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Partnering – Law Firms

Building Successful Relationships Between In-House And Outside Counsel

The Editor interviews Stephen Falanga, Partner, Connell Foley LLP and Thomas Sparno, Executive Vice President, General Counsel and Corporate Secretary, Evenflo Company, Inc.

Editor: Tom, please tell our readers about your role as in-house counsel. What is the nature of your company's business, and what types of legal issues typically arise in the industry?

Sparno: I serve as Executive Vice President, General Counsel and Corporate Secretary of Evenflo Company, Inc., with responsibility for all legal affairs of the company. I am a member of the company's senior management team and participate in financial review, strategic planning and other corporate matters. I am also an officer of two of Evenflo's subsidiary corporations.

Evenflo has been a leading manufacturer of juvenile products for over 85 years and currently maintains both a domestic and international operational and sales presence. The legal issues faced by our industry are typical of most sophisticated business environments and generally involve commercial agreements and contracts, leasing, regulatory and compliance issues and litigation.

Editor: Steve, what are some highlights of some of your recent engagements?

Falanga: I am a partner with Connell Foley LLP and a member of the firm's Bankruptcy, Corporate Law and Transactions, and Banking Law and Finance practice groups. My work with Evenflo



Stephen Falanga

has focused in these areas. Examples of some of my recent work for Evenflo include assisting in its divestiture of a former manufacturing plant in Wisconsin and representing its rights as a creditor in a number of bankruptcy cases, including in Delaware and Ohio. Other attorneys at Connell Foley assist in representation of Evenflo in general litigation matters in the New York and New Jersey courts.

Editor: Tom, how large is your staff? What legal issues do you typically handle in-house, and how do you typically determine whether to seek assistance from outside counsel?

Sparno: There are approximately 35 employees in several groups of the organization that report directly to me –



Thomas Sparno

including those in our consumer affairs, technical services and legal areas. We tend to handle most regulatory, government affairs and contract work in-house, as well as the majority of employment matters. Typically, we manage litigation and threatened litigation in-house, but we must also engage outside counsel to handle specific matters for obvious reasons. This is generally our approach, but we are flexible with our use of outside counsel and will seek assistance as the need arises.

Editor: Tom, what factors do you consider when hiring outside counsel?

Sparno: Obviously, competence and expertise in the particular area are two of the most important factors. We generally retain outside counsel who have strong

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experience in their local jurisdictions and may supplement our resources with national counsel on an as-needed basis. The cost of legal services remains an important factor along with the responsiveness and quality of our outside attorneys. Overall, we favor those outside counsel who approach our work with them as a partnership and with the objective and expectation that our relationship will be long term.

Editor: Steve, how do you determine what your clients want from the firm?

Falanga: I think to effectively give legal advice on any matter, it is important to first listen and understand the concerns of the client. It is only when we appreciate the client's needs that we can provide useful legal advice. After isolating the issues at hand, we can then make recommendations for the appropriate course of action, both short and long term. We can also determine whether additional attorneys with particular specialties need to be engaged to most efficiently meet the client's goals.

Editor: What are the characteristics of a strong working relationship between in-house and outside counsel?

Sparno: In my view, close communication and regular refinement of goals, objectives and strategic considerations are the keys to a strong working relationship. Regular contact ensures that the strategy and course of action we have developed is being implemented in a cost effective and efficient manner. We also find that we benefit from those lawyers who make effective use of our support resources, take the initiative to learn our business, and are able to provide us with an accurate early assessment of the matter.

Falanga: A proper division of labor is also essential to ensure that goals and objectives are met. Both outside and in-house counsel must have an understanding of who is doing what so that time and resources are effectively utilized. As the matter evolves, regular communication ensures that the course of action being undertaken is modified as necessary.

Editor: What techniques do you find most useful in maintaining good relationships between in-house counsel and their law firms?

Sparno: Although Evenflo by virtue of its business has different types of matters in any number of states, we strive to develop a consistent working relationship with all of our outside counsel. We have a strong preference for outside counsel who view our relationship as a partnership and will work hard to become familiar and acquainted with our business. To the extent possible, we like to have the same people within a given firm working on our matters so they gain efficiencies and develop a connection with our company. We've found that some younger outside counsel that develop with us as their careers grow are valuable resources to us.

Falanga: To truly provide effective representation, outside counsel must familiarize themselves enough with the client's business in order to be able to identify possible issues in the representation. Decisions made in one matter could impact the ability of the company to take a position in the future, and so outside counsel must be cognizant of this fact when rendering legal advice.

Editor: How have technology tools impacted communications between in-house counsel and their law firms?

Sparno: The most impactful technological tool continues to be electronic communication. Email reduces costs and saves time. The move by most firms to provide rapid and efficient scanning of documents that can be quickly emailed has resulted in more efficiency and has enabled quicker decision making.

Falanga: I agree. Email communication continues to be an innovation that has enabled faster and more efficient representation. It has been particularly beneficial in contract drafting since drafts can be exchanged and changes can be incorporated very quickly.

Editor: What practical tips do you have for corporate counsel when negotiating billing and payment arrangements with their law firms?

Falanga: Once again it's about setting appropriate expectations and meeting them. I think the most important tip is common sense: provide as much guidance as possible to the client upfront so there are no surprises. The initial arrangement and rate structure are important, but the client benefits most when it receives guidance as the matter progresses.

Corporate counsel are generally under pressure to meet budget requirements and outside counsel need to try to assist in this effort as much as possible. Outside counsel also need to be flexible and think creatively in negotiating billing arrangements. The goal is to keep the client long term, and it is a mistake to focus only on the current engagement.

Sparno: I agree. We need lawyers who understand that we benefit most not only from them effectively handling a matter but also doing so in a cost effective and efficient manner. Failure to appreciate or meet cost objectives can be as detrimental to a firm as inadequate representation on the merits.

Editor: How do you see techniques for managing relationships between corporate counsel and their law firms evolving over the next five to ten years?

Sparno: I continue to view advances in technology as probably the main avenue towards improving efficiency and the ability to satisfy goals and objectives. As our business grows and evolves, we tend to become more sophisticated, and I suspect we will continue to put a premium on the use of outside counsel who can fully understand the nature of our business and integrate new technology and innovative techniques to meet our legal needs and distinguish their firm from the competition.

Falanga: That's my view as well. Keeping up with the latest technology is vital. Also, legal specialization will continue as laws, rules and regulations become more complex. Outside counsel need to recognize that to effectively build and maintain a successful and long-term relationship with a corporate client, they need to anticipate future practice specialty needs and work to provide them.