

# Highlights from the First Corporate Counsel Institute

By Howard S. Shafer, Esq.

The Corporate Counsel Section held its Corporate Counsel Institute at the Princeton Club on September 22nd and 23rd, 2005. This was the first year it was held and it incorporated the popular "Ethics for Corporate Counsel" Program. Corporate Counsel from companies of all sizes attended. The topics included: The Use of In-House Alternative Dispute Resolution for Employment Law Issues; In-House Compliance Programs; Litigation and E-Discovery; Law Department Management; Intellectual Property; and Ethics for Corporate Counsel.

Workshops were also held on each of the subjects. Participants selected two workshops, and the ones I attended were: Employment Law, Overview for the Generalist; and Wage Hour Update: A Practical Approach to the New Fair Labor Standards Act. The other workshops were: Intellectual Property—Hot Topics in Copyrights and Hot Topics in Trademarks; Litigation/E-Discovery—Document Retention and Retrieval Programs and Developments in Technology to Enhance Storing and Retrieval of Electronic Data and Legal Developments in Electronic Discovery; Law Department Management—The Lawyer as Business Person/Management Solutions; In-House Compliance Programs—Responding to a Government Investigation; and In-House Compliance Programs—The Experience at American Express.



A diversity internship program for law students was named for attorney Kenneth G. Standard, Immediate Past President of the New York State Bar Association, and the Keynote Speaker was James G. Potter, Esq., Senior Vice President, General Counsel and Secretary of Del Monte Corporation. He spoke of the importance of promoting diversity in the legal profession and how Del Monte is helping to make a difference.

The topics were timely, interesting and well-presented. The bonus was 14.5 CLE credits. What follows are some highlights.

## The Use of In-House Alternative Dispute Resolution for Employment Law Issues

Laura Giantris, Esq., of the Equal Employment Advisory Council, PC (EEAC), spoke about their ADR

Project. That project allows companies to get together and share practices and techniques.

The EEAC surveyed member companies. The survey revealed that in-house ADR programs reduced litigation, costs and administrative agency charges. The companies surveyed included large companies in a wide variety of industries.

Different ADR Alternatives were discussed. Lawyers from Federated Department Stores and Halliburton discussed programs with which they have had much success. The speakers agreed that limiting recoveries in in-house programs would jeopardize their enforceability and that programs should be employee-friendly.

## In-House Compliance Programs

The Sarbanes-Oxley climate was discussed. The speakers agreed that an effective Corporate Compliance Program had to be risk-based, tailored to the specific business, supported from the top down and appropriately funded.

An effective compliance program requires that proper written policies and procedures be put into place. Once in place, it is imperative that they be enforced and that there be effective training programs, including multi-lingual programs, where necessary. Building a compliance program does not happen overnight, but requires a process. Doing a risk analysis and addressing the most significant risks first is a good start. Once in place, there should be a procedure to regularly review and update the program.

## Litigation and E-Discovery

The importance of developing a good policy on retaining electronic information and involving IT in doing so was discussed. The use of form preservation notices in repeat kinds of litigation is helpful but there also needs to be a process for the ongoing preservation of records being created after the litigation hold is put into effect.

The issue of cost shifting for discovery compliance was discussed. When discussing e-discovery, the lawyer should be prepared to address the efforts and cost involved in compliance.

Reasonable steps must be taken to preserve records. What is reasonable becomes clearer as the likelihood of

litigation becomes greater. What constitutes reasonable increases with the filing of discovery documents and the entry of a preservation order. Magistrate Judge Francis, IV, of the Southern District, emphasized that preservation is not production and that it is better to err on the side of over-preserving.

The best way to bring certainty to the e-discovery process is for outside counsel to be proactive in discussing with the adversary what discovery is needed and to have any stipulations “So Ordered” by the court. Even where negotiation is unsuccessful, voluntarily disclosing necessary information and informing the court of your efforts can work in your favor.



went from rumors about arguably related issues and products to similar issues and products involving other companies and beyond. The consensus was that as more concrete, reliable and related information became available, the “up the ladder” reporting obligation increased. John Villa, Esq., of Williams & Connolly LLP, emphasized the dangers involved in jumping into an investigation before one is necessary. Once started, stopping is not permitted until you have

exhausted all areas of reasonable inquiry. He also questioned the usefulness of in-house investigations in some areas, since a finding of no wrongdoing would be subject to inquiry.

The Safe Harbor provision of DR 1-104, entitled “Responsibilities of a Partner or Supervisory Lawyer and Subordinate Lawyers,” was discussed and participants were encouraged to read it. Lawyers were cautioned to make a note of “up the ladder” type conversations with senior lawyers. The realities of reporting obligations and business were noted, and a distinction was drawn between past conduct on the one hand and current and ongoing conduct on the other.

Another area which was discussed was the duty of the in-house lawyer to the client company and not to the individual employees. Corporate Counsel should be careful to make that distinction and to carefully scrutinize engaging in what may appear to be a simple legal matter for a company employee.

The complexities of entering into Joint Defense or Joint Litigation Agreements were also addressed. When people covered by the agreement become the subject of the investigation, it is very hard to “unscramble the egg.” John Villa suggested that the trend is not to enter into such agreements.

The session ended with a good deal of attention being paid to Multi-Jurisdictional Practice. The issue is easier in states that have adopted Model Rule 5.5. However, attorneys were cautioned to be aware of the laws in the jurisdictions in which they are working and to consider becoming admitted in states where they perform a substantial amount of legal services. Andral N. Bratton, Esq., of the Departmental Disciplinary Committee of New York’s Appellate Division, First Department, mentioned that courts place a lot of emphasis on physical location. But beware, Anthony E. Davis, Esq., of Hinshaw & Culbertson, LLP, briefed the participants on a case where action was taken by a state against lawyers who had never set foot in the jurisdiction.

## Law Department Management

The Law Department Management session addressed the in-house lawyer as business facilitator and e-billing and reporting metrics. James S. Wilber, of Altman Weil, Inc., discussed the Corporate Counsel as naysayer and stressed the importance of being a business facilitator when possible, rather than just saying no. Suggesting alternative solutions can go a long way. Matthew Gilles, Esq., and John Weber, Esq., of TyMetrix, Inc., demonstrated the benefits of tracking outside counsel billing with the company’s software.

## Intellectual Property

The Intellectual Property session came at the end of the first day and was appropriately light. Some important points were made regarding advertising concerns. Corporate Counsel should consider Trade Dress Infringement, Copyrights, Fair Use and Tarnishment or Trademark Dilution in reviewing advertising materials. Jacqueline Leimer, Esq., Chief Counsel, Global Trademarks for Kraft Foods, emphasized the importance of having good relationships with ad agency lawyers and placing responsibility for advertisements upon them.

## Ethics for Corporate Counsel

The ethics portion of the Corporate Counsel Program focused on “up the ladder” reporting obligations of Corporate Counsel. Review of DR 5-109, entitled “Organization as Client,” was suggested for guidance.

Through use of hypothetical examples taken from the insurance industry, the “up the ladder” reporting obligations were examined as the information available

## Workshop: Employment Law, Overview for the Generalist

Robert P. Joy, Esq., of Boston's Morgan, Brown & Joy, LLP, led the Employment Law for the Generalist workshop. Bob discussed the necessary aspects of a good employment law policy. Such a program should include:

- Fairness;
- Due Process;
- Consistency; and
- Written Substantiation.

In addition to specifically written employment policies, company handbooks should be checked for policies and practices which could be considered an implied-in-fact contract. Handbooks and manuals should include disclaimers stating that no contract is intended.

The importance of having a good defense to a wrongful termination claim, even in an employment-at-will state, was emphasized. If possible, Corporate Counsel should size up the decision-maker seeking advice on whether an employee can be terminated before the go ahead is given. That decision-maker will be your key witness. If the motion for summary judgment is denied, the jury will be evaluating your witness in looking to see that the company had a good reason for the termination and that the employee was treated fairly.

The session included many helpful hypothetical examples covering employee absence, discrimination, hiring and firing, references, wage and hour and National Labor Relations Act issues. The importance of considering the Family Medical Leave Act (FMLA) when dealing with absenteeism was stressed. Bob also pointed out the distinction between the reasonable accommodation required by the Americans with Disabilities Act and the interactive dialogue and reasonable accommodation required by the FMLA when an employee requests an accommodation.

The importance of conducting investigations on a need-to-know basis was also discussed. Corporate Counsel should be careful to ensure that this is done to shield companies from claims of defamation by employees.



## Workshop: Wage Hour Update: A Practical Approach to the New Fair Labor Standards Act

Felice B. Ekelman, of Jackson Lewis, LLP, led the workshop on the changes to the Fair Labor Standards Act (FLSA), 29 C.F.R. 541. She reported that most FLSA work is now class or "collective" action and that the U.S. Department of Labor estimates that 70% of employers are not in compliance with the FLSA. Both the Department of Labor (DOL) website (<http://www.dol.gov/>) and the Jackson Lewis website (<http://www.jackson-lewis.com/>) have good primers on the changes.

Much of the discussion focused on the key exemptions for white collar employees. They include generally:

- Executive;
- Administrative;
- Learned Professionals (positions requiring advanced degrees or artistic skills);
- Computer Work; and
- Outside Sales.

The Motor Carrier Exemption is a special category which should be examined by every employer having drivers transport shipments and property.

The importance of looking past job titles and understanding job functions was stressed. Both the salary and the job functions must be examined to determine whether employees are exempt. The stakes are high. Penalties for non-compliance include three years back pay plus attorney's fees for willful FLSA violations. FLSA claims can only be resolved with Judicial or DOL supervision.

Also emphasized was the importance of fighting efforts to obtain class status. Arguments should be fashioned to dispute the allegations that the employees seeking to be included as putative opt-ins are similarly situated. Early discovery can be sought to defeat the broad definition of employees to be included in the notice.

Corporate Counsel must be aware of the pitfalls in misclassifying employees as exempt. Errors in classifying employees can result in penalties not just for that employee, but for all similar employees. Felice stressed that in order to avoid an encounter with the DOL's vigorous enforcement of the revised regulations for exempt employees, employers should act preventatively to develop positive solutions for compliance.



Internal FLSA audits will likely be discoverable, so they should be conducted discreetly using a small number of employees. She suggested steps that an employer could take to examine employee classification. They include dividing employees into the following three categories:

- Positions known to be exempt;
- Positions known to be non-exempt; and
- Positions in the gray area.

Titles of employees in the third category should be ignored and their job functions should be scrutinized to determine whether or not the employees are exempt. The importance of keeping time records for all employees in the event of an audit or challenge to classification was stressed. Mitchell F. Borger, Operating Vice President and Assistant General Counsel of Federated Department Stores and current Chair of the Corporate Counsel Section, mentioned that good communication with employees is important when undertaking a re-classification project. Once properly classified as exempt, employers must be careful not to take any action which would defeat the exempt status. Improperly deducting pay from employees can cause a loss of the exemption for other employees in the same job classification. While there is a Safe Harbor Provision for errors, employing it requires that the company have such a policy in place and that it be communicated to employees.

Lastly, working with the DOL in a “Compliance Partnership” to resolve the classification issue has its benefits. Based upon her experience in working with the DOL, Felice said that liquidated damages are not generally sought and that they will not ordinarily go back more than two years to recover back wages.

## Other Workshops

Intellectual Property—Hot Topics in Copyrights was given by Barry I. Slotnick, Esq., of Loeb & Loeb, LLP. The material addressed copyright basics, transfers and licenses of copyrights, fair use, television formats and copyright protection.

Intellectual Property—Hot Topics in Trademarks was presented by Jacqueline Leimer, Esq., Chief Counsel, Global Trademarks for Kraft Foods. The topics included trademark basics, registration and protection, as well as advertising-related concerns.

Litigation/E-Discovery—Document Retention and Retrieval Programs and Developments in the Technology to Enhance Storing and Retrieval of Electronic Data was led by James L. Michalowicz, Litigation Program Manager for Tyco International (U.S.) Inc. and Charles A.B. Moore, Esq., Operating Vice President and Assistant General Counsel for Federated Department Stores, Inc. Legal Developments in Electronic Discovery was led by Steven C. Bennett, Esq., of Jones, Day, Reavis & Pogue, James L. Michalowicz and Frederick B. Warder, III, Esq., of Patterson, Belknap Webb & Tyler, LLP. The sessions expanded upon the issues raised in the general session and included specific examples of sanctionable misconduct.

Law Department Management—The Lawyer as Business Person/Management Solutions was given by James S. Wilber, Esq., of Altman Weil, Inc. The earlier session delved into the topics raised during the general session. The later session included a live demonstration of the TyMetrix litigation management program.

In-House Compliance Programs—Responding to a Government Investigation was led by John A. Mascarello, Esq., Counsel for The Bank of New York. The presentation included an introduction to the topic, as well as a discussion of the current environment of government investigations and practical suggestions for handling them.

In-House Compliance Programs—The Experience at American Express was presented by Kathryn S. Reimann, Senior Vice President and Chief Compliance Officer. The session developed issues raised during the general session and delved into the compliance experience at American Express.

## Final Thoughts

This year’s First Corporate Counsel Institute promises to be the start of a useful and popular program. The program was sold out early this year, and its popularity is sure to grow.

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