical evidence of harm to the public in recent years reinforces criticisms that many . . . concerns about unauthorized practice of law are grounded in pure protectionism.") (footnotes omitted); Fischel, *supra* note 22, at 974 ("Although defenders of the ban on fee sharing have attempted to cloak their arguments in the rhetoric of 'professionalism,' 'lawyer's independence,' and the 'public interest,' their goals are no different from any other trade union or interest group pursuing economic protectionism."); Gianluca Morello, Note, *Big Six Accounting Firms Shop Worldwide for Law Firms: Why Multi-discipline Practices Should Be Permitted in the United States*, 21 FORDHAM INT'L L.J. 190, 252 (1997) (noting that the prohibition against unauthorized practice of law "in large part serves . . . interests of the legal profession and not the public."); Munneke, *supra* note 15, at 90 ("[T]he primary reason for prohibiting such involvement is economic protectionism, rather than ethical probity.") (footnotes omitted); Joyce Palomar, *The War Between Attorneys and Lay Conveyancers—Empirical Evidence Says "Cease Fire!"*, 31 CONN. L. REV. 423, 527 (1999) ("Unless they can provide data showing significant harm to the public, it will be difficult for [attorneys] to look anything other than proprietary or self-protective when insisting that only attorneys should be

contrary to the public interest:[42]

> There is a point at which an institution attempting to provide protection to a public that seems clearly, over a long period, not to want it, and perhaps not to need it, there is a point when that institution must wonder whether it is providing protection or imposing its will. It must wonder whether it is helping or hurting the public.[43]

The market itself will likely eventually force such regulation to be weakened[44] as clients, especially business clients, grow "increasingly intolerant of inefficiencies that result from . . . [a] legal profession that appear[s] . . . self-serving."[45]

As a practical matter, it is unclear, outside of litigation, of what the practice of law consists,[46] and therefore, it is difficult to define precisely the "unauthorized practice of law."[47] Work that might be characterized as legal already goes to other professionals.[48] Nonlawyers at banks draft and execute routine mortgage documents and execute joint tenancy agreements on standard bank accounts.[49] Real estate agents in most states can execute contracts on residential property,[50] and title companies have, in some states, replaced lawyers in simple residential real estate closings.[51] Nonlawyers perform traditional legal functions in "estate planning, tax and business planning, . . . insurance negotiations

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permitted to draft instruments and close . . . transactions."); Charles W. Wolfram, *The ABA and MDPs: Context, History, and Process*, 84 MINN. L. REV. 1625, 1652 (2000) (noting that "[m]any 'unauthorized practice' restrictions that have the direct and palpable effect of constricting consumers' choice of service providers feed popular images of the bar as a guild whose primary activity is professional self-aggrandizement.").

42. Giesel, *supra* note 37, at 170 (footnotes omitted).

43. *Id.* at 161 (quoting *In re* Opinion No. 26 of the Committee on the Unauthorized Practice of Law, 654 A.2d 1344, 1360-61 (N.J. 1995)).

44. Andrews, *supra* note 41, at 656 ("It is only a matter of time before the business [law] canons will be changed to meet the needs of contemporary society.").

45. Jones & Manning, *supra* note 5, at 1183. *See also* Fischel, *supra* note 22, at 970 (stating that "[m]any European countries have more permissive rules than the United States and more freely allow non-law firms to offer legal services to clients," who could now increasingly hire firms governed by different and more permissive rules in other countries) (footnotes omitted).

46. Munneke, *supra* note 15, at 76.

47. Dzienkowski & Peroni, *supra* note 24, at 96 ("It is often difficult to define precisely what is [the] 'unauthorized practice of law.' ") (footnotes omitted). *See also* Farrell, *supra* note 41, at 600-01 (stating that "where 'consulting' ends and 'practicing law' begins is a relatively undistinguished area.").

48. Munneke, *supra* note 15, at 77.

49. Dzienkowski & Peroni, *supra* note 24, at 95.

50. *Id.*

51. Munneke, *supra* note 15, at 84.

and settlements, property tax disputes, immigration matters, child custody disputes, courtroom advocacy, and representation in proceedings before administrative bodies."[52] Accounting services include consulting and client advocacy such that auditing until recently contributed less than fifty percent of large accounting firm revenues.[53] The Internal Revenue Service has created a limited confidentiality privilege between taxpayers and federally authorized tax practitioners concerning tax advice,[54] which will afford accountants an opportunity to take tax work from attorneys.[55]

Notwithstanding that Model Rule 5.4[56] prohibits a lawyer from entering into partnership with a nonlawyer if any partnership activities consist of the practice of law, accounting firms aggressively hire lawyers as partners and are now among the world's largest employers of lawyers.[57]

E. Multidisciplinary Practice

The legal profession is increasingly interrelated to non-legal fields such as economics, business, engineering, management, medicine and

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52. Deason, *supra* note 25, at 630.

53. *Id.* at 629. *See also* Susan B. Schwab, Note, *Bringing Down the Bar: Accountants Challenge Meaning of Unauthorized Practice*, 21 CARDOZO L. REV. 1425, 1425-26 (2000) (noting that accounting services might include attestation engagements of Management's Discussion and Analysis sections in corporate securities filings) (an "MD&A" section is written by corporate management to explain a company's financial situation and future prospects that serve the same purpose as a lawyer's opinion letter).

54. Internal Revenue Service Restructuring and Reform Act, 26 U.S.C. § 7525 (1998).

55. Farrell, *supra* note 41, at 625-26.

56. Model Rules of Prof'l Conduct R. 5.4 (1983), "Professional Independence of a Lawyer," provides in pertinent part:

> . . .
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> (b) A lawyer shall not form a partnership with a nonlawyer if any of the activities of the partnership consist of the practice of law.
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> (c) A lawyer shall not permit a person who recommends, employs, or pays the lawyer to render legal services for another to direct or regulate the lawyer's professional judgment in rendering such legal services.
>
> (d) A lawyer shall not practice with or in the form of a professional corporation or association authorized to practice law for a profit, if
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> (1) a nonlawyer owns any interest therein, except that a fiduciary representative of the estate of a lawyer may hold the stock or interest of the lawyer for a reasonable time during administration;
>
> (2) a nonlawyer is a corporate director or officer thereof; or
>
> (3) a nonlawyer has the right to direct or control the professional judgment of a lawyer

Id.

57. Fischel, *supra* note 22, at 952.

psychology,[58] and in time certain organizational forms—chief among them multidisciplinary practices (MDPs)[59]—may prove especially well suited to deliver legal services[60] in a global economy where multiservice organizations with worldwide capacities offer clients the advantage and convenience of one-stop shopping.[61]

However, MDPs generate great controversy among lawyers, as they would surely increase competition in providing legal services.[62] Clients would almost certainly prefer working with a firm with highly competent lawyers, accountants, tax specialists and financial planners, or a firm with litigators, mediators, transactional lawyers, valuation experts, labor lawyers and employee benefits specialists, rather than working with each

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58. Andrews, *supra* note 41, at 623. *See also* Mary C. Daly, *Choosing Wise Men Wisely: The Risks and Rewards of Purchasing Legal Services from Lawyers in a Multidisciplinary Partnership*, 13 GEO. J. LEGAL ETHICS 217, 281 (2000) [hereinafter Daly II] ("The needs of clients are increasingly difficult to pigeonhole as 'legal,' 'accounting,' 'financial planning,' 'environmental planning,' etc.[,] [a]nd the boundaries between the law and other disciplines are blurring.").

59. The ABA Commission on Multidisciplinary Practice defines such a practice as a:

> partnership, professional corporation, or other association or entity that includes lawyers and nonlawyers and has as one, but not all, of its purposes the delivery of legal services to a client(s) other than the MDP itself or that holds itself out to the public as providing nonlegal, as well as legal, services. It includes an arrangement by which a law firm joins with one or more other professional firms to provide services, including legal services, and there is a direct or indirect sharing of profits as part of the arrangement.

ABA Comm. on Multidisciplinary Practice, Recommendations to the House of Delegates (June 1999), *quoted in* Pamela Lopata, *Can States Juggle the Unauthorized and Multidisciplinary Practices of Law?: A Look at the States' Current Grapple With the Problem in the Context of Living Trusts*, 50 CATH. U. L. REV. 467, 498 (2001).

60. Jones & Manning, *supra* note 5, at 1210.

61. Phyllis W. Beck, *Foreword: New Roles, No Rules? Redefining Lawyers' Work*, 72 TEMP. L. REV. 777, 779 (1999) (explaining that multidisciplinary practice follows an economic trend toward consolidation based on demand for efficiency, economy and synergy). *See also* Dzienkowski & Peroni, *supra* note 24, at 117 (stating that "multidisciplinary services [offer the promise] of an integrated team approach to serving client interests [by] providing . . . 'one-stop shopping' . . . for problems requiring services in different fields.") (footnotes omitted); Dianne Molvig, *Multidisciplinary Practices: Service Package of the Future?*, 72 WIS. LAW. 10, 13 (Apr. 1999) ("The key benefit for clients is convenience and economies derived from using one-stop shops for business consulting services."); Morello, *supra* note 41, at 239 ("[P]roponents argue that MDPs [permit] clients to . . . reduce . . . costs because there is only one company to instruct, communication between members of the same firm is better, there is a better liaison between advisors, and projects are streamlined.") (footnotes omitted); Melchior S. Morrione, *Are the Accounting Firms a Real Threat?*, N.Y. L.J., Dec. 14, 1999, at 5 ("When a corporate executive needs outside professional help, why wouldn't he want to work with an advisor who can analyze the transaction from a finance, tax, legal, accounting, systems, human resource, operational, management and overall strategic planning perspective, and who can work with his company personnel to plan and execute the deal[?]").

62. Dzienkowski &. Peroni, *supra* note 24, at 121.

professional separately.[63]

Although American law firms by their professional rules[64] cannot effectively offer broad consultancies in a variety of areas to provide comprehensive solutions to clients, accounting firms can and already do offer such services.[65] On this point one commentator has observed that, "[i]f law firms cannot compete because MDPs offer a superior product, then the law firms' position is exactly analogous to [the] horse and buggy [situation] manufacturers faced with the invention of the automobile."[66] Should the global marketplace[67] and consumer demand[68] make the coming of multidisciplinary practice inevitable,[69] the issue will be not whether it is possible for the legal profession to halt the change,[70] but rather, "[as] a train on the track that's left the station, . . . how to control its direction."[71] The legal profession must of course protect its core values through rules of professional conduct.[72] Yet, "removal of the economic restrictions resulting from the current rules could allow lawyers to compete more effectively"[73] and would seem to serve the interests of the American economy as well.[74]

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63. Fischel, *supra* note 22, at 951, 972.

64. *See* MODEL RULES OF PROF'L CONDUCT R. 5.4 (1983).

65. Noteboom, *supra* note 21, at 1394 (quotation omitted). *See also* Dzienkowski & Peroni, *supra* note 24, at 104 ("[A]ccounting firms have expanded . . . consulting practices to include estate planning, litigation support (including dispute resolution efforts and front-end services, such as investigation and discovery), valuation and business planning advice (including issues of environmental and labor law compliance and employee benefits issues), and financial planning.") (footnotes omitted).

66. Fischel, *supra* note 22, at 972.

67. Farrell, *supra* note 41, at 627-28.

68. Dzienkowski & Peroni, *supra* note 24, at 117.

69. *Id.* at 88.

70. Jones & Manning, *supra* note 5, at 1185.

71. Beck, *supra* note 61, at 779.

72. Jones & Manning, *supra* note 5, at 1186 (citing ABA Comm. On Multidisciplinary Practice, Recommendation 1 (1999)).

73. Gary A. Munneke, *Dances With Nonlawyers: A New Perspective on Law Firm Diversification*, 61 FORDHAM L. REV. 559, 568 (1992). It has been suggested that should the legal profession, through the American Bar Association, slow down or stop the development of multidisciplinary practices, "Europe will become the 21st century hub of legal commerce as multinational companies, including U.S. corporations, turn to law firms and international professional service firms with offices in London, Frankfurt, and Geneva." John S. Dzienkowski and Robert J. Peroni, *"Golden Age" is Over,* LEGAL TIMES, Aug. 2, 1999, at 27-28. *See also* Daly II, *supra* note 58, at 281 (stating that "[i]t [may be] naive and [self-defeating] for the legal profession to [ignore changes that] have reordered [client demands in] the financial and industrial markets and . . . have affected the way business and personal affairs are conducted on Main Street as well as on Wall Street.").

74. Wolfram, *supra* note 41, at 1652-53; Morello, *supra* note 41, at 241 (stating that the

A potential for conflicts that appears to be characteristic of MDPs is significant and especially noteworthy in the context of Arthur Andersen's apparent role in the Enron bankruptcy.[75] These potential conflicts center on the preservation of a lawyer's independent professional judgment and on mixing professions with fundamentally different disclosure requirements—accountants have duties of

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"legal services market would benefit from the increased competition and investment that would result from allowing banks, retailers, and insurance companies to expand into legal services.") (footnotes omitted).

75. Michael W. Price, Comment, *A New Millennium's Resolution: The ABA Continues Its Regrettable Ban on Multidisciplinary Practice*, 37 HOUS. L. REV. 1495, 1512 (2000) (footnotes omitted). On June 15, 2002, a federal jury in Houston convicted Arthur Andersen of obstruction of justice for impeding an investigation by securities regulators into the Enron financial collapse. Kurt Eichenwald, *Andersen Guilty in Effort to Block Inquiry on Enron*, N.Y. TIMES, June 16, 2002, at A1. New York Times correspondent Floyd Norris wrote:

> As the government pondered Andersen's preindictment arguments, it saw a firm that in recent years had seemed to be more and more like any other business out to make a buck, and less and less like a firm dedicated to high-quality audits. Managers emphasized selling consulting services to clients and rewarded auditors who did the best job of that, even if their auditing skills were not exemplary.

Floyd Norris, *Verdict May Open Season of Reforms*, N.Y. TIMES, June 16, 2002, at A19.

Congress has moved to reconcile conflicts that arise when accounting firms provide both accounting and consulting services to the same client at the same time. Following the Enron and WorldCom accounting scandals, Congress, in part to separate consulting from auditing activities, quickly enacted the Sarbanes-Oxley Act. Pub. L. No. 107-204, 116 Stat. 745 (2002). *See* David Kaplan, *Landmark Act Imposes Controversial Measures on Accounting Industry*, 4 LAWYERS J. 7 (Sept. 20, 2002); A. Marvin Quattlebaum Jr. & Thomas F. Moran, *Enron, WorldCom, Martha Stewart . . . What's a Public Company to Do?*, 14 S.C. LAW. 20, 24-25 (2002) (footnote omitted) (explaining that the Sarbanes-Oxley Act restricts services accounting firms can provide for public companies by preventing firms that provide audit services from simultaneously providing non-audit services such as consulting work and legal work). The Sarbanes-Oxley Act contains a number of provisions that will impact the accounting profession, including establishment of an independent Public Company Accounting Oversight Board. *See* Kaplan, *supra*; *Recent Legislation, Congress Passes Corporate and Accounting Fraud Legislation. Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745 (codified in scattered sections of 11, 15, 18, 28, and 29 U.S.C.)*, 116 HARV. L. REV. 728 (2002) (explaining that the Sarbanes-Oxley Act contains civil, criminal and administrative reforms designed to alter accounting, corporate governance and securities industry practices). Henceforth, a registered public accounting firm will be prohibited from simultaneously providing to public companies audit services and a number of non-audit services including, for example, fairness opinions, management functions and legal services unrelated to an audit. Guy P. Lander, *The Sarbanes-Oxley Act of 2002*, 61 N.Y. BUS. L.J. 26 (2002) (footnote omitted). Yet, how the Sarbanes-Oxley Act will affect accounting firms' consulting activities is not clear. Kaplan, *supra* (stating that the long-term effects of the Sarbanes-Oxley Act cannot be reasonably predicted at the present time). The Act's effects will depend on the extent to which it is enforced, on Securities and Exchange Commission implementing rules and, thereafter, on how those rules are interpreted by the courts and by the commission itself. *See* Lander, *supra*, at 23; Norris, *supra*; Quattlebaum & Moran, *supra*, at 25.

objectivity and public disclosure whereas lawyers owe clients a duty of loyalty, zealous advocacy and protection of client confidences.[76] It is unclear how, or even whether, these conflicts can be reconciled.

F. Commoditization of Legal Services

"[W]hy go to a full-service lawyer in a full-service downtown law firm for advice . . . when a paralegal can deliver the same product more cheaply from a neighbourhood storefront McLaw Office?"[77]

The growing trend of "unbundling," wherein legal work is removed from a law firm if it can be done less expensively by a nonlawyer,[78] is creating an intensely competitive,[79] price-driven[80] environment of commoditization in which clients see little difference between legal services provided by one source or another. Much of the work remaining with a firm in a commoditized environment will produce only low margins, even though technology makes delivery of legal services increasingly cost efficient,[81] because the Internet will curtail a firm's ability to extract any price premiums as prospective clients more easily determine whether fees are justified.[82]

Commoditization will push law firms to be innovative in adopting fee arrangements[83] based on discerning the value of a solution to the client[84] although, concededly, a firm may find it difficult to isolate its

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76. Price, *supra* note 75, at 1512.

77. Macdonald, *supra* note 36, at 18.

78. Cynthia C. Munger, *Communication Key to In-House and Firms' Relations: Law Departments Search for New Ways to Work With Outside Counsel*, CORP. LEGAL TIMES, July 1998, at 1 (quoting Pamela B. Strobel, Unicom Corp.).

79. William Kummel, Note, *A Market Approach to Law Firm Economics: A New Model for Pricing, Billing, Compensation and Ownership in Corporate Legal Services*, 1996 COLUM. BUS. L. REV. 379, 404 (1996).

80. ROSS DAWSON, DEVELOPING KNOWLEDGE-BASED CLIENT RELATIONSHIPS: THE FUTURE OF PROFESSIONAL SERVICES 39 (2000). *See also* Carter, *supra* note 25, at 29 ("[T]remendous growth in unbundled legal services, in which a lawyer handles only a discrete portion of a matter[,] . . . is already happening in family law, bankruptcy and probate matters."); Macdonald, *supra* note 36, at 4 (discussing "disaggregation" of legal services); Vestal, *supra* note 32, at 459 (stating that "economic changes [have resulted] in a mercantilist model for the practice of corporate and commercial law . . . [in] which legal advice [is a] commodity to be sold in competitive market.") (footnote omitted).

81. Boone & Conner, *supra* note 9, at 23.

82. Indrajit Sinha, *Cost Transparency: The Net's Real Threat to Prices and Brands*, 78 HARV. BUS. REV. 43 (2000).

83. Boone & Conner, *supra* note 9, at 24.

84. James D. Cotterman, *Mid-Sized Firms: Reviewing Guidelines for Fiscal Performance*, N.Y. L.J., Aug. 21, 2001, at 6. *See also* DAWSON, *supra* note 80, at 189 ("[D]ifferentiated elements of [an] offering should be priced . . . based on the value to the

contribution from the many other factors that impact the client's performance.[85] Commoditization will also demand that a firm continually generate new knowledge[86] that produces greater value for the client.

G. An Increasingly Sophisticated and Demanding Client

Corporate clients are increasingly knowledgeable about the legal services they need and want, increasingly demanding of the economic value and quality they receive,[87] and ever more demanding of rapid lawyer responsiveness.[88] There appears to be strong anecdotal evidence[89] that consumers of professional services generally are no longer satisfied simply with a professional's conclusion, but favor instead an understanding of the thinking that underlies legal advice in order to be able to use that thinking in future decisions.[90] This trend would, logically, apply to attorneys and may be especially prominent where clients must

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client.").

85. DAWSON, *supra* note 80, at 194.

86. *Id.* at 41.

87. Steven H. Hobbs, *Ethics in the Age of Entrepreneurship*, 39 S. TEX. L. REV. 599, 612-13 (1998). *See also* EDVINSSON & MALONE, *supra* note 30, at 91 (noting that the "modern consumer wants immediate, customized, flawless delivery."); Boone & Conner, *supra* note 9, at 22 ("Today's clients are discriminating purchasers of legal services."); Jim Hammond, *Firm Profits; Measuring Client and Attorney Profitability: A Working Model for Law Firms*, 13 ACCT. FOR LAW FIRMS 1 (Nov. 2000) (stating that clients demand lower costs, faster turnaround and higher quality).

88. Boone & Conner, *supra* note 9, at 23. *See also* HUBERT SAINT-ONGE & DEBRA WALLACE, LEVERAGING COMMUNITIES OF PRACTICE FOR STRATEGIC ADVANTAGE 7 (2003) ("In all markets, customers are more demanding of how they want their needs and expectations met.").

89. E-mail from Ross Dawson, Founder and CEO, Advanced Human Technologies, Sydney, Austl. (Apr. 27, 2003) (on file with author).

90. DAWSON, *supra* note 80, at 92. SAINT-ONGE & WALLACE, *supra* note 88, at 8-9, observe:

> Evidence shows that customers are demanding . . . from their solution providers [] information that enables the customer to be more self-reliant. . . . [C]ustomers are putting a high value on learning[,] want the opportunity to increase their own knowledge[, and] highly value an organization that enables them to enhance their own capabilities.

Id. See Melanie Warner, *The Incredible Shrinking Consultant,* FORTUNE, May 26, 2003, at 115:

> Terry Laughlin, head of corporate strategy and development at FleetBoston [explained] that the practice of constantly hiring consultants prevented [Fleet] from developing the related skills, knowledge, and expertise internally. The bank now has outside consultants work alongside teams of Fleet people. "This way we can pick up a lot of the knowledge and start to do it on our own," explains Laughlin.

Id.

make decisions on strategic issues.[91] The extent to which a client demands an understanding of his or her attorney's reasoning processes appears to be related to the client's degree of business sophistication—a more sophisticated client will demand a higher degree of education from the attorney.[92] As the importance of effective management of intellectual assets grows in the knowledge economy, clients will become more sophisticated and thus more demanding as they seek enhanced methods and processes to solve increasingly complex problems.[93] A further development that may drive clients to demand integration of attorneys' reasoning processes into the clients' own is the reduction in the gap between clients' knowledge and attorneys' specialized legal knowledge.[94] In-house counsel, for example, frequently are now former partners in large corporate firms[95] and are well positioned to make their significant legal expertise available to their employers.[96]

Further, as has been discussed earlier, clients increasingly will insist on paying for commodity services at a commodity rate.[97] Some clients will demand yet more—"the most permissive advice, the most favorable opinion letter, or [aggressive] attitude toward regulators or adversaries"[98]—and will readily move to a more compliant law firm to satisfy these demands if need be.[99]

H. Rise of the Powerful In-house Counsel

Economic pressures that include globalization have created an

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91. Ross Dawson, *supra* note 89 (if legal processes impinge on strategic issues—and there is increasingly the recognition that this applies to most issues—executives want to make decisions themselves).

92. Telephone interview with Dr. Patrick H. Sullivan, Senior Partner, ICM Group, Palo Alto, Calif. (May 28, 2003).

93. *Id.*

94. E-mail from Dr. Thomas H. Davenport, Director, Accenture Inst. for Strategic Change, Cambridge, Mass. (May 28, 2003) (on file with author) (observers have commented on a reduction in the gap between what clients know and what professionals know).

95. Ronald J. Gilson, *The Devolution of the Legal Profession: A Demand Side Perspective*, 49 MD. L. REV. 869, 902 (1990).

96. *See infra* notes 100 to 105 and accompanying text.

97. Henning, *supra* note 35, at 1249.

98. Robert W. Gordon, *The Independence of Lawyers*, 68 B.U. L. REV. 1, 54 (1988) (footnotes omitted).

99. Hobbs, *supra* note 87, at 612-13. *See also* DAWSON, *supra* note 80, at 39 (stating that corporate clients already routinely select from an array of legal service providers); Julie A. Eichorn, *Developing Business: A Client's Perspective; Take the Time to Understand, and Think Like, the Buyer*, N.Y. L.J., Jan. 29, 2001, at S4 (noting that today's legal buyers typically have no long-standing relationships with law firms).

enormously competitive business environment that has forced business clients to undertake comprehensive cost cutting. Recognizing that much legal work can be handled in-house at a significantly reduced cost compared to outside firms,[100] corporate clients have expanded the size and role of in-house legal departments,[101] which now provide an increasingly broad range of corporate legal services.[102] The growth in the prestige and power of in-house counsel represents a significant change in corporate legal practice[103] in that general counsel-increasingly control the terms and costs of legal work[104] and themselves provide business as well as legal advice directly to CEOs.[105]

I. Transition to a Knowledge Economy

Perhaps the most significant influence to affect the practice of business law in the twenty-first century will be a transition, especially pronounced in the developed economies,[106] from an industrial to a knowledge-based economy in which ideas and innovation, rather than tangible assets, will drive economic growth and enterprise value.[107] In

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100. Samuelson & Fahey, *supra* note 19, at 452-53 (noting that much legal work can be handled in-house at perhaps one-third the cost of outside firms).

101. Regan II, *supra* note 22, at 30.

102. Daly I, *supra* note 6, at 1060-61.

103. *Id.* at 1057-58.

104. Lawrence M. Friedman et al., *The Growth of Large Law Firms and Its Effect on the Legal Profession and Legal Education: Law, Lawyers, and Legal Practice in Silicon Valley: A Preliminary Report,* 64 IND. L.J. 555, 566 (1989). *See also* Chayes & Chayes, *supra* note 15, at 293 ("[T]he trend is towards greater participation in and control over those matters . . . still shared with outside counsel."); Kagan & Rosen, *supra* note 15, at 428 (noting that "[i]nside [counsel] have emerged as purchasers of particular outside lawyers' services for specialized job[s], '[parceling] out . . . legal work to a group of law firms[,]' [and so] it is more appropriate to speak of lawyer-client transactions than of the lawyer-client relationship.").

105. Daly I, *supra* note 6, at 1064. *See also* Kagan & Rosen, *supra* note 15, at 412 (arguing that the more sophisticated the client, the less outside counsel's input may matter at all in shaping the client's decisions and strategies).

106. BARUCH LEV, INTANGIBLES: MANAGEMENT, MEASUREMENT, AND REPORTING 9, 11-12 (2001). *See also* KEVIN G. RIVETTE & DAVID KLINE, REMBRANDTS IN THE ATTIC: UNLOCKING THE HIDDEN VALUE OF PATENTS 43 (2000) ("[I]ntellectual property has come to play a powerful new role as a strategic asset and competitive weapon of enormous value."); Peter Rouse et al., *Strategic Management of Intellectual Property, available at* http://www.iprights.com/our_publications.htm (last visited Aug. 21, 2001) ("The emerging global economy has changed . . . rules of competitive success.").

107. RIVETTE & KLINE, *supra* note 106, at 1-2; KARL ERIK SVEIBY, THE NEW ORGANIZATIONAL WEALTH: MANAGING & MEASURING KNOWLEDGE-BASED ASSETS 21 (1997) ("[K]nowledge companies make up the world's most rapidly growing business sector."); Robert P. Merges, *Intellectual Property and the Costs of Commercial Exchange*, 93 MICH. L. REV. 1570, 1614 (1995) (noting the growth of an intellectual property component in commercial transactions). Raymond T. Nimmer, *Images and Contract Law—What Law*

this knowledge economy, a firm's intellectual capital[108]—its knowledge, experience and expertise—will increasingly determine its own competitive position.[109]

Intellectual property law will play a central role as clients compete for business advantage[110] and negotiate with other companies to gain

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Applies to Transactions in Information, 36 HOUS. L. REV. 1, 3 (1999) (discussing a fundamental shift from a goods-based economy to one which entails distribution of information and services); *See also* LEV, *supra* note 106, at 25 (stating that virtually every dollar of knowledge-oriented investment makes a productivity contribution even when it results in "unsuccessful" products; current development often guides and benefits future development) (citing Gene Grossman & Elhanan Helpman, *Endogenous Innovation in the Theory of Growth*, 8 J. ECON. PERSP. 31 (1994)); Jonathan Bellis & Ralph Schroeder, *Intellectual Management Systems—Not Just for Legal Departments Anymore,* GEN. COUN. F. (PricewaterhouseCoopers May/June 2000) at 1 ("[M]arket value multiples attached to a company's [intangible sources of competitive advantage] are often many times higher than the multiples associated with [other business assets].").

108. Using the definition formulated by the Swedish company Skandia, " 'Intellectual capital' is . . . knowledge, applied experience, organizational technology, customer relationships and professional skills that provide . . . a competitive edge in the market." EDVINSSON & MALONE, *supra* note 30, at 44. Beyond the law firm context, the value of intellectual capital might be realized in revenue production, reputation and image, access to the technology of others, litigation avoidance, design freedom, reduced costs, blocked competition and protection for innovations, and can be captured through sales, licensing, joint ventures, strategic alliances, integration with current businesses, creation of new businesses, and charitable donations for tax deductions. PATRICK H. SULLIVAN, VALUE-DRIVEN INTELLECTUAL CAPITAL: HOW TO CONVERT INTANGIBLE CORPORATE ASSETS INTO MARKET VALUE 48, 116 (2000). *See also* Paul M. Romer, *Two Strategies for Economic Development: Using Ideas and Producing Ideas*, *in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 212 (David A. Klein ed., 1997) (stating that intellectual capital—discoveries of ideas large and small—make economic growth possible in a world with physical limits).

109. David A. Kline, *The Strategic Management of Intellectual Capital: An Introduction*, *in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL: An INTRODUCTION 1 (David A. Klein ed., 1997). *See also* James Brian Quinn et al., *Managing Professional Intellect: Making the Most of the Best, in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 87 (David A. Klein ed., 1997) (stating that in the post-industrial era, the success of a corporation lies more in its intellectual than physical assets, as professional intellect creates most of the value in, for example, software, health care, financial services, communications and consulting businesses, but also in manufacturing through research and development, design, logistics, marketing and systems management).

110. RIVETTE & KLINE, *supra* note 106, at 62 (stating that intellectual property is key to wealth creation and competitive advantage in the knowledge economy). *See also* GARY M. LAWRENCE, DUE DILIGENCE IN BUSINESS TRANSACTIONS § 13.01 (1998) (discussing international strengthening of intellectual property law protection); Steven E. Bochner & Susan P. Krause, *The Role of Intellectual Property in the Enterprise Value: Intellectual Property Management and Board Liability*, Mar. 6, 1998 (copy of paper provided by Mr. Bochner to the author) (discussing how intellectual property will play an increasingly important role in enterprise value); Nimmer, *supra* note 107, at 4 (noting that rights and duties in the knowledge economy will be defined and governed by intellectual property law).

access to technologies or to safeguard against threats of litigation.[111] The capital markets, too, have begun to take notice of a company's intellectual assets as venture capital firms award higher valuations to companies that own valuable technology.[112] Indeed, "a strong [intellectual property] portfolio [actually may be] a precondition to funding."[113]

Because a company's success will increasingly rely on its ability to manage its "flow of competence,"[114] intellectual capital management will become a "core competency" for success in the knowledge economy.[115]

J. The Legal Profession's Response So Far

Law firms have responded to the pressures of the new economy by focusing on efficiency improvements through mergers with other firms and by terminating partners and associates who become unproductive; lawyers themselves in turn now move to other firms that offer some more alluring promise.[116] Yet these responses will likely be insufficient to confront growing twenty-first century challenges to the legal profession that will demand innovation,[117] ever higher standards of quality[118] and

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111. RIVETTE & KLINE, *supra* note 106, at 44.

112. Kimberlie L. Cerrone & Thomas Villeneuve, *Power to the Patents,* INTELL. PROP., Feb. 1997. *See also* RIVETTE & KLINE, *supra* note 106, at 139 (stating that " 'predictable income stream[s]' backed by . . . 'intellectual property, can be securitized' ") (quoting Nomura financier Ethan Penner).

113. RIVETTE & KLINE, *supra* note 106, at 141; Maureen A. O'Rourke, *Rethinking Remedies at the Intersection of Intellectual Property and Contract: Toward a Unified Body of Law*, 82 IOWA L. REV. 1137, 1138 (1997) (footnotes omitted) (stating that a paradigm shift is occurring as investors focus on a firm's intellectual property rights); E-mail from David Patch, President, Technology Systems Inc., Wiscasset, Me. (Jan. 28, 2002) (on file with author) ("[W]hen you are looking for 'other people's money,' . . . they want to know that their investment is protected . . . .").

114. EDVINSSON & MALONE, *supra* note 30, at 41.

115. RIVETTE & KLINE, *supra* note 106, at 32.

116. Frederick W. Lambert, *A Preliminary Inquiry into the Transcendence of Value Creation,* 74 OR. L. REV. 121, 134 (1995). *See also* Samuelson & Fahey, *supra* note 19, at 456-57 ("[T]he relationship between partners and their firms appears to have all the permanence of a modern marriage.").

117. Hobbs, *supra* note 87, at 613-14 ("Information technology, computerization of the workplace, and faster methods of electronic communication enhance the possibilities of practicing creatively . . . . But [these] new technologies [demand that] practitioners . . . keep up with the swift change[ ] or be left behind.") (footnotes omitted).

118. *Id.* at 617. *See also* Geu, *supra* note 8, at 251 ("Because the business of . . . law firm[s] will be subject to the same evolutionary forces as the rest of business, . . . technology, speed, the use of paraprofessionals, and the need for innovation will challenge the law business just as it has challenged business in general.").

ever more diligent work to enable business clients to succeed.[119] Before reviewing how lawyers and law firms might more successfully respond to the challenges emerging in the practice of law, it is useful to try to identify what it is that constitutes the work of a lawyer and how lawyers add value to a client's business endeavors.

III. THE ROLE OF THE BUSINESS LAWYER

"What is the essence of being a lawyer[]"—"[w]hat is it that lawyers do?"[120] Although in the knowledge economy the outcome of bet-the-company intellectual property disputes may depend on the quality of legal advice business clients receive[121]—made all the more complex as projects increasingly require multidisciplinary solutions[122]—"it is [nearly] impossible to articulate a . . . definition of the practice of law."[123] Chief Justice Rehnquist describes the practice of law as "a subtle blend between a 'calling[,]' such as the ministry, . . . and the selling of a product."[124] Legal practice is a "discipline of thought and argument [that seeks to claim] meaning for human experience . . . in a language that is [both] a source of authority and . . . subject to perpetual revision."[125] With "judgment that goes beyond mere rule compliance,"[126] the lawyer helps the legal system function as the "crucial mechanism for social cohesion and stability"[127] "construed . . . in light of larger purposes"[128]

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119. EDVINSSON & MALONE, *supra* note 30, at 91.

120. Clark, *supra* note 12, at 281.

121. Mary B. Cranston, *"Successful Partnering Between Inside and Outside Counsel": New Treatise Gives Corporate and Law Firm Lawyers the Tools for Partnering in the New Economy*, 27 SAN FRAN. ATT'Y 43 (June/July 2001).

122. Bruce Balestier, *Under One Roof: ABA Faces Arrival of Lawyer-Accountant Pairings*, N.Y. L.J., Nov. 9, 1998, at 5. *See also supra* note 58 and accompanying text.

123. Carol A. Needham, *Permitting Lawyers to Participate in Multidisciplinary Practices: Business as Usual or the End of the Profession as We Know It?*, 84 MINN. L. REV. 1315, 1327 (2000). *See also* Laurel S. Terry, *A Primer On MDPs: Should the "No" Rule Become a New Rule?*, 72 TEMP. L. REV. 869, 872-73 (1999) ("[T]he definition of the 'practice of law' is frustratingly illusive [as] it is almost impossible to define with precision what constitutes the practice of law in the United States today. . . .").

124. Chief Justice William H. Rehnquist, *The Legal Profession Today*, 62 IND. L.J. 151, 157 (1987).

125. James Boyd White, *Meaning in the Life of the Lawyer*, 26 CUMB. L. REV. 763, 767 (1995-1996).

126. Regan I, *supra* note 15, at 202.

127. Daly I, *supra* note 6, at 1111 (citing Timothy P. Terrell & James H. Wildman, *Rethinking "Professionalism,"* 41 EMORY L.J. 403, 423 (1992)). *See also* Clark, *supra* note 12, at 281 (noting that lawyers "create, find, interpret, adapt, apply, and enforce rules and principles that structure human relationships and interactions.").

128. White, *supra* note 125, at 764.

that call for "creative reconciliation"[129] of "rules and principles of law, conceptions of public policy or political realities[,]" and the lawyer's own values.[130]

What especially distinguishes the legal profession is the lawyer's ability, if not obligation, to say "no"[131]—to say that the client "is not always right[.]"[132] Further, where what is "right" as a legal matter may be ambiguous or uncertain, it is the lawyer's obligation to provide advice[133] to counteract ill-conceived corporate decisions.[134] As corporate managers can be preoccupied with short-term problems and therefore may ignore legal advice not forcefully given, lawyers are called upon actively to encourage and promote measures designed to protect corporate interests.[135] For the interests, therefore, of both the client and society as a whole,[136] the corporate lawyer may have to counsel clients "that even if proposed actions do not violate the law *per se,* they might nevertheless be ethically questionable" or damaging to the company's interests.[137]

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129. Regan II, *supra* note 22, at 74. *See also* Eleanor W. Myers, *Examining Independence and Loyalty*, 72 TEMP. L. REV. 857 (1999). "[W]hat defines lawyers as professionals is not the content of their learning, but the attitudes and values they bring to their work." *Id.* at 857.

130. Kagan & Rosen, *supra* note 15, at 404.

131. Gilson, *supra* note 95, at 900.

132. Kagan & Rosen, *supra* note 15, at 440 (quoting T. H. Marshall, *The Recent History of Professionalism in Relation to Social Structure and Social Policy*, *in* CLASS, CITIZENSHIP AND SOCIAL DEVELOPMENT: ESSAYS BY T. H. MARSHALL 144, 150 (1964)).

133. *Id.* at 438-39 (discussing that because "[c]orporate managers . . . sometimes fail to consider the full economic and moral implications of their [business] decisions, . . . lawyers might speak for the 'true' economic interests of the corporation, as against the perceptions of managers.").

134. *Id.* at 441.

135. *Id.* at 441-42. Lawyers must "actively encourag[e] cooperation with clearly justifiable regulatory requirements, shap[e] constructive compromises in the case of questionable ones, and . . . promot[e] corporate measures designed to prevent actionable harms." *Id.* at 442 (discussing further that legal service involves engaging clients about the level at which they will comply with the law).

136. Regan I, *supra* note 15, at 207-08. *See also* Steven H. Hobbs, *Toward a Theory of Law and Entrepreneurship*, 26 CAP. U. L. REV. 241, 263 (1997) (stating that the business attorney assists the client to take advantage of an entrepreneurial opportunity in a manner that protects and promotes the client's interests and legal obligations).

137. Kagan & Rosen, *supra* note 15, at 410-11 (footnotes omitted). Ill-conceived actions might lead, for example, to "popular or political attacks, adverse reactions by customers or competitors, or intensified governmental scrutiny." *Id.* Further,

> By advising businesses about the probabilities of losing pending or imminent lawsuits, the lawyer promotes prompt and fair settlements of disputes that emotionally involved executives might be inclined to drag out and litigate. By telling business executives how to avoid antitrust suits, civil rights suits, and regulatory

The practice of law requires possession and application of esoteric knowledge, the making of complex judgments,[138] a capacity to marshal and order facts,[139] an ability to understand clients' overall objectives and needs,[140] and an ability to communicate knowledge effectively to clients and to others.[141] Inasmuch as the majority of a lawyer's work is done outside of court,[142] an image of the lawyer as "hired gun" inaccurately describes a good transactional business lawyer,[143] whose central tasks beyond representing clients in litigation include advising clients of their legal rights and obligations, preparing legal documents and papers,[144]

> prosecutions, and by insisting on knowing the truth about financial weaknesses that might affect the accuracy of representations in disclosure statements, license applications, or opinion letters signed by the law firm, the lawyer necessarily forces corporations to be more honest and to establish internal systems for ensuring compliance with the law. The corporate lawyer, from this perspective, is an autonomous agent of social control and law enforcement.

Id. at 410.

138. Cramton, *supra* note 32, at 603. *See also How Inside Counsel Are Shaping Firms*, NAT'L L.J., June 16, 1997, at A1 (the lawyer who exhibits best judgment "is key") (quoting Robert M. Dell of Latham & Watkins).

139. Gary L. Blasi, *What Lawyers Know: Lawyering Expertise, Cognitive Science, and the Functions of Theory*, 45 J. LEGAL EDUC. 313, 326 (1995).

140. Thomas S. Clay, *Putting Clients' Needs First*, 21 PENN. LAWYER 26 (July/Aug. 1999).

141. DAWSON, *supra* note 80, at 76.

142. Giesel, *supra* note 37, at 159 (footnotes omitted).

143. Lisa Bernstein, *The Silicon Valley Lawyer as Transaction Cost Engineer?*, 74 OR. L. REV. 239, 241 (1995) (footnotes omitted). *See also* Blasi, *supra* note 139, at 327 (describing "the central work of [a] lawyer as [a] decision-maker, advisor, fact developer, advocate, friend, investigator, and organizer") (footnotes omitted); Frank B. Cross, *The First Thing We Do, Let's Kill All the Economists: An Empirical Evaluation of the Effect of Lawyers on the United States Economy and Political System*, 70 TEX. L. REV. 645, 656-57 (1992) ("Lawyers do not only initiate lawsuits but also engage in preventive actions that avoid lawsuits.") (footnotes omitted); Gilson, *supra* note 24, at 242 (describing the business lawyer's role as "planner, drafter, negotiator, investigator, lobbyist, scapegoat, champion, and . . . friend.") (footnotes omitted); *How Inside Counsel Are Shaping Firms, supra* note 138 (describing the role of the business attorney as a partner in whom the client can confide) (quoting Peter J. De Luca of Scholer, Fierman, Hays & Handler L.L.P.) (quotation marks omitted).

144. Schwab, *supra* note 53, at 1450. *See also* Paul Brest & Linda Hamilton Krieger, *Lawyers as Problem Solvers*, 72 TEMP. L. REV. 811, 811 n.1 (1999) (stating that the law-related skills are "[ ] legal analysis and reasoning, [ ] legal research, [ ] litigation and alternative dispute-resolution procedures, and [ ] recognizing and resolving legal ethical dilemmas. The more general skills are [ ] problem solving, [ ] factual investigation, [ ] communication, [ ] counseling, [ ] negotiation, and [ ] the organization and management of legal work.") (quoting *Legal Education and Professional Development—An Educational Continuum, Report of the Task Force on Law Schools and the Profession: Narrowing the Gap*, 1992 A.B.A. SEC. LEGAL EDUC. AND ADMISSION TO THE BAR 135 ("The MacCrate Report").

and representing clients in negotiations.[145] Such work includes analysis and interpretation of complex statutes, regulations, and regulatory agency and judicial opinions.[146] This work also includes "drafting legal opinions and other documents [to] reflect that analysis and interpretation."[147] A lawyer must plan and draft a number of agreements and provisions that accurately reflect, operate and conform the business to the participants' expectations, in order to tailor a business entity to the needs of a particular activity and its participants.[148]

To generalize, a business lawyer plans strategies, negotiates deals, resolves disputes,[149] structures transactions[150] to mitigate risks[151] by anticipating contingencies,[152] and advises clients of possible consequences[153] and costs[154] of particular decisions or actions. To generalize further, good attorneys solve clients' problems.

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145. Clark, *supra* note 12, at 281-82.

146. Kagan & Rosen, *supra* note 15, at 437 (asserting the "modern legal system . . . is packed with thousands of confusing statutory amendments and regulations that reflect *ad hoc* compromises among conflicting political interests and economic philosophies."). *See also* Cross, *supra* note 143, at 656 (explaining that "businesses are now subject to an enormity of regulations, and lawyers can inform [clients] about how to comply with the law") (footnotes omitted).

147. Needham, *supra* note 123, at 1349. *See also* Munneke, *supra* note 15, at 83 ("Legal practice . . . involves giving advice to clients on the meaning, interpretation and enforcement of the common, statutory and regulatory law . . . and representing clients in judicial proceeding[s].") (footnotes omitted).

148. Hobbs, *supra* note 136, at 261 (e.g., "preincorporation agreements, special charter and bylaw provisions, stock transfer restrictions, buy-and-sell arrangements, stockholders' . . . long-term employment contracts, and various other instruments").

149. Morgan, *supra* note 23, at 627.

150. Clark, *supra* note 12, at 299-300 (footnotes omitted).

151. Brest & Hamilton Krieger, *supra* note 144, at 825.

152. Margolis, *supra* note 33, at 125. *See also* Brest & Hamilton Krieger, *supra* note 144, at 811-812 (stating that a lawyer must anticipate problems that may arise); Gilson, *supra* note 24, at 307 (noting that a lawyer's role is to anticipate legal problems).

153. Blasi, *supra* note 139, at 320. *See also* Cross, *supra* note 143, at 657 (stating that lawyers are "skilled at putting deals together while minimizing the risk and cost of undertaking the transaction.") (footnotes omitted).

154. Manuel A. Utset, *Producing Information: Initial Public Offerings, Production Costs, and the Producing Lawyer*, 74 OR. L. REV. 275, 289 (1995).

> Transaction costs encompass the costs of deciding, planning, arranging, and negotiating the actions to be taken and the terms of exchange when two or more parties do business; the costs of changing plans, renegotiating terms, and resolving disputes as changing circumstances may require; and the costs of ensuring that parties perform as agreed.

Id. (citing Paul Milgrom & John Roberts, *Bargaining Costs, Influence Costs, and the Organization of Economic Activity*, *in* PERSPECTIVES ON POSITIVE POLITICAL ECONOMY 57, 60-61 (James E. Alt & Kenneth A. Shepsle eds., 1990)).

Experienced attorneys seek, in a virtually infinite range of complex and uncertain settings,[155] to find workable solutions to complex problems that often defy resolution[156] and to create sustainable arrangements to resolve competing claims.[157] Using legal knowledge as a problem-solving tool,[158] "the expert lawyer solves problems creatively"[159] using common sense, practical wisdom[160] and sound judgment,[161] all the while staying focused on the client's needs and objectives[162] and on "the legal framework and factual nuances, the financial and time constraints . . . , and . . . alternative means [available] . . . [,]"[163] including enabling the client to solve his or her own problems.[164] Although a lawyer must be

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155. Blasi, *supra* note 139, at 317.

156. Ronald J. Gilson & Robert H. Mnookin, *Foreword: Business Lawyering and Value Creation for Clients*, 74 OR. L. REV. 1, 5 (1995) (citing ANTHONY KRONMAN, THE LOST LAWYER: FAILING IDEALS OF THE LEGAL PROFESSION 1 (1993)). *See also* Blasi, *supra* note 139, at 327 (stating that the "[p]roblem-solving involves perceiving that the world we would like varies from the world as it is and trying to move the world in the desired direction."). A "problem" has been defined as "any situation in which the state of affairs varies, or may in the future vary, from the desired state, and where there is no obvious way to reach the desired state." Brest & Hamilton Krieger, *supra* note 144, at 812 (footnotes omitted).

157. Carrie Menkel-Meadow, *The Lawyer as Problem Solver and Third-Party Neutral: Creativity and Non-Partisanship in Lawyering*, 72 TEMP. L. REV. 785, 792 (1999) [hereinafter Menkel-Meadow I]. *See also* Blasi, *supra* note 139, at 327 (stating that a lawyer's "principal role [is] to help clients achieve effective solutions to problems.") (footnotes omitted).

158. SVEIBY, *supra* note 107, at 129.

159. Regan II, *supra* note 22, at 54 (quoting SUSAN S. SAMUELSON, LAW FIRM MANAGEMENT: A BUSINESS APPROACH 1:17-1:25 (1994)). *See also* Munger, *supra* note 78 ("Creativity is adjusting your mind to thinking about the business problem that caused this legal work. What does the business need? What would be a good result, from a business standpoint, for my company?") (quoting Pamela B. Strobel, Unicom Corp.); Menkel-Meadow I, *supra* note 157, at 799 (noting that legal creativity implies " 'out of the box' [thinking] to create a new legal solution, entity, concept, statutory claim, cause of action, legal theory, or legal rationale.") (footnotes omitted).

160. Brest & Hamilton Krieger, *supra* note 144, at 811-12.

161. Blasi, *supra* note 139, at 315.

162. Carrie Menkel-Meadow, *Toward Another View of Legal Negotiation: The Structure of Problem Solving*, 31 UCLA L. REV. 754, 841 (1984) [hereinafter Menkel-Meadow II].

163. Margolis, *supra* note 33, at 119 (footnotes omitted). *See also* Blasi, *supra* note 139, at 349 ("[T]he lawyer must design and implement a strategy that will solve the client's problem within the available resources and the given constraints."); Brest & Hamilton Krieger, *supra* note 144, at 819 ("[P]roblem solving and decision making . . . require tradeoffs between the importance of the decision, [the] urgency, and the costs of engaging in the process. . . . [A] good problem-solving process maximizes the satisfaction of the parties' interests . . . , including the costs of the process itself."); Phyllis Weiss Haserot, *Client Relations; Lawyers as Consultants and Filling a Sales Role*, N.Y. L.J., Apr. 18, 2000, at 5 ("A good [lawyer] is . . . an expert problem-solver; someone who takes the time to understand the clients' needs and objectives as well as the environment in which the client acts . . . .).

164. DAWSON, *supra* note 80, at xvi-xvii, 23, 156 (noting that clients increasingly find

forthright in telling clients the facts and law,[165] the lawyer, rather than merely saying that something cannot be done as a matter of law, should show how it can be done[166] and should propose solutions and a framework in which to solve the problem.[167] Indeed,

> counsel does a disservice when . . . he limits his advice to whether the law forbids particular acts or to an assessment of the legal exposure, and does not . . . [provide] the full range of information and advice of which he is capable and on which the client can make the most informed choice.[168]

Problem-solving produces value for the client and, in the intensely competitive practice of law, value creation through problem solving will constitute the heart of the business lawyer-client relationship.[169] To distinguish himself or herself, a lawyer will continuously have to add value to a client's activity[170] and demonstrate precisely what that value

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knowledge transfer at the strategic decision-making level—that knowledge that makes them better decision makers with enhanced capabilities—to be the primary differentiating factor in the value they receive).

165. Jill Schachner Chanen, *Reality Checks: Lawyers Must Manage Client Expectations by Being Upfront About What is Possible and What is Not*, 83 A.B.A. J. 58, at 60, 64 (Nov. 1997) (quoting Arthur Spalding of Rhodes, McKee, Boer, Goodrich & Titta in Grand Rapids, Mich.) *See also* Robert Eli Rosen, *The Growth of Large Law Firms and its Effect on the Legal Profession and Legal Education: The Inside Counsel Movement, Professional Judgment and Organizational Representation*, 64 IND. L.J. 479, 524 (1989) (stating that a lawyer must convince the client about what is in the client's own and the corporation's interest).

166. Blasi, *supra* note 139, at 326-27. *See also* Friedman et al., *supra* note 104, at 562-63 (noting an attorney should not merely say a client cannot do what he proposes to do because it would violate the law, but the lawyer should take the next step and solve the problem); Munger, *supra* note 78 (explaining that an attorney should provide not just the answer to the legal problem, but help in getting to the decision) (quoting Michael E. Flannery, Duchossois Industries Inc.) (quotation marks omitted).

167. Menkel-Meadow I, *supra* note 157, at 795. *See also* Blasi, *supra* note 139, at 328 (arguing that developing and evaluating strategies for problem solving requires problem identification and diagnosis and generation of alternative solutions and strategies); Daly I, *supra* note 6, at 1062-63 (noting an attorney who suggests alternatives to obtain the end result provides quality legal services).

168. Gordon, *supra* note 98, at 5.

169. Lambert, *supra* note 116, at 121. *See also* Theodore J. Collins et al., *Patents and Trade Secrets, in* SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL § 68:1 (Robert L. Haig ed., 2000) (arguing that successful partnership between company and counsel provides value to the corporate client); John Mixon & Gordon Otto, *Continuous Quality Improvement, Law, and Legal Education*, 43 EMORY L.J. 393, 409 (1994) (citations omitted) (stating that clients want to be treated as partners and to obtain value).

170. Morgan, *supra* note 23, at 633. *See also* Lambert, *supra* note 116, at 145 ("There is . . . a new business of . . . law driven by value creation . . . ."); Hobbs, *supra* note 87, at 601 (stating that "clients . . . now demand that lawyers deliver services which add value."); Mixon & Otto, *supra* note 169, at 411 (noting that lawyers provide a service intending to produce higher quality product as measured by clients); Morrione, *supra* note 61, at 5 (discussing that

is.[171]

IV. HOW BUSINESS LAWYERS ADD VALUE TO A CLIENT'S ENDEAVORS

As the scarce resources for many business clients are knowledge and expertise[172] (perhaps especially for small business clients), an attorney who is a valuable sounding board,[173] a repository of experience,[174] a legal analyst, a business strategist,[175] and talented in creative problem solving[176] is especially valuable. Such an advisory role is, in fact, often performed by lawyers rather than by other professionals,[177] owing perhaps to a regulatory environment that demands "[k]nowledge of alternative transactional forms and skill at translating the desired form into [useful] documents,"[178] and perhaps to an expectation that an attorney's broad focus,[179] coupled with in-depth expertise[180] "across a

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the competitive threat is less from accounting firms than from the demands of the marketplace as clients demand more value).

171. Daly II, *supra* note 58, at 283. For a discussion on the distinction between value and cost, *see* SULLIVAN, *supra* note 108, at 85 ("Value is [the] measure of the usefulness of something, whereas cost is [the] measure of the . . . resources required to produce it.").

172. Charles A. Bartlett, *The Knowledge-Based Organization: A Managerial Revolution*, *in* THE KNOWLEDGE ADVANTAGE 112 (Rudy Ruggles & Dan Holtshouse eds. 1999). *See also* DAWSON, *supra* note 80, at 32 (arguing that corporate clients increasingly seek highly specialized knowledge from outside their companies to enhance their decision making processes).

173. Florence A. Davis & Paul H. Friedman, *The Make or Buy Decision*, *in* SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL § 3:10 (Robert L. Haig ed., 2000).

174. Bernstein, *supra* note 143, at 252. *See also* SVEIBY, *supra* note 107, at 99 (explaining that the ability to analyze problems and process information by asking fewer but highly relevant questions results in higher productivity).

175. Eran Kahana, *Metamorphosis Inc.: Turning a Business Lawyer Into a Strategic Business Lawyer*, BUSINESS LAW TODAY, Jan./Feb. 2002, at 35.

176. Boone & Conner, *supra* note 9, at 24. *See* Munger, *supra* note 78 ("Sometimes the desire for creativity is really a desire for efficiency. It's trying to look beyond one project and think of ways to make the time and effort you're expending to solve one legal problem apply to future problems as well.") (quoting Larry A. Barden, Sidley & Austin).

177. *See* DAWSON, *supra* note 80, at 90 (stating that providing such knowledge, generating and assessing options and presenting recommendations are roles typically performed by lawyers).

178. Gilson, *supra* note 24, at 298. *See also* Chayes & Chayes, *supra* note 15, at 283 (discussing attorney advice on present and projected legal and regulatory environment that will affect project's feasibility, cost and timeliness).

179. Interview with Philip Ferneau, Professor, Amos Tuck School of Business (Dartmouth College), in Hanover, N.H. (Sept. 13, 2001).

180. Kagan & Rosen, *supra* note 15, at 408.

diverse range of clients,"[181] can improve the quality of a client's decision making.[182]

From a value-producing standpoint, a lawyer's involvement in a transaction is justified only if the transaction is worth more as a result of his or her participation.[183] For example, a lawyer may advance a resource-saving compromise in negotiating on behalf of a client,[184] but should recognize when a particular negotiating tack is no longer justified in light of any advantage to be gained.[185] Similarly, a lawyer responding to a client's request for a preliminary evaluation of the legal implications of a particular situation or decision[186] could add value by rendering a summary answer[187] sufficient to enable the client to determine whether to authorize further legal research.[188]

In considering below specific areas in which a business attorney can add especially significant value to a client's endeavors, it is important to note that a client typically cannot readily determine the quality of legal

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181. DAWSON, *supra* note 80, at 32.

182. Davis & Friedman, *supra* note 173, § 3:10.

183. Gilson, *supra* note 24, at 243. Similarly, an opinion letter should be limited to transactions in which it adds value and "be limited in scope to matters where real concern exists on the part of the recipient." Ambro & Bidwell, *supra* note 15, at 313, 322. *See also* Margolis, *supra* note 33, at 120 (explaining that lawyers must insure that their contribution exceeds their cost).

> Lawyers facilitate transactions and help resolve disputes, but . . . do not make widgets. [Amid increasing economic pressures], business clients may have no choice but to be ruthless in limiting their use of lawyers [to situations in which] their contribution to their clients' activity equals or exceeds the amount of their fees.

Morgan, *supra* note 23, at 631.

184. Kagan & Rosen, *supra* note 15, at 400-401.

185. Gilson & Mnookin, *supra* note 156, at 10 (stating that an attorney must recognize when a particular negotiating tack becomes too costly or time consuming to justify any advantage that might be obtained or that might destroy a transaction that might have created value). *See also* Edward A. Bernstein, *Business Lawyering and Value Creation For Clients: Law & Economics and the Structure of Value Adding Contracts: A Contract Lawyer's View of the Law & Economics Literature*, 74 OR. L. REV. 189, 191 (1995) (stating that the client has "the right to expect that a transaction that can be completed on satisfactory terms will not fail because [the] lawyer needlessly attempts to negotiate for terms that would provide only modest additional benefits.").

186. E-mail from Peter de Bruyn Kops, President, Acugen Software, Inc., Nashua, N.H., to the author (Jan. 10, 2002) (on file with author) (noting that lawyers appear to be excessively cautious in providing a preliminary estimate of probabilities).

187. Telephone interview with David Russell, President, XiChron, Inc., Norwich, Vt. (Jan. 29, 2002).

188. Telephone interview with Cyrelle McNew, Legal Counsel, Granite Systems, Inc., Manchester, N.H. (Jan. 16, 2002). *See also* Gilson, *supra* note 24, at 279 (discussing that information of differing degrees of importance should be developed according to a hierarchical search effort).

services even after they are rendered[189] and that a client's own perception of value will in any event vary according to the matter,[190] to how long it takes to resolve and at what financial and emotional cost.[191]

A. Transforming Information into Knowledge

Businesses today demand ever more—and more reliable—information ever more quickly[192] to make business decisions.[193]

> Thirty years ago, the timeliness of available information varied across companies and industries, often resulting in differences in the speed and magnitude of their responses to changing business conditions. [B]usinesses did not have real-time data systems that enabled decision makers in different enterprises to work from essentially the same set of information. . . . Today, businesses have large quantities of data available virtually in real time. As a consequence, they [must] address and resolve [business issues] far more rapidly than in the past.[194]

Yet, although the information revolution has resulted in a considerable reduction in the cost of, and time spent on, obtaining information,[195] decisions, perhaps especially those with legal aspects, are no more simple to make merely because one can communicate faster[196] or because a great quantity of information is now readily accessible.[197]

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189. Gilson, *supra* note 95, at 892 (footnotes omitted). *See also* Margolis, *supra* note 33, at 124 (discussing the difficulty for a client to determine whether "services have been valuable until long after the initial decision was made to retain the attorney."); Regan II, supra note 22, at 54 (discussing difficulty of developing precise measurements of the quality of legal services).

190. Kummel, *supra* note 79, at 401. *See also* DAWSON, *supra* note 80, at 188 (noting that the "value of knowledge depends on its context and the client."); E-mail from Bob Bowman, General Manager, Integrated Control Concepts, Inc., Hollis, N.H., to the author (Jan. 14, 2002) (on file with author) (stating that "value received . . . depends on the issue.").

191. Margolis, *supra* note 33, at 119-120.

192. LEV, *supra* note 106, at 108-09 (stating that in the modern corporation the scope of information required and utilized by managers and investors has increased significantly). *See also* Clark, *supra* note 12, at 289 (noting that greater interaction among business entities is made possible by lowered costs of communication).

193. DAWSON, *supra* note 80, at 80.

194. Testimony of Chairman Alan Greenspan, Federal Reserve Board's Semiannual Monetary Policy Report to the Congress Before the Committee on Financial Services, U.S. House of Representatives (Feb. 27, 2002) *available at* http://www.federalreserve.gov/boarddocs/hh/2002/february/ testimony.htm (last visited Mar. 1, 2002).

195. EDVINSSON & MALONE, *supra* note 30, at 190.

196. *How Inside Counsel Are Shaping Firms, supra* note 138 (quoting Jane A. Boyle, Aetna, Inc.).

197. DAWSON, *supra* note 80, at xvii.

Indeed, the speed with which information now flows exerts such great pressure on the increasingly scarce resource of time[198] that businesspeople are unwilling to spend time working information into useful knowledge as information that turns out to be unimportant may, because of time lost, "really be worth less than nothing."[199]

To be optimally useful, information must be customized for the specific decisions a client must make. Customization requires isolating and refining only the information necessary to make the decision at hand and presenting the result in an understandable and relevant way.[200] By reducing the quantity of information and by assessing its relevance, value and reliability,[201] the business lawyer is especially well suited to perform such customization, which takes knowledge, skill and careful, meticulous work[202] in the context of an intimate familiarity with a client's decision-making processes and capabilities.[203]

B. Skillful Contract Drafting

It is virtually impossible when negotiating a business transaction to plan in a legally enforceable way for all contingencies that may arise,[204] that is, to write a "complete" contract. Lawyers thus add value by drafting contracts that "stabilize[] expectations and reduce[] transaction costs of later misunderstandings [and] conflicts."[205] Corporate lawyers add value to agreements by anticipating and defining adverse contingencies, by specifying security arrangements, and by stipulating how a breach would be remedied[206] or who would decide the use of an

198. Rouse, *supra* note 26.

199. SVEIBY, *supra* note 107, at 111.

200. DAWSON, *supra* note 80, at 90.

201. *See id.* at 69-70.

202. Utset, *supra* note 154, at 306, 309 (stating business lawyers' ability to "identify, classify, manipulate and transform information" adds value in assisting clients in business deals). *See also* DAWSON, *supra* note 80, at 68 (an attorney can create great value for the client by saving substantial time and effort in information processing, thereby permitting quick client action).

203. DAWSON, *supra* note 80, at 154.

204. OLIVER HART, FIRMS, CONTRACTS, AND FINANCIAL STRUCTURE 23 (1995).

205. Clark, *supra* note 12, at 295. "[L]awyers can often create an increase in real economic well-being by reducing transaction costs." *Id.* at 296. *See also* Gilson, *supra* note 24, at 279 (discussing the business lawyer as a "transaction cost engineer" who drafts representations and warranties as "a means of producing the information necessary to pric[e] the transaction at the lowest cost."). Transaction costs include the cost of acquiring and verifying information, negotiating, drafting, monitoring and enforcing contracts, and otherwise protecting property rights. Utset, *supra* note 154, at 290.

206. *See* Kagan & Rosen, *supra* note 15, at 415-16.

asset should an unspecified use arise.[207] Because "disclosure obligations are relatively relaxed in transactional settings" as compared to litigation,[208] an important value-adding role of lawyers is to allocate risk effectively[209] by assuring that a failure to disclose accurate information results in a significant risk of subsequent legal liability.[210]

Even were it possible to do so, "writing a complete contract that specifies all eventualities . . . , rights, and responsibilities . . . would be prohibitively expensive,"[211] and "[i]t may be hard to know for years . . . whether [particular protections, warranties, or representations] were worth the added legal expense."[212] Yet making precisely the legal judgment that "the cost of obtaining a contractual promise is greater than the value it adds to the client's interest" and, therefore, that it would be better "to conclude the transaction without such a promise,"[213] is itself value created directly by a lawyer's good judgment.[214]

C. Reputation

Businesses are frequently asked to provide information about themselves to financial institutions, suppliers, customers, subcontractors and, where technology licensing is involved, perhaps to universities.[215] Yet because a business may not have a sufficiently strong reputation in

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207. HART, *supra* note 204, at 29-30. Prof. Hart points out in this connection that ownership of physical assets is important in incomplete contracts as the owner usually has the right to decide all unspecified usages of an asset "not inconsistent with a prior contract, custom, or law." *Id.* at 30.

208. Regan I, *supra* note 15, at 201.

209. *See* Bernstein, *supra* note 185, at 189-191.

210. Eric Talley, *Norms & Corporate Law: Disclosure Norms*, 149 U. PA. L. REV. 1955, 1956-57 (2001).

211. LEV, *supra* note 106, at 44. *See also* HART, *supra* note 204, at 24 (noting that "it may be prohibitively expensive to write a contract [where] variables are inherently hard to specify in advance in an unambiguous manner.").

212. Regan II, *supra* note 22, at 69. *See also* Kagan & Rosen, *supra* note 15, at 415-16 ("[M]ost . . . contingencies . . . corporate lawyers worry about are remote possibilities . . . , and ninety percent of . . . elaborately drafted provisions are [not] referred to . . . after the agreement is signed."). It may be especially difficult to write complete contracts that involve technology or aspects of intellectual property where "a new product, incorporating the most advanced technology, cannot be contracted for by detailed specification of the final product." LEV, *supra* note 106, at 44 (quoting David Teece, *Technological Change and Nature of the Firm*, *in* TECHNOLOGICAL CHANGE AND ECONOMIC THEORY 260 (G. Dosi ed., 1998)).

213. Bernstein, *supra* note 185, at 194 ("If the cost of obtaining a contractual promise is greater than the value it adds to the client's interest . . . , the best advice [a] lawyer can give [a] client [may be] to conclude the transaction without such a promise.").

214. Gilson, *supra* note 24, at 267.

215. LEV, *supra* note 106, at 109.

its own right, or because its in-house counsel may have a conflict of interest, it may be unable to provide such information credibly. In these circumstances, an insufficiently strong or established business reputation can have measurable economic effects. For example, a high-tech entrepreneur who seeks capital is often "a new market entrant without an established reputation,"[216] and high-tech start-up businesses are frequently undervalued by investors, and both consequently often incur an excessive cost of capital, which limits business investment and growth.[217]

Where a business client's reputation is insufficient, the independent lawyer's or law firm's own reputation may be accepted in place of the client's,[218] or of the client's inside counsel if such counsel is unable to offer his or her own reputation.[219] Brought to bear on the client's behalf, the independent "lawyer's reputation for . . . diligence and honesty,"[220] and for "integrity and independence,"[221] can be even more valuable than the attorney's skill as an advocate.[222] The lawyer who thus lends his reputation to a client can increase the value or decrease the risk of a deal by verifying the client's credibility and thereby reducing transaction costs.[223]

Given the value of a law firm's reputation, higher reputation firms might only accept clients of the highest caliber,[224] but there is an inherent tension between maintaining a reputation by being highly selective and operating a law practice profitably. Maintaining a strong reputation through such selectivity requires foregoing revenues, yet because compensation schemes typically reward lawyers for revenues they generate, lawyers may be unwilling or unable to select only such high-

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216. Bernstein, *supra* note 143, at 247.

217. LEV, *supra* note 106, at 96-97.

218. Karl S. Okamoto, *Reputation and the Value of Lawyers*, 74 OR. L. REV. 15, 28 (1995).

219. Rosen, *supra* note 165, at 509-510. *See also* Okamoto, *supra* note 218, at 28-29 (discussing inside counsel conflict of interest).

220. Gilson, *supra* note 24, at 292.

221. Gordon, *supra* note 98, at 38.

222. Fischel, *supra* note 22, at 956. *See also* Okamoto, *supra* note 218, at 18, 20 (discussing that service as "reputational intermediary" is a defining aspect of lawyers' work that "underpins structure of the profession itself").

223. Gilson, *supra* note 24, at 289-90 (noting that a lawyer acting as "reputational intermediary" increases the value of the transaction as information costs are reduced). *See also* Okomoto, *supra* note 218, at 22-23 (asserting that a lawyer "lease[s] [his] reputation to the client by offering . . . third-party verification to the other party[in a] transaction.").

224. Okamoto, *supra* note 218, at 29.

integrity clients.[225] Tension may also arise in an attorney's judgment of how far and how hard to press a client's interest. Notwithstanding that an attorney's reputation for being deliberate and restrained may in fact serve his client's interests most successfully, an attorney unwilling to press every advantage may be viewed by the client as insufficiently committed.[226] Should the lawyer operate instead on a "customer-is-always-right" bias[227] and with an eye toward short-term profitability, the lawyer may not develop sufficient distance from the client to maintain independence[228] and, thereby, may compromise his or her reputation.

D. Intellectual Property Matters

As has been noted,[229] investors in the knowledge economy want to be certain that a company will not be threatened with infringement litigation or by inadequately protected intellectual property (IP) rights.[230] Yet it can be very difficult for owners of intellectual assets, methods and production processes to protect or keep them secret from competitors[231] in a legally effective manner.[232] An additional set of

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225. Richard W. Painter, *Afterword: Contractarian and Cultural Perspectives on Value Creation by Business Lawyers,* 74 OR. L. REV. 327, 336 (1995) ("internal competitive dynamic working in many law firms" is dysfunctional "and [can] turn what should be a competitive race to [the] top into a competitive race to [the] bottom").

226. Regan II, *supra* note 22, at 65 (suggesting it is increasingly difficult for law firms "to serve as 'gatekeepers' . . . willing to discourage . . . clients' questionable activities" and still retain client business).

227. Donald C. Langevoort, *The Epistemology of Corporate-Securities Lawyering: Beliefs, Biases and Organizational Behavior,* 63 BROOK. L. REV. 629, 649 (1997).

228. Regan II, *supra* note 22, at 63, 73. But consider Ross Dawson's view:

> Who actually wants the law firms to play a gatekeeping role? I would suggest not the law firms themselves, and quite probably not their clients either. So if there is indeed a conflict as suggested by [Prof.] Regan, which I personally don't believe is significant, then should the regulatory authorities legislate against close client relationships? Of course not, as the economy would suffer. It's not just in the interest of the professional service firm and its clients to have deeper relationships, it also results in far greater creation of value in the economy as a whole.

E-mail from Ross Dawson, Founder and CEO, Advanced Human Technologies, Sydney, Austl. (Feb. 25, 2002) (on file with author). *See also* Langevoort, *supra* note 227, at 648 (explaining a "lawyer is cognitively independent when he has effected sufficient separation from the [corporation's] inferential biases . . . to exercise good judgment").

229. *See supra* text accompanying notes 112-113.

230. Paul Davis & David Weitz, *Leveraging Your IP Portfolio,* INTELL. PROP., Nov. 1997 (in patent context). *See also* Steven M. Bauer, *Assets and Liabilities in an Intellectual Property Audit,* 1 B.U. J. SCI. & TECH. L. 8, para. 2 (1995) (asserting "investors want assurance that [a] company . . . diligently protects its intellectual property rights and . . . equally diligently avoids infringing the rights of others").

231. J.H. Reichman, *Of Green Tulips and Legal Kudzu: Repackaging Rights in Subpatentable Innovation,* 53 VAND. L. REV. 1743, 1750 (2000). *See also* LEV, *supra* note 106,

complications arises as companies increasingly enter into strategic alliances—"[j]oint ventures, [research and development] partnerships, corporate venture capital, spin[-]offs, startups, licensing deals, and 'out-sourcing' arrangements"—in which intellectual property rights play a central role.[233]

Sharing a client's view of intellectual property as a money-making asset,[234] intellectual property lawyers can formulate and implement a strategy to protect such assets[235] and can advise early on whether and how to protect initiatives or whether certain modifications might make an unprotectable innovation protectable.[236] Attorneys add value by developing creative avenues to obtain the broadest possible protection for client innovations[237] and may, for example, design a holding company to consolidate intellectual asset ownership, provide centralized asset management, and provide insulation from lawsuits involving the assets.[238]

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at 34 (explaining that because of potentially considerable difficulties and the high cost of seeking and enforcing patent protection domestically and internationally, U.S. companies rely to a great degree on secrecy and lead time (first to market) rather than on patenting); Sidney G. Winter, *Knowledge and Competence as Strategic Assets, in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 177 (David A. Klein ed., 1997) (noting that "[a]mong the most important peculiarities of knowledge . . . assets is that secure control . . . is often very difficult to maintain").

232. JULIE L. DAVIS & SUZANNE S. HARRISON, EDISON IN THE BOARDROOM: HOW LEADING COMPANIES REALIZE VALUE FROM THEIR INTELLECTUAL ASSETS 124 (2001). *See also* Ferneau, *supra* note 179 (suggesting that an intellectual property is worthless unless defended).

233. Robert P. Merges, *Intellectual Property Rights and the New Institutional Economics,* 53 VAND. L. REV. 1857, 1862 (2000) (footnotes omitted) (explaining that intellectual property rights "(IPRs) . . . play role in . . . issues such as permitted uses, re-use, and alteration of products sold as inputs").

234. RIVETTE & KLINE, *supra* note 106, at 127.

235. Davis & Weitz, *supra* note 230; Rouse et al., *supra* note 106 (explaining that an intellectual property (IP) lawyer can assist the client to understand what is legally protectable, how to structure licensing agreements, how to design enforceable employee agreements, and how to assure effective assignment of intellectual property). *See also* Collins et al., *supra* note 169, § 68:23 (describing how IP attorneys can assist clients by serving as sounding board for IP-related matters).

236. Patch, *supra* note 113.

237. Telephone Interview with Mark Tanny, President, IVEK Corporation, North Springfield, Vt. (Jan. 23, 2002) (stating that attorneys should understand the concepts, techniques and mechanisms that underlie clients' innovations and seek as broad protection as possible for those innovations). *See also* Cerrone & Villeneuve, *supra* note 112 (attorneys should understand clients' technology and progress of research and development efforts so as to identify valuable new technology as early as possible).

238. Pamela S. Chestek, *Control of Trademarks by the Intellectual Property Holding Company,* 41 IDEA 1, 8-9 (2001).

E. Preventive Law

A business lawyer adds value by periodically evaluating a client's business situation to identify potential legal problems,[239] to "forecast [] legal and legislative trends that [may] affect [the] business in the future,"[240] and to develop and recommend appropriate action accordingly. Such a "preventive law" approach enhances a client's ability to recognize dangers and opportunities that might otherwise be missed.[241] A preventive law approach is especially useful when, for example, operations carry greater risks than anticipated, corporate or managerial interests come into conflict,[242] or issues arise in the context of "scope of privilege protections [or] document retention requirements."[243]

An effective preventive lawyering program requires that the attorney possess detailed knowledge of the client's business,[244] be sensitive to its governance system[245] and be apprised of its plans so as to "point out potential legal problems and solutions at an early stage. . . ."[246] A significant component of preventive law is the education of company personnel involved in compliance.[247] An important role of counsel is to offer seminars on relevant legal developments,[248] especially on intellectual property issues[249] in, for example, trade secret law[250] and copyright law.[251] Such seminars enhance client understanding of proper intellectual property management and will have the added benefit of enabling counsel to develop a fuller understanding of the client's business goals and concerns.[252]

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239. Margolis, *supra* note 33, at 126.

240. Chayes & Chayes, *supra* note 15, at 280, 283.

241. Melvin Simensky & Eric C. Osterberg, *The Insurance and Management of Intellectual Property Risks,* 17 CARDOZO ARTS & ENT. L.J. 321, 325 (1999).

242. Rosen, *supra* note 165, at 521-22.

243. Richard S. Gruner, *General Counsel in an Era of Compliance Programs and Corporate Self-Policing,* 46 EMORY L.J. 1113, 1195 (1997).

244. Daly I, *supra* note 6, at 1061.

245. Rosen, *supra* note 165, at 523.

246. Kagan & Rosen, *supra* note 15, at 443.

247. Chayes & Chayes, *supra* note 15, at 284.

248. Kagan & Rosen, *supra* note 15, at 443. E-mail from Mike Boggs, Esq., Kilpatrick Stockton LLP, Winston-Salem, N.C. (Dec. 16, 2001) (on file with author) (discussing value of attorney seminars on IP issues).

249. DAWSON, *supra* note 80, at 53.

250. Collins et al., *supra* note 169, § 68:33.

251. Jan F. Constantine et al., *Copyright Litigation, in* SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL § 70:15 (Robert L. Haig ed., 2000).

252. Robert W. Pike et al., *Trademarks, in* SUCCESSFUL PARTNERING BETWEEN

V. ATTRIBUTES OF A TWENTY-FIRST CENTURY LEGAL PRACTICE

An intensely competitive twenty-first century legal market[253] will force law firms to develop new forms of practice[254] that emphasize effectiveness rather than efficiency[255] and that contribute to clients' success[256] even as clients search for economical alternatives to lawyers.[257] Accelerated commoditization that will make it increasingly difficult[258] for law firms to obtain competitive market advantage[259] will lead firms to try to distinguish themselves[260] through continuous service innovation,[261]

INSIDE AND OUTSIDE COUNSEL § 69:22 (Robert L. Haig ed., 2000) (discussing trademarks). *See also* E-mail correspondence from Marcia DeRosia, President, American Health Care Software Enterprises, Inc., Essex Junction, Vt. (Jan. 16, 2002) (on file with author) ("[T]here is a critical need in the tech industry (especially small companies) to understand the requirements for establishing IP," and many small firms that cannot afford to retain such a level of expertise on payroll would benefit from seminars hosted by competent IP counsel.).

253. Lambert, *supra* note 116, at 134.

254. Jones & Manning, *supra* note 5, at 1179. *See also* Samuelson & Fahey, *supra* note 19, at 473 (explaining that competition will demand new approaches to legal practice); Noteboom, *supra* note 21, at 1380 (explaining "in [a] highly competitive, rapidly changing environment, legal service delivery systems must . . . adapt to . . . competition and client preferences."); Deason, *supra* note 25, at 631 (discussing alternative dispute resolution as a trend with which lawyers must reckon as clients demand cost-effective options).

255. E-mail from Karl Erik Sveiby, Principal, Knowledge Management, Brisbane, Austl. (Jan. 4, 2002) (on file with author). *See also* SVEIBY, *supra* note 107, at 154 (stating whereas efficiency is a measure of how well an organization uses its capacity, for example time billed as a proportion of time available, *effectiveness* is a measure of how well a firm satisfies its clients' needs).

256. Morgan, *supra* note 23, at 635-36 (suggesting capacity to contribute to clients' activities will distinguish successful practitioners). *See also* DAWSON, *supra* note 80, at 8 (noting firms that effectively contribute to clients' enhanced capabilities will be in a "prime competitive position").

257. Morgan, *supra* note 23, at 631.

258. DAWSON, *supra* note 80, at 54.

259. Robert W. Denney, *The Competitive Advantage: Outstanding Client Service,* 23 LAW PRAC. MGMT., Oct. 1997, at 56.

260. SULLIVAN, *supra* note 108, at 179-80.

261. LEV, *supra* note 106, at 2 (explaining that law firms will have to rely on continuous innovation to remain competitive). *See also* Boone & Conner, *supra* note 9, at 22 (discussing demand for innovative legal expertise and development of new legal specialties); William C Cobb, *Strategic Planning: The Shift to the New Competitive Model and the Impact on Management Issues,* 19 L. PRAC. MGMT., May/June 1993, at 32 (stating development of innovative services may be based initially on a firm's core practice areas, reputation, credibility and capability); Hobbs, *supra* note 87, at 601-02 (stating lawyers must develop creative, innovative services to remain competitive); Susan Raridon Lambreth, *The New Economy: Law Firms Rethink Practice Management,* N.Y. L.J., Aug. 15, 2000, at 5 (observing to differentiate itself from the competition, a law firm must develop new services); Nelson, *supra* note 1, at 383 (suggesting lawyers must develop innovative forms of advice to compete in the marketplace).

expansion beyond mere legal services,[262] and the creation of knowledge that adds value to the client's enterprise.[263] An especially significant distinguishing characteristic may become the extent to which a firm can enable clients to work more productively and to make better decisions on their own after the firm has completed its work.[264]

Legal services have historically been defined along substantive lines rather than in terms of how the client perceives a problem.[265] In modernizing the venerable tradition of loyalty to the client,[266] business attorneys will increasingly develop a client-centered approach[267] focused on the client's strategic issues[268] and will offer an electronic "office next door" to enable the client to contact counsel as easily as he or she contacts people in his or her own company.[269]

A. A Twenty-First Century Law Firm

Though there are surely many different futures for American law firms,[270] two models—the very large firm that offers services on a local, regional, national, or global basis, and the smaller firm that provides low-cost or niche services in a defined market—may emerge as best suited for competing most successfully.[271] Firms may shift to a specialization focused on the type of client they serve. That is, they may specialize in terms of the people they counsel rather than in terms of the legal subject matter in which they are experts and will, in this context, provide a full range of advice based on an intimate familiarity with a

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262. Clay, *supra* note 140, at 26.

263. Indrajit Sinha, *Cost Transparency: The Net's Real Threat to Prices and Brands,* 78 HARV. BUS. REV. 43 (2000). *See also* SVEIBY, *supra* note 107, at 138 (explaining firms will focus on increasing client revenues broadly defined); Ann B. Graham & Vincent G. Pizzo, *A Question of Balance: Case Studies in Strategic Knowledge Management, in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 23 (David A. Klein ed., 1997) (explaining as firms adapt to changing conditions, their attention will focus on core knowledge assets needed to maximize client value).

264. DAWSON, *supra* note 80, at 192. *See supra* text accompanying notes 87-99.

265. Cobb, *supra* note 261, at 34.

266. Regan III, *supra* note 22, at 559-60 (suggesting that the reputation for client loyalty will be of ever greater importance in a modern law practice). *See also* Eichorn, *supra* note 99 (noting that a firm must commit to being a long-term ally of the client).

267. Boone & Conner, *supra* note 9, at 24 (stating that the legal profession will increasingly develop a "client-centered approach" around a strategic team of lawyers who will be "key to the client's long term needs").

268. DAWSON, *supra* note 80, at 53.

269. Christian E. Liipfert, *Minimum Required Technology: One Client's View,* AM. LAW., May 1995, at 105.

270. Nelson, *supra* note 1, at 381.

271. Boone & Conner, *supra* note 9, at 25.

particular industry.[272] To respond to the needs of such clients and to growing competition from nonlawyers—and consistent with a trend that is already well under way—law firms will develop an increasingly wide array of ancillary non-legal services.[273]

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272. Friedman et al., *supra* note 104, at 562 (discussing Silicon Valley lawyers).

273. Noteboom, *supra* note 21, at 1364-74 (stating that ancillary businesses, which may become larger and more profitable than the legal practice itself, currently fall broadly into "accounting/financial services, economic consulting, government relations/lobbying, environmental consulting, healthcare consulting, employment/HR consulting, IP consulting, real estate consulting, entertainment, and insurance consulting."). Law firms that have already established ancillary business include: Hale & Dorr (Haldor Investment Advisors, L.P., investment advisory); Greenberg Traurig (Greenberg Traurig Consulting, Inc., "international market development, government relations, investment banking and entertainment"); McGuire, Woods, Battle & Boothe (McGuire Woods Consulting LLC, lobbying, public relations, "community introductions"); Orrick, Herrington & Sutcliffe (public finance, tax return preparation for municipal bond issues); Howrey & Simon (Capital Environmental, environmental consulting services; Capital Accounting, government contracting, antitrust matters, international trade; Capital Economics, financial analysis in connection with mergers and acquisitions); Perkins Coie (William D. Ruckelshaus Assoc., environmental consulting; Columbia Group, economics and public policy); Littler, Mendelson (Employment Law Training, Inc., training services); Mintz, Levin, Cohn, Ferris, Glovsky & Popeo (ML Strategies, management of " 'public sector process' in connection with the development of airports, seaports and other major transportation structures;" ML Capital, LLC, "financial advice to real estate developers and healthcare businesses;" Mintz Levin Financial Advisors, LLC, " 'wealth management services' to high net worth individuals and families"); Holland & Knight (Holland Knight Professionals; "strategic planning, corporate finance, organizational development, corporate relocation and real estate services"); Buchanan Ingersoll (Buchanan Ingersoll Ltd. Healthcare Advisors (London), "financial advice and regulatory support . . . in mergers and acquisitions in the healthcare sector"); Crowell & Moring (C & M International Ltd., consulting services in international trade); McKenna & Cuneo (Technologies Services Group, Inc., "scientific and regulatory expertise . . . focusing on risk assessment and regulatory compliance"); Choate, Hall & Stewart (Choate Group, government relations/lobbying services; Choate Investment Advisors, retirement account, portfolio and endowment management); Bingham Dana (Bingham Consulting Group, "project finance, business strategy, regulatory, crisis management and government relations advice"; Bingham Legg Advisers (joint venture with Legg Mason, Inc.) investment management); Duane, Morris & Heckscher (Westcott Financial Advisory Group, investment management and advisory services; Capitol Licensing Corporation, licensing advice; Capitol Corporate Services, Inc., "record filing, search and certification services in the office of the Delaware Secretary of State"; New Jersey Corporate Services, Inc. "provides similar record filing, search and certification services in the offices of the New Jersey Secretary of State"); Baker & Daniels (Sagamore Associates, legislative drafting and lobbying services, assistance in Olympic-level sports planning, bid preparation, licensing assistance); Palmer & Dodge (Palmer & Dodge Agency, literary agents); Eckert, Seamans, Cherin & Mellott, (Main Street Capital Holdings, "arranging equity from institutional and private sources"); Womble, Carlyle (technology consulting services, medical records management services); and Covington & Burling (insurance coverage issues). *See also* Andrews, *supra* note 41, at 625 ("[L]awyers have begun to offer multidisciplinary services . . . by setting up so-called 'nonlaw' affiliate business[] . . . offering consulting and other services in such areas as economics, education, management, energy, international business, employee benefits, . . . real estate,

As their clients in the knowledge economy already are beginning to do, law firms will increasingly recognize that the continuous creation of knowledge[274] and innovation[275] is critical to provide a sustainable competitive advantage. In addition to improving their knowledge creation capabilities, firms will continuously try to improve client perceptions of the service quality that stems from a firm's exceptional knowledge and expertise.[276] As part of this effort, firms will work to understand and appreciate a client's broader circumstances,[277] beyond the client's business alone,[278] and will seek to develop creative solutions as part of an ongoing collaboration with the client.[279] Firms whose clients have transnational business activities will work to develop familiarity with the laws of other countries and a capability to supervise foreign lawyers,[280] and to render legal advice that takes into account the cultural and social sensibilities of those who may be affected by a business decision.[281]

Managing knowledge or developing innovative capabilities[282] as the

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and advertising."); Mark Pruner, *The Internet and the Practice of Law,* 19 PACE L. REV. 69, 82-83 (1998) (footnotes omitted) (discussing lawyer affiliations with nonlawyers).

274. SULLIVAN, *supra* note 108, at 75, 156. Knowledge may be tacit or codified, the former residing within an individual as a skill, ability, or as know-how and the latter being embodied in, for example, a handwritten document, computer program, or blueprint. *Id.* at 227-28. *See also* DAWSON, *supra* note 80, at 42 (stating that sources of sustainable differentiation include specialist knowledge).

275. Susanne Hauschild et al., *Creating a Knowledge Culture,* 1 MCKINSEY Q. 74, 80 (2001).

276. Ward Bower, *Ignore the Acronym and Try It: If Nurtured, Total Quality Management Can Thrive in Many Legal Environments,* N.Y. L.J., Apr. 25, 1994, at S2. *See also* David G. Oedel, *Deming, TQM and the Emerging Managerial Critique of Law Practice,* 37 ARIZ. L. REV. 1209, 1226 (1995) (describing that a firm will increasingly seek to improve client perceptions of its quality through a sustained commitment to "articulating, measuring, analyzing and reforming . . . service[s] according to criteria" useful to clients); Richard N. Lettieri, *Pressure to Adopt Total Quality Management: If Corporations Embrace TQM Should Their Lawyers Too?,* 17 PENN. LAW. 26, 27 (May/June 1995) (explaining that firms that adopt Total Quality Management (TQM) techniques give themselves a significant competitive advantage in the struggle to retain corporate clients).

277. Haserot, *supra* note 163, at 5 (suggesting the "trend toward early specialization . . . has produced . . . legal specialists . . . who can[not] . . . *see* the big picture").

278. Boone & Conner, *supra* note 9, at 24. *See also* Daly I, *supra* note 6, at 1079 (discussing the need to understand clients' business).

279. SVEIBY, *supra* note 107, at 84. *See also* Henning, *supra* note 35, at 1251-52 ("[L]awyers must becom[e] known more for facilitating transactions, solving problems, [and] resolving disputes, [than] for personifying the lawyer as warrior.").

280. Daly I, *supra* note 6, at 1064-65.

281. Morgan, *supra* note 23, at 635 (identifying "different nationalities, races, ages, religions, genders and sexual orientations" as issues to be considered).

282. DAWSON, *supra* note 80, at 74.

engine of competitive advantage will demand that senior partners be able to instill in lawyers a boldness to strive for ambitious goals[283] and, recognizing that knowledge "is cultivated rather than ordained,"[284] to "balance the creative activities that produce [knowledge] with the disciplined execution needed to transform . . . ideas into [client value]."[285] Senior partners will strive to anticipate changes in the legal marketplace and to instill an attitude of flexibility in responding to those changes through teamwork,[286] innovative thought[287] and the development

283. Sumantra Ghoshal & Christopher A. Bartlett, *Rebuilding Behavioral Context: A Blueprint for Corporate Renewal, in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 151-52 (David A. Klein ed., 1997). Ghoshal and Bartlett identify

> three elements at the core of the . . . effort[] to create an environment of raised personal aspirations and extraordinary collaborative efforts: first, . . . development of shared ambitions to energize the [firm]; second, . . . establish[ment] of unifying values to reinforce the individual's commitment to the [firm]; and third, . . . giv[ing] employees a sense of personal fulfillment by linking individual contributions directly to the larger [firm] agenda.

Id. See also, Kagan & Rosen, *supra* note 15, at 430 (believing that heroic leadership is uncommon in law firms amid a "fear of losing clients or of treading in areas" where legal knowledge is uncertain).

284. Hauschild et al., *supra* note 275, at 80. Dr. Sullivan argues that those employees who create the innovations that are converted into competitive advantage and who are therefore crucial to the firm's ability to generate current or future revenues and profits are especially valuable and thus "must be directed, managed, and nurtured differently." Because this group's creativity allows the firm to differentiate itself from its competitors, these employees create the firm's future. SULLIVAN, *supra* note 108, at 191-93, 205. *See also* DAWSON, *supra* note 80, at 153 ("[K]nowledge specialists are the source of the knowledge [and] expertise on which the provision of services is based, and so are the heart of professional service firms. In many ways they are the key resource of the organization, . . . [as d]epth and richness of knowledge are critical to add significant value to the client."); Edwin C. Nevis et al., *Understanding Organizations as Learning Systems, in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 123 (David A. Klein ed., 1997) (explaining tacit knowledge of experienced people, though perhaps not well articulated, often determines collective organizational competence).

285. Graham & Pizzo, *supra* note 263, at 11. *See also* John Seeley Brown & Paul Duguid, *Balancing Act: How to Capture Knowledge Without Killing It,* 78 HARV. BUS. REV. 73 (2000) (explaining that because "value-creating activities are not easy to pin down," managers must foster knowledge by responding to the inventive, improvisational ways people actually do things).

286. Boone & Conner, *supra* note 9, at 22, 25. *See also* Hauschild et al., *supra* note 275, at 76 (creating knowledge requires effort to develop a grassroots desire among employees to enhance the firm's intellectual resources).

287. SULLIVAN, *supra* note 108, at 196. *See also* Kline, *supra* note 109, at 2 (stating that a firm must "transform [] from an organization simply comprising knowledgeable *individuals* to . . . a[n] organization that stewards creation . . . of knowledge); DAWSON, *supra* note 80, at 44 (discussing the law firm as a "knowledge-based, value-adding organization that develops, captures, shares and applies knowledge.").

of human intellectual resources.[288] To encourage creativity and initiative, law firm managers may adopt some of the characteristics of an academic institution[289] to launch innovation, support continuous improvement and revitalization,[290] "challenge [] conventional wisdom, question data [] behind [] knowledge, and recombine expertise to create new capabilities . . . ."[291]

Because politics will almost certainly come into play as people whose roles, power, or indispensability become defined by the unique information they hold or create,[292] managers will confront the challenge of resolving tensions by "working toward inclusion[,] involvement [and] a sense of fairness and equity" and by creating channels in which conflicting objectives can be resolved.[293]

B. A Twenty-First Century Lawyer

Despite a law firm's efforts to respond to a changing legal market, increasingly sophisticated clients will, on their own, very likely seek an individual lawyer rather than a law firm as a whole,[294] and the firm affiliation will become one credential among others.[295] Clients ultimately will hire an attorney whom they trust[296] and who works hard to continue to deserve that trust.[297] Yet to become and to remain a sought-after and

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288. EDVINSSON & MALONE, *supra* note 30, at 1-2.

289. Ghoshal & Bartlett, *supra* note 283, at 156.

290. Nevis et al., *supra* note 284, at 122.

291. Ghoshal & Bartlett, *supra* note 283, at 158. *See also* SVEIBY, *supra* note 107, at 141 (discussing organization renewal).

292. Thomas H. Davenport et al., *Information Politics, in* THE STRATEGIC MANAGEMENT OF INTELLECTUAL CAPITAL 102 (David A. Klein ed., 1997).

293. Ghoshal & Bartlett, *supra* note 283, at 145, 153-54.

294. Samuelson & Fahey, *supra* note 19, at 451-52 (describing how business clients will increasingly seek an individual lawyer with a strong reputation "in a cutting-edge area of corporate law or litigation," rather than a law firm as a whole); Gilson, *supra* note 95, at 902 (explaining that an increase in client sophistication may presage a "dramatic change in . . . client relationships [as] clients select their own specialists" rather than retain firms).

295. Harris et al., *supra* note 20, § 20:12 (stating that because an individual lawyer rather than a firm as a whole will be primarily responsible for the client's matter, a client will take scant consolation from the fact that an attorney's partners are highly competent if the attorney is incompetent).

296. E-mail from Eran Kahana, Esq., of ViAtlantic LLC, Minneapolis, Minn. (Jan. 23, 2002) (on file with author).

297. Peter G. W. Keen, *Transforming Intellectual Property into Intellectual Capital: Competing in the Trust Economy, in* CAPITAL FOR OUR TIME: THE ECONOMIC, LEGAL, AND MANAGEMENT CHALLENGES OF INTELLECTUAL CAPITAL 32-33 (Nicholas Imparato ed., 1999) ("[T]rust [will be a] hard-won advantage [that must be] earned before it can be granted and once granted must continue to be earned.").

trusted attorney will require, on the attorney's part, the deft cultivation of a strong moral sense coupled with an array of multifaceted skills.

If a lawyer's charge is, as Chief Justice Stone remarked in 1932, to bring "law into harmony with changed conditions"[298] in a way that resolves tensions[299] between devotion to client and preservation of independent judgment,[300] then a significant challenge in an increasingly competitive profession in which lawyers seem to be rewarded more for revenue productivity than for professionalism[301] will be to remain a "lawyer who brings [a] moral conscience to . . . everything [he or she does] as a lawyer."[302] Beyond this and on a more concrete level, as a lawyer's role evolves according to client needs[303] in an increasingly multidisciplinary environment,[304] a lawyer will be obliged to develop interdisciplinary skills,[305] to sharpen and hone those skills continually,[306] and to demonstrate to the client that the lawyer will be a contributing team member[307] dedicated to creative problem solving[308] with an appreciation of "the financial consequences of . . . a particular legal course."[309]

A requirement of being such a team member, as Justice Brandeis stressed, is to develop a "thorough knowledge of [a]client's business . . . ."[310] Yet because business clients increasingly allocate fragments of their

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298. Gordon, *supra* note 98, at 4 (citing Stone, *The Public Influence of the Bar,* 48 HARV. L. REV. 1, 6-7 (1932)).

299. Regan III, *supra* note 22, at 579.

300. Regan II, *supra* note 22, at 4.

301. Henning, *supra* note 35, at 1250.

302. Cramton, *supra* note 32, at 611. *See also* Morgan, *supra* note 23, at 636 (describing how a "twenty-first century lawyer [must] build community rather than foster division . . . and must be committed to the rule of law and to fair and equitable legal processes").

303. Nelson & Nielsen, *supra* note 2, at 466.

304. Kagan & Rosen, *supra* note 15, at 429 (discussing multidisciplinary preventive law programs).

305. Morgan, *supra* note 23, at 634-35 (suggesting that a twenty-first century lawyer should have interdisciplinary skills in science, technology, economics, psychology, management and foreign languages).

306. Kahana, *supra* note 296.

307. Telephone Interview with Patrick H. Sullivan, Senior Partner of ICM Group, Palo Alto, Calif. (Jan. 14, 2002) (saying that clients will seek attorneys who will be contributing team members). *See also* Harris et al., *supra* note 20, § 20:14 (discussing an attorney's ability to work as a member of a team).

308. SVEIBY, *supra* note 107, at 85.

309. Daly I, *supra* note 6, at 1078.

310. Gordon, *supra* note 98, at 36. Justice Brandeis stressed the importance of a thorough knowledge of a client's business as the precondition to influential counseling. *Id.* (citing P. STRUM, LOUIS D. BRANDEIS: JUSTICE FOR THE PEOPLE 38-41 (1984)). *See also*

legal work to different firms, an individual attorney may have little opportunity to acquire a sufficiently intimate knowledge of the client's business.[311] To accommodate this dynamic which seems increasingly to be a feature of a business law practice, lawyers will endeavor to persuade the client—in the *client's* interest—that the attorney must be part of a particular project from the outset[312] to bring expertise, judgment, perspective and analytical capacities to bear at advantageous moments.[313] Nor will the attorney's counseling role be limited exclusively to legal matters. In a world in which business crises played out in public are becoming more frequent, an attorney will increasingly be called on to assist business clients as preoccupied with press coverage as with eventual legal action.[314] In this context, as in the business context generally, an attorney already thoroughly familiar with the client's business will be especially valuable to the client.

Collins et al., *supra* note 169, § 68:2 (noting counsel efforts must be coordinated and aligned with the company's business plans); DAWSON, *supra* note 80, at 61 (stating that lawyers must keep informed on "clients' industries and on broader changes in the business environment. . . ."); EDVINSSON & MALONE, *supra* note 30, at 91 (explaining that an attorney must know so much about clients' needs that he or she can anticipate their demand); Hobbs, *supra* note 136, at 262 (noting an attorney must understand "the [people] seeking to pursue a [] business opportunity"); Langevoort, *supra* note 227, at 676 (suggesting that lawyers must try to foresee pressures that affect managerial decision-making); Munger, *supra* note 78 ("I want my outside counsel to wake up every morning and read the newspaper the same way I do, which is with the thought in mind, 'How did this affect Ameritech today?' ") (quoting Susan R. Lichtenstein, Ameritech, Inc.); E-mail from Dr. Robert Kline-Schoder, Vice-President, Creare Incorporated, Hanover, N.H., (Jan. 14, 2002) (on file with author) (explaining that an attorney must understand the client's business drivers to help ensure that IP protection meets business objectives); Telephone Interview with Roger Piasio, President, Binax, Portland, Me. (Jan. 3, 2002) (noting that counsel must understand the client's business activity). It has been suggested that the American practice of law has traditionally demonstrated a "can do" attitude focused on a detailed understanding of business, financial and managerial concepts. Daly I, *supra* note 6, at 1068-70. *But see*, Langevoort, *supra* note 227, at 653 (observing that even if a lawyer does develop a deep knowledge of the client's business, a client may nevertheless "dismiss [a] lawyer's view as . . . lacking in sufficient business experience or acumen."); Telephone Interview with David DeLorme, President, DeLorme Publishing, Yarmouth, Me. (Jan. 8, 2002) ("[A]ttorneys seem not to understand *business* issues."); Tanny, *supra* note 237 ("[A]ttorneys do not understand business well enough.").

311. Gordon, *supra* note 98, at 53.

312. Daly, *supra* note 6, at 1072 (quoting Guy Fitzmaurice, *Getting In With the In-Crowd*, LAW., Dec. 17, 1996, at 15).

313. Kagan & Rosen, *supra* note 15, at 409.

314. Peter J. Gardner, *Media at the Gates: Panic! Stress! Ethics?*, 27 VT. B.J. & DIG. 39 (2001). *See also* Hobbs, *supra* note 87, at 608 (lawyers may be called upon to assist the client "in the marketplace of public opinion and to serve in a public relations capacity"); Davis & Friedman, *supra* note 173, § 3:28 (discussing potential legal, financial and public relations exposure to a company from bad publicity even along the way to a good outcome).

VI. MOST EFFECTIVE USE OF RESOURCES

The role and value of a business lawyer will vary according to the size of the client's business and where the client's business is in its lifecycle, whether at the start-up phase, as the business prepares to register stock issues, should the business acquire or merge with other companies, engage in joint ventures or technology cross-license arrangements, or generally utilize and seek to protect intellectual property rights.[315] Although certain work will require legal expertise, clients can perform much of their own work, especially administrative and preliminary research work, themselves.[316] Indeed, managing a company's intellectual property affairs in-house generally permits greater harmony between a company's intellectual property management efforts and its business strategies.[317] For this reason, and throughout a business's lifecycle, client and attorney should continually evaluate together what work can or should be done by each.[318] That is,

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315. Friedman et al., *supra* note 104, at 557-59. *See also* Peter Vanderheyden, *Divide and Conquer Patent Research: Strategies for Managing Patent Research,* Nov. 1, 2001, *available at* 2001 WL 7292468 (explaining that in the intellectual property context, businesses must analyze trends, ideas and relationships for competitive intelligence, due diligence, or R&D decision-making, must manage IP registration processes, licensing and infringement actions, and must develop and implement business strategy); Schwab, *supra* note 53, at 1444-47 (noting an attorney's expertise may be necessary in preparing complex financing, mergers and licensing agreements).

316. As an example, creating, maintaining and enforcing copyrights and licenses through copyright registrations and renewals, ensuring that work-for-hire agreements are properly executed, and obtaining licenses to use copyrighted works of others can be handled by in-house staff with training and experience in the copyright area, although more legally complex tasks such as issuing cease and desist letters in cases of infringement, responding to allegations of infringement, or avoiding infringement may most appropriately be delegated to attorneys. Constantine et al., *supra* note 251, §§ 70:26, 70:27. *See also* Simensky & Osterberg, *supra* note 241, at 324 (commenting that a client should consult periodically with counsel to assure existing legal compliance program is current).

317. Collins et al., *supra* note 169, § 68:30.

318. Harris et al., *supra* note 20, § 20:26 (ask continuously what tasks counsel can best handle). *See also* Lowell Bar Ass'n v. Loeb, 315 Mass. 176, 186, 52 N.E.2d 27, 34 (1943) (explaining many instruments common in the commercial world are often drawn by laymen); LEV, *supra* note 106, at 109 (nonlawyers who perform tasks previously performed by lawyers produce lower cost and more convenience) (quoting Clayton Christensen, *Innovation in the Connected Economy, in* PERSPECTIVES ON BUSINESS INNOVATION 10-11 (2000) (discussing disruptive innovations)); Cobb, *supra* note 261, at 38 (client projects must be effectively planned and efficiently staffed to produce highest quality service with minimum cost); Rosen, *supra* note 165, at 511 (stating that "clients [hire] 'Rolls-Royce legal services' when all they need to reach their desired destination is a Ford"); Shane L. Goudy, Comment, *Too Many Hands in the Cookie Jar: The Unauthorized Practice of Law by Real Estate Brokers,* 75 OR. L. REV. 889, 889 (1996) (explaining where lawyers' duties do not require "specific legal knowledge or skills to be performed competently[, the client] might be better served if

both client and attorney should work together to determine the most effective use of the client's and the attorney's resources.

An anecdote helps to illustrate this point. Some years ago, David DeLorme, president of mapmaker DeLorme Publishing in Yarmouth, Maine, sought the advice of attorney Martin L. Wilk in a copyright registration matter.[319] Attorney Wilk agreed to prepare and process the registration for a certain fee.[320] However, he proposed, as a slightly more expensive alternative, to show Mr. DeLorme how to do registrations himself.[321] Mr. DeLorme elected to learn to do copyright registrations and, ever since, he and his company have handled hundreds of registrations without attorneys.[322] That said,

> there may be areas where non-surgeons are adequately prepared to stitch up a minor cut or a paralegal can fill in the blanks on a form . . . . However, we want someone whose skills have been carefully evaluated to perform open-heart surgery or to assist a corporate client in threading its way through a complex set of legal regulations when a misinterpretation of the law could force the company into bankruptcy.[323]

Business transactions range from work-intensive, time consuming filling out of form documents in predictable sequences to complex transactions to those that require considerable legal skill.[324] However, it can be challenging along this continuum to determine which transactions require an attorney's assistance. The distinction may rest on the extent to which legal discretion must be exercised in selecting or preparing documents that create, "affect, alter, or define legal rights" or legally enforceable obligations,[325] on a transaction's financial scope,[326]

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nonlegal professionals assumed such responsibilities"); Huszagh & Huszagh, *supra* note 10, at 148 (discussing deployment of legal resources to transactions where such resources create comparative advantage); Schwab, *supra* note 53, at 1445 (suggesting many legal questions "do not require the professional judgment of a lawyer"); Vanderheyden, *supra* note 315 (deciding how best to leverage attorney value is key to developing a successful legal support strategy); Fred C. Zacharias, *Limited Performance Agreements: Should Clients Get What They Pay For?*, 11 GEO. J. LEGAL ETHICS 915, 952 (1998) (lawyers should evaluate whether clients are better off with lay services or legal representation).

319. DeLorme, *supra* note 310.

320. *Id.*

321. Telephone Interview with Martin L. Wilk, Esq. (Feb. 27, 2002).

322. DeLorme, *supra* note 310.

323. Needham, *supra* note 123, at 1331.

324. Lambert, *supra* note 116, at 127-29.

325. Palomar, *supra* note 41, at 451-56. *See also* Munneke, *supra* note 15, at 89 (pointing out that an attorney should be involved where modifying a pre-existing document affects the legal relationship among parties).

326. Russell, *supra* note 187.

complexity and consequences,[327] on whether innovative work demands particular legal expertise,[328] and generally on whether use of legal counsel is cost-effective[329] in light of alternative in-house availability of resources and expertise.[330] In considering use of in-house resources, it will be important to determine whether in-house personnel have the "knowledge, skills and judgment required" to assess risk and advise company decision makers accordingly,[331] and whether doing this sort of work in-house may produce a sufficiently creative result if needed.[332] In addition, in-house personnel involved in intellectual property management should receive ongoing training[333] to be able to identify difficult situations and to handle close calls so as to avoid serious mistakes.[334]

Notwithstanding what would appear to be the evident benefits of allocating intellectual property legal work as effectively as possible, few business managers seem, in practice, to make the effort to determine who in-house might be best equipped to perform such a management task,[335] or they may view such work generally as not being the best use of

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327. E-mail from Steven Shawver, General Counsel, Insight Technology, Inc., Londonderry, N.H., to the author (Jan. 23, 2002) (on file with author).

328. Rosen, *supra* note 165, at 509 (footnotes omitted). *See also* Davis & Friedman, *supra* note 173, §§ 3:3, 3:7, 3:28 (the constant exposure of outside firms to new issues and new developments makes them more proficient and efficient in handling certain matters that require constant immersion or where the law is changing rapidly).

329. DeLorme, *supra* note 310.

330. E-mail from Stan Eames, Founder, Synergy Software Technologies, Inc., Essex Junction, Vt., to the author (Jan. 8, 2002) (on file with author). *See also* Shawver, *supra* note 327 (stating that "tasks are allocated based [on] resource availability" and, because outside IP counsel is often much "more expensive than seasoned in-house support, there is real incentive to cover as much ground in-house as [possible],"even if this is less than the most efficient use of an employee's time).

331. E-mail from Peter Rouse, Principal, Geodesia, London, U.K. (Dec. 6, 2001) (on file with author).

332. E-mail from Oliver Hart, Professor and Chairman, Dept. of Econ., Harvard Univ. (Nov. 5, 2001) (on file with author) (explaining that although a cost of bringing or keeping legal work in-house "is that an employee has less incentive to be creative [should] he not have ownership rights, where [a] task concerned is routine rather than creative, . . . and as long as there is some benefit," the task should be carried out in-house).

333. Simensky & Osterberg, *supra* note 241, at 323 (suggesting that such education might focus on aspects of "conducting investigations of potential infringements, entering into appropriate licenses for use of third parties' property, . . . ensuring proper terms included in licenses of the company's property, registering the company's intellectual property, . . . taking all appropriate steps to preserve a business's intellectual property rights, [and executing] written contracts to ensure the company unambiguously owns all intellectual property created for it by employees or outsiders").

334. Munneke, *supra* note 15, at 89-90.

335. E-mail from Peter Rouse, Principal, Geodesia, London, U.K. (Dec. 4, 2001) (on

their own, or a researcher's, time.[336] Conversely, although routine matters consume much of an attorney's time,[337] the attorney may resist relinquishing such work[338] even though a capable client can successfully undertake a significant number of these tasks.[339] It seems reasonable to suppose, however, that the resistance of both management and attorneys will diminish as the importance and value of effective intellectual asset management practices become clearer.

VII. KNOWLEDGE ASSET MANAGEMENT

Innovation and the knowledge assets a business produces—intellectual property[340] (IP) and intellectual capital[341] (IC)—are vital for business success.[342] A business must, therefore, manage its knowledge with a clearly defined and well articulated vision and strategy[343] to maximize competitive advantage and minimize cost and risk,[344] always in

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file with author).

336. Eames, *supra* note 330.

337. Kagan & Rosen, *supra* note 15, at 422.

338. Andrews, *supra* note 41, at 628 (noting that Canadian economists have observed underutilization of paraprofessionals and inefficient use of lawyers in that country).

339. *See* E-mail from Brian Berlandi, Esq., Pennie & Edmonds, N.Y. (Dec. 17, 2001) (on file with author) (suggesting a capable nonlawyer can "coordinate trademark clearance efforts, correspond with foreign associates, . . . file trademark applications, review bills, update the company [IP] portfolio through database management, meet with outside counsel, [and] provide instructions to outside counsel") (discussed in paralegal context).

340. LEV, *supra* note 106, at 5 (stating "intellectual property" is an asset legally protected by, for example, patent, trademark, or copyright).

341. SULLIVAN, *supra* note 108, at 227-28 (stating " 'intellectual capital' is knowledge that can be converted into profit").

342. LEV, *supra* note 106, at 110. *See also* Bellis & Schroeder, *supra* note 107 (stating the high value of intellectual assets as a critical competitive asset and source of corporate value challenges companies to implement business practices and systems to manage and exploit these assets). *See also supra,* notes 107-111 and accompanying text.

343. SULLIVAN, *supra* note 108, at 153. *See also* Graham & Pizzo, *supra* note 263, at 22 (understanding product or service dimensions (cost, precision, value, quality) and market factors (competitive forces, regulations, socio-economic trends) is a logical starting point for a knowledge management strategy); Winter, *supra* note 231, at 166 (explaining an "organizational strategy . . . is a summary account of the principal characteristics and relationships of the organization and environment . . . developed [to] inform [] decisions affecting [an] organization's success and survival").

344. Rouse, *supra* note 26. *See also* SULLIVAN, *supra* note 108, at 132-34 (stating IP value is maximized when activities are aimed at improving a firm's competitive position through increasing portfolio quality and use in business negotiations and expanding licensing, joint venturing and strategic alliance activities); Cerrone & Villeneuve, *supra* note 112 (discussing in the patent context what is critical to a company's success to ensure ownership of its IP technology); Winter, *supra* note 231, at 171-72 (policies affecting growth or decline of knowledge and competence assets can have major effects on earning power over time); Kline,

the context of a cost-benefit analysis[345] to avoid wasting resources on assets for which protection will be unavailable or ineffective.[346] Yet because no clear framework exists to develop a strategy for the systematic management of knowledge,[347] and an *ad hoc* system is likely to fail,[348] there is considerable value in crafting a management strategy[349] that stewards the creation and sharing of knowledge and facilitates its capture.[350] Such a management program must be integral to all the processes that make up the business,[351] should have clear objectives[352] focused primarily on those elements essential to implementing strategy,[353] and must be properly funded.[354]

Discovering New Value in Intellectual Property, 78 HARV. BUS. REV. 54 (Jan./Feb. 2000) (discussing strategic management and use of intellectual property can significantly enhance a company's success by establishing proprietary market advantage, improving financial performance and enhancing overall competitiveness); LEV, *supra* note 106, at 41 (reducing and sharing risk are at the core of IP management); Rouse et al., *supra* note 106 (noting that failure to manage IP capably may result in lost business opportunities and uncertainty, expense and the significant distraction of litigation); RIVETTE & KLINE, *supra* note 106, at 96 (observing that failure to manage IP capably may result in margin erosion and, generally, reduced market competitiveness).

345. LEV, *supra* note 106, at 2-3.

346. DAVIS & HARRISON, *supra* note 232, at 105.

347. SULLIVAN, *supra* note 108, at 25.

348. DAVIS & HARRISON, *supra* note 232, at 100.

349. A "strategy" is the set of decisions and activities that move a company "from its current position toward the achievement of its long-term vision." SULLIVAN, *supra* note 108, at 182. *See also* Winter, *supra* note 231, at 167 (noting that mere managerial habits are not "strategies" in this sense, as such habits may result from an unintended problem rather than from an intended solution).

350. Kline, *supra* note 109, at 2-3. *See also* Davenport et al., *supra* note 292, at 118 (discussing information stewardship).

351. Rouse, *supra* note 26. *See also* SULLIVAN, *supra* note 108, at 167, 207, 221 (explaining that knowledge management is a commitment to the company's future that must be supported throughout the company) (discussed in intellectual capital management context); Gary Bender & Patrick Sullivan Jr., *Now What Do We Do With It?,* LEGAL TIMES, Apr. 10, 2000, at 57 (discussing coordination of legal counsel, corporate planners, financial staff, R&D managers, general management, engineers, scientists, marketing and licensing staff in effective IP management).

352. E-mail from Damian Porcari, Director, Ford Global Technologies, Inc., Dearborn, Mich. (Jan. 11, 2002) (on file with author).

353. Davenport et al., *supra* note 292, at 116 (noting focused information management objectives are more likely to succeed given that the volume of corporate information is too great to be categorized rigorously).

354. Mike Boggs, *supra* note 248 (describing "the extent to which in-house IP asset managers control resources related to [intellectual asset management] is critical" to the ability to prioritize the focus on a hot technological area or to act quickly relative to competitors). *See also* SULLIVAN, *supra* note 108, at 167, 207, 221 (suggesting knowledge management efforts must have the financial resources necessary to succeed).

An effective management strategy should anticipate long-term issues such as development of new product lines, expansion into new markets, evaluation of competitors' plans and capabilities, recognition of significant market or technology shifts, the "enabling technologies . . . the company [must] build, license, or acquire, and [the] partnerships [it will] need to forge" in the future.[355] The strategy should include a legal compliance program "to avoid infringement of others' intellectual property rights . . . and to protect one's own property from infringement."[356]

As knowledge management becomes increasingly critical to a company's success, primary responsibility will rest with the board of directors,[357] which will delegate strategy and deployment to a top executive authorized to make strategic, enterprise-wide decisions and charged with developing knowledge management strategies. The board will also be charged with ensuring an organizational structure that drives strategy implementation throughout the enterprise[358] and energetically affirms the program's importance.[359] John Hochreiter, president of Computac, Inc. in West Lebanon, New Hampshire, articulates his company's commitment this way:

> We teach and reinforce and reinforce again how important our intellectual property is to the company . . . . It requires someone or everyone in the organization to care that this property is the life's blood of the organization. The organization must acknowledge and even acclaim the importance of growing and protecting the assets of the organization. Intellectual property needs to be though[t] of as though it were the most important member of the organization.[360]

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355. RIVETTE & KLINE, *supra* note 106, at 70-71. *See also* SULLIVAN, *supra* note 108, at 45 (discussing business and technology competitors as a focus of competitive assessment); LEV, *supra* note 106, at 46-47 (stating because not all innovations can be fully developed, companies will sell or outsource IP through licensing, merge with or acquire other companies, or participate in alliances and joint ventures).

356. Simensky & Osterberg, *supra* note 241, at 322. *See also* Constantine et al., *supra* note 251, § 70:14 (footnote omitted) (discussing implementation of clearance procedures to prevent infringement claims from arising in copyright context); DAVIS & HARRISON, *supra* note 232, at 37 (discussing avoidance of patent infringement lawsuits by use of clearance techniques).

357. Rouse, *supra* note 26 (speaking in a trademark context). Indeed, directors may face liability based on breach of fiduciary duty claims where insufficient attention given to the management of intellectual property assets results in a material loss in corporate value. Bochner & Krause, *supra* note 110.

358. RIVETTE & KLINE, *supra* note 106, at 63-64, 85, 88-89.

359. Simensky & Osterberg, *supra* note 241, at 323.

360. Letter from John A. Hochreiter, President, Computac, Inc., West Lebanon, N.H.

Inhibiting company attention to knowledge management issues is a shortened product cycle[361] coupled with the perceived expense and difficulty of enforcing rights, especially overseas.[362] Senior management in certain industries, or where imitation is easy, may make the determination that speed in getting to the market is more important than legal protection in maximizing revenues.[363] As an example, Barrie Sellers, president of Geokon, Inc. in Lebanon, New Hampshire, has adopted the following policy:

> Generally the cost of fighting patent and copyright infringements [is] prohibitive and the results uncertain, so we choose not to patent our inventions. We rely instead on trying to keep moving fast enough to stay ahead of the competition. For a small company like ours, with many third world competitors much given to cloning activities, we think this is the best strategy.[364]

A. The Lawyer's Role in Knowledge Asset Management

Although most leading companies appear to have nonlawyers directing the knowledge management effort,[365] an attorney can create great value in assisting in the development of an effective knowledge management strategy.[366] An attorney's continual exposure to new industry-relevant legal issues will enable him or her to provide the client with current legal analysis and proposed courses of action, to assist the client develop and execute a license, joint venture, nondisclosure or strategic alliance agreement,[367] and to respond quickly to enjoin

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(Jan. 4, 2002) (on file with author).

361. RIVETTE & KLINE, *supra* note 106, at 103-04 (discussed in patent context).

362. Telephone Interview with Justin Siegel, CEO, JSmart Technologies, Inc. (Jan. 8, 2002) (describing how it is too expensive to enforce IP rights, especially internationally) (in copyright context); Interview with Barrie Sellers, President, Geokon, Inc., Lebanon, N.H. (Jan. 11, 2002) (infringement litigation is too expensive an option as overseas infringers, especially in Asia, are very difficult to stop; consequently, there is a preference for trade secret over patent protection).

363. SULLIVAN, *supra* note 108, at 150-52.

364. E-mail from Barrie Sellers, President, Geokon, Inc., Lebanon, N.H., to the author (Jan. 3, 2002) (on file with author).

365. E-mail from Julie L. Davis, Partner, Andersen Consulting, Chicago, Ill. (Dec. 20, 2001) (on file with author). *See also* Kline-Schoder, *supra* note 310 (explaining that "all IP assets should be the responsibility of non-attorneys," with attorneys "used in an advisory role to ensure [the] company's business objectives are being met").

366. Collins et al., *supra* note 169, §§ 68:4, 68:6 (suggesting counsel can develop a value-added intellectual property plan to protect the company's income generating capacity, generate licensing revenue, obtain as expansive protection as the law permits, and create assets to serve as bargaining chips in future negotiations).

367. SULLIVAN, *supra* note 108, at 43-44.

imminent or just-discovered infringements or to commence an action in an appropriate jurisdiction.[368] To do this effectively, however, counsel must become sufficiently familiar with the client's organization to understand how its personnel works[369] and with the dynamics of the hierarchy to understand who decides which issues.[370] Further, counsel should be consulted early on to gain an understanding of a particular intellectual asset[371] and to assist those who create the asset in determining the most promising protection options.[372]

In a successful working attorney-client relationship, punctuality and clear communication,[373] a clearly defined decision-making process,[374] and routine exchange of information concerning who is to perform which task,[375] are essential. If necessary, it should be clear in advance who should speak for the company in a matter that is, or may become, public.[376]

An attorney can add value to the client's intellectual asset-based business in a number of specific ways. For example, an attorney can add value by performing or supervising audits to achieve ongoing business strategies in connection with mergers, acquisitions, security offerings and loan security agreements,[377] by designing procedures to minimize the

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368. Constantine et al., *supra* note 251, § 70:28.

369. Telephone Interview with Dr. Thomas H. Davenport, Director, Accenture Inst. for Strategic Change, Cambridge, Mass. (Jan. 25, 2002).

370. Regan I, *supra* note 15, at 200.

371. E-mail from Scott Asmus, Esq., Maine & Asmus (Jan. 17, 2002) (on file with author) (discussed in patent context). *See also* Munger, *supra* note 78 (discussing importance of collaboration from an early stage) (quoting Paula J. Morency, Schiff Hardin & Waite) (quotation marks omitted); Pike et al., *supra* note 252, § 69:9 (discussing in the trademark context how counsel should attend as many planning, strategy, idea development and creative presentation meetings as possible to understand the company's current and future marketing plans and to raise concerns and suggest alternatives early in the creative process should problems be foreseen).

372. DAVIS & HARRISON, *supra* note 232, at 33 (discussing in an invention context, whether to patent or to seek trade secret protection).

373. Harris et al., *supra* note 20, §§ 20:18, 20:20, 20:24.

374. SULLIVAN, *supra* note 108, at 153 (noting it should be clear who will be involved, what information will be needed, how information will be provided, and how each decision will be implemented). *See also* Harris et al., *supra* note 20, § 20:22 (discussing the importance of a clear and express understanding as to which decisions are delegated to counsel, which are to be in joint consultation and which are reserved exclusively to management).

375. Harris et al., *supra* note 20, § 20:26.

376. Gardner, *supra* note 314, at 40-41 (suggesting that responsibility for speaking to the press must be clearly defined to prevent the spread of misinformation, ambiguities and rumors). *See also* Harris et al., *supra* note 20, § 20:22 (stating that there should be no confusion as to who is authorized to speak for the client to the press).

377. LAWRENCE, *supra* note 110, § 13.01. *See also* Rouse et al., *supra* note 106

potential liability of corporate officers and directors for any decisions they may make concerning key intellectual assets,[378] and by determining whether a separate intellectual asset management company might be a promising avenue.[379]

B. A Proposed Division of Duties Between Client and Attorney

Although a well conceived knowledge asset management strategy that incorporates a systematized decision-making process supported by the production of useful information[380] is crucial[381] to improving a company's competitive position and financial return,[382] such a strategy should not be exclusively a legal function.[383] Because legal counsel is an expensive resource,[384] a company should do as much as possible itself to optimize legal expenditures,[385] and attorneys should be called on for their objectivity and expertise[386] in developing aspects of an intellectual asset management strategy only when their participation will add value to the business enterprise.[387]

Each corporate client will naturally have its own strengths and weakness and its own greater or lesser ability or desire to manage its intellectual asset portfolio. The following generalized list is a first step in an effort to distinguish between broad categories of activities that may be suitable for nonattorneys to perform in-house and those activities that ought to be performed only by experienced intellectual property counsel.

(discussing use of IP audits for company valuation purposes).

378. Bochner & Krause, *supra* note 110 (discussing necessity to ensure that the board performs reasonable oversight of key intellectual property issues to have the protection of the business judgment rule).

379. Boggs, *supra* note 248. *See generally* Chestek, *supra* note 238.

380. SULLIVAN, *supra* note 108, at 132-33 (discussing value extraction).

381. Bochner & Krause, *supra* note 110.

382. LEV, *supra* note 106, at 33 (stating that "diseconomies resulting from [a] limited capacity to manage intangibles are a major factor restricting the use and growth of these assets").

383. RIVETTE & KLINE, *supra* note 106, at 63-64. *See also* Bender & Sullivan, *supra* note 351 (suggesting effective IP management does not stop with legal considerations, but must be understood as a business asset).

384. Rouse, *supra* note 335.

385. Thomas G. Field, Jr., *Seeking Cost-Effective Patents*, *at* http://www.fplc.edu/tfield/seeking.htm (last visited Feb. 23 2002) (in patent context).

386. Pike et al., *supra* note 252, § 69:14 n.2.

387. Kline-Schoder, *supra* note 310 (stating attorneys should develop intellectual asset protection strategies and mechanisms to respond to the business objectives established by management).

1. Tasks that a Nonattorney Could Do In-House:

- Strategic planning[388] and identification of market opportunities[389]
- Development of a vision statement to describe the "company as it wishes to become in the future and . . . steps [to] allow progress toward the vision to be measured"[390]
- "Describe IP management system the firm ultimately wishes to create, . . . [i]nclud[ing] . . . decision processes, supporting work processes, and databases"[391]
- Identify IP consistent with business plan[392]
- Conduct IP Valuation[393]
- Decide whether to pursue IP protection[394]
- Implement "clear screening criteria for determining what patents should be included in [the] portfolio"[395]
- Conduct an annual preliminary IP review/audit[396]
- Identify and prioritize most valuable trademarks[397]
- Document IP[398] and routine administrative maintenance work[399]
- Develop docketing system to alert company of filing and renewal deadlines[400]
- Maintain "lab book[s] and other records [to] show that [any patent] infringement was unwitting [and] stemmed from . . .

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388. Telephone Interview with Toni Tease, In-House Counsel, Rocky Mountain Technology Group, Billings, Mont. (Jan. 2, 2002).

389. E-mail from John Karp, Project Manager, Technology Transfer and Commercialization, Me. (Dec. 18, 2001) (on file with author).

390. SULLIVAN, *supra* note 108, at 26.

391. *Id.* at 215.

392. *See* RIVETTE & KLINE, *supra* note 106, at 86 (discussed in the context of determining competitive and financial uses of intellectual property assets); Letter from David Einhorn, In-House Counsel, The Jackson Laboratory, Bar Harbor, Me. (Jan. 4, 2002) (on file with author) (discussed in the context of a non-profit research institution).

393. SULLIVAN, *supra* note 108, at 148.

394. Jeffrey A. Smisek et al., *Specialized Approaches to Insourcing Legal Work, in* SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL, § 27:30 (Robert L. Haig ed., 2000) (discussing in a trademark context); Piasio, *supra* note 310 (discussing in a patent context); Tanny, *supra* note 237 (discussing in a patent context);

395. DAVIS & HARRISON, *supra* note 232, at 51.

396. Karp, *supra* note 389. *See also infra* note 417 and accompanying text.

397. Pike et al., *supra* note 252, § 69:2.

398. DeRosia, *supra* note 252.

399. Smisek et al., *supra* note 394, § 27:30; E-mail from Brian L. Berlandi, Esq., Pennie & Edmonds, LLP, N.Y. (Dec. 26, 2001) (on file with author).

400. Collins et al., *supra* note 169, § 68:30 (describing in a patent context); Pike et al., *supra* note 252, § 69.15 (describing in a trademark context).

simultaneous invention [rather than] copy[ing another's] proprietary technology"[401]

- Compile and analyze data on response time, rejections and foreign market trends[402]
- Collect and analyze competitive intelligence[403]
- Thoroughly map patent landscape at early stage in R&D process[404]
- Conduct preliminary searches,[405] screening,[406] and initial infringement determinations[407]
- Prepare patent candidate information file[408]
- File copyright registrations[409]
- Conduct low-risk transactional matter within management experience[410]
- Prepare standard confidentiality/nondisclosure agreement[411]
- Review business (as compared to legal) sections of agreement[412]
- In compliance context, maintain compliance documentation[413]

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401. DAVIS & HARRISON, *supra* note 232, at 36.

402. Telephone Interview with Karen Cochran, Patent Counsel, Sonus Pharmaceuticals, Bothell, Wash. (Dec. 18, 2001).

403. David Aylen, *Knowledge Management: Harnessing the Power of Intellectual Property,* 65 IVEY BUS. J. 58 (Mar. 1, 2001).

404. RIVETTE & KLINE, *supra* note 106, at 101.

405. Smisek et al., *supra* note 394, § 27:30 (discussing in a trademark context); Karp, *supra* note 389 (discussing in a patent context); E-mail from Bob Caldicott, Chief Engineer, Notion Development, Natick, Mass., to the author (Jan. 2, 2002) (on file with author) (discussing in a patent context); Tease, *supra* note 388 (discussing in a trademark context).

406. Piasio, *supra* note 310 (discussing in a patent context).

407. Caldicott, *supra* note 405; Piasio, *supra* note 310 (discussing the examination of file folder).

408. *See* Caldicott, *supra* note 405 (provisional patent claims); Eames, *supra* note 330; Piasio, *supra* note 310 (inventor disclosures and input into claims drafting); Tease, *supra* note 388 (preliminary claims drafting).

409. Karp, *supra* note 389.

410. *See* E-mail from Peter Johnson, Vice-President and CFO, EnviroLogix Inc., Portland, Me. (Jan. 3, 2002) (on file with author).

411. Bowman, *supra* note 190; Tanny, *supra* note 237.

412. McNew, *supra* note 188.

413. DAVIS & HARRISON, *supra* note 232, at 37:

> As a part of compliance, companies should avoid obtaining trade secrets by hiring employees or subcontractors from other organizations considered to be competitors. If the departing employee or the subcontractor brings valuable technical knowledge, it is important to make sure the employee owns that knowledge, and that it is not a trade secret proprietary to the previous employer.

Id. See also Simensky & Osterberg, *supra* note 241, at 324 (explaining that such documentation includes "license agreements; copyright, trademark, and patent registration

- Determine when matters should be reported to insurers[414]
- Inform news media and others of improper trademark use.[415]

2. What Experienced IP Counsel Should Do:

- "Legally substantive work" that may affect "marketing strategies, budget allocation, corporate risk, and competition"[416]
- Advanced annual IP review[417] and risk assessment in obtaining/foregoing protection[418]
- Independent opinion of counsel, especially where significant expenditures are contemplated, to limit risk of infringement and to support defense of good faith[419]
- "Legal matters [that] directly involve other parties"[420]
- Complex contracts with customers[421]
- Nondisclosure and confidentiality agreements and, in the

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certificates; notes and memoranda relating to the creation of intellectual property; certificates of compliance from employees and vendors; attendance sheets from compliance seminars, and[] copies of policy statements and other compliance-related materials." However, competent legal counsel should assist in "establish[ing] appropriate safeguards to preserve confidentiality and privilege regarding some of these documents, especially those concerning internal investigations of alleged improper or illegal conduct.").

414. David A. Gauntlett, *Seven Questions Intellectual Property Owners Should Ask Regarding Insurance Coverage,* INTELL. PROP., July 2, 2001.

415. Pike et al., *supra* note 252, § 69:8.

416. Berlandi, *supra* note 399.

417. Karp, *supra* note 389; DeRosia, *supra* note 252; Pike et al., *supra* note 252, § 69:14:

> An intellectual property audit serves several purposes: (1) to determine the extent of the company's interest in the intellectual property; (2) to determine the scope of rights a third party may have in the assets; (3) to evaluate the company's policies and procedures for creating and protecting its intellectual property rights; (4) to evaluate whether the company's intellectual property rights have diminished, or are likely to diminish in the future absent more vigorous protection; and (5) to provide recommendations that will help correct the erosion of existing intellectual property rights and protect such rights in the future. . . . The audit should not only identify the key brands; it should also ensure that the correct party owns the asset, that the chain of title is correct, and that any registration is valid. In addition, the audit should identify weaknesses in the intellectual property asset, including dilution or infringement of the mark, licenses and other grants to third parties, third-party uses and registrations, and any pending disputes with third parties. The audit should also include a detailed plan to correct the identified weaknesses in the asset.

Id.

418. Berlandi, *supra* note 399.

419. Caldicott, *supra* note 405; Einhorn, *supra* note 392 (discussed in the context of a non-profit research institution); Pike et al., *supra* note 252, § 69:18 (footnote omitted) (in trademark context).

420. Caldicott, *supra* note 405.

421. Tease, *supra* note 388.

employment context, trade secrets, confidentiality issues, invention ownership, non-compete agreements[422] and procedures to insure no improper disclosure of information obtained from other firms or customers[423]

- Licensing agreements[424]
- Review of trademark licenses to ensure adequate control[425]
- Actual suits, or threats of suits[426]
- "[C]hoosing to proceed with . . . litigation based on cost and chances of success"[427]
- Evaluation of exposure to regulatory challenge[428]
- Assessment of shareholder disputes[429]
- Negotiating settlements[430]
- Review and facilitation of copyright and trademark filing procedures[431]
- Advanced prior art[432] and clearance searches[433]
- Determination of whether copyright use is permissible[434]
- Issues involving Digital Millennium Copyright Act of 1998 ("DMCA")[435]
- Filing in foreign markets[436]
- Patent prosecution,[437] including claims drafting,[438] assessment of

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422. *Id.*

423. Eames, *supra* note 330.

424. Tease, *supra* note 388.

425. Pike et al., *supra* note 252, § 69:22 (footnote omitted).

426. Telephone Interview with Michel Guité, President, VTel, Springfield, Vt. (Jan. 3, 2002).

427. Berlandi, *supra* note 399.

428. Guité, *supra* note 426.

429. *Id.*

430. Berlandi, *supra* note 399.

431. Hochreiter, *supra* note 360.

432. Piasio, *supra* note 310.

433. Cochran, *supra* note 402.

434. Constantine et al., *supra* note 251, § 70:14 (such determination may involve assessment of issues such as existence of licenses (compulsory or otherwise), whether copyrighted work was work-made-for-hire, or whether use is permissible under a fair use analysis).

435. *Id.* § 70:25 (use of the DMCA is likely to be a complex area and should be approached with great care).

436. Cochran, *supra* note 402; Berlandi, *supra* note 399 (in trademark context).

437. Einhorn, *supra* note 392 (discussed in the context of a non-profit research institution); DeRosia, *supra* note 252; Caldicott, *supra* note 405; Eames, *supra* note 330; Asmus, *supra* note 371; Cochran, *supra* note 402; Tease, *supra* note 388.

scope of claims,[439] and claim interpretation[440]

- Determination of availability of desired trademark[441]
- Trademark issues of dilution, tarnishment, infringement, abandonment.[442]

VIII. CONCLUSION

Significant challenges arising principally from the globalization of commerce and worldwide transition from a manufacturing to a knowledge economy will confront the legal profession in the new century, and the role of the American business lawyer will accordingly change dramatically. Although the profession will face an accelerating pace of change and competition, demand for highly skilled and specialized legal services will increase as business transactions become increasingly international and are increasingly characterized by intellectual property law considerations.

In the transition from an industrial to a knowledge-based economy, in which ideas and innovation rather than tangible assets drive economic growth and enterprise value, law firms' own intellectual capital—their knowledge, experience and expertise—will increasingly determine their competitive position just as surely as their clients' intellectual capital drives the clients' own businesses. Thus, in an increasingly competitive legal profession, firms will seek to distinguish themselves through continuous innovation and the creation of knowledge that adds value to the client enterprise.

In the knowledge economy, a client's knowledge assets—its intellectual property and intellectual capital—will assume a position of supreme importance in the company's ability to compete successfully, and so a business will have to manage its knowledge assets with a comprehensive strategy to maximize competitive advantage and minimize cost and risk. Because no clear framework exists for such knowledge management, an attorney can create great value in assisting in the development of an effective knowledge asset management strategy. Because the strategy itself, however, need not—and should not—be an exclusively legal function, the business client and attorney should work together continually to evaluate what work can or should

438. Piasio, *supra* note 310.
439. Asmus, *supra* note 371.
440. Cochran, *supra* note 402.
441. Berlandi, *supra* note 399.
442. Pike et al., *supra* note 252, § 69:4.

be done by each. The client should do as much as possible without an attorney and should utilize legal expertise only when an attorney's participation will produce value for the client.