THE EVOLUTION AND INFLUENCE OF CORPORATE LEGAL DEPARTMENTS

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I. INTRODUCTION

Corporate legal departments are not very well understood by most law students and are often overlooked by many law schools. This is due in part to the fact that most legal departments do not recruit from law schools, but instead hire from law firm ranks. However, the evolution and influence of corporate legal departments in shaping the modern legal services industry is too significant to be ignored by law students or law schools. Corporate legal departments have had a profound impact on law firm practice. A significant number of law firm practitioners, particularly those at

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LyondellBasell (NYSE: LYB) is one of the world's largest plastics, chemical, and refining companies, and a member of the S&P 500 Index. LyondellBasell (www.lyondellbasell.com) manufactures products at fifty-eight sites in eighteen countries for people around the world; its products are used in packaging, electronics, automotive parts, home furnishings, construction materials, and biofuels.

larger firms, will either represent or seek to represent a corporation with a legal department. I would like to take this opportunity to share with you, from my own personal perspective, some insights into corporate legal departments—how they developed, what impact they have on the legal services industry, and what influence they may have on your future career.

My current role as the Chief Legal Officer of a large multinational company is not something I could have envisioned for myself growing up in the small town of Venice on the west coast of Florida. From that vantage point, I had a very sentimental view of what it meant to be a lawyer. Venice is a beach community, and at the time it had one grocery store, one high school, a few doctors, and even fewer lawyers. The few lawyers, however, were pillars of our community. They served as presidents of the Rotary and Kiwanis Clubs, were boosters of the local athletic teams, and were leaders in their churches and local charitable organizations. I admired them and I aspired to be a "country lawyer," idealized by the character Atticus Finch, the quintessential country lawyer, in *To Kill a Mockingbird*.[1]

After attending the Florida State University College of Law and being exposed to the law firms in Florida's urban centers, the idyllic home town I grew up in seemed much smaller. I was enticed to join a large firm in Tampa upon graduation. What I found as a young associate during the early 1980s was that instead of emulating the equanimity of Atticus Finch, I was more like a sprinter in a race, exceeding billable hours targets and striving to obtain new business. I was pretty good running the treadmill; in 1988, when an opportunity presented itself to move to an even bigger city, Houston, I took the chance. There, the competition intensified and the pace quickened. After a few more years, any romantic notions of Atticus Finch had receded, and I was fully committed to private practice serving corporate clients.

As my practice progressed, I realized that if I was going to be successful in courting corporate clients, I had to learn more about a subset of the legal community that I did not fully understand—corporate legal departments. Unlike my earlier experiences obtaining business directly from owners or managers of small- to medium-sized businesses, I found that legal departments, particularly in the energy sector in Houston, controlled the bulk of the legal work. It was critical that I learn more about how they operated. I studied legal departments. I read everything I could in the legal press about them. I read surveys about their preferences and prac-

1. HARPER LEE, TO KILL A MOCKINGBIRD (1960).

tices. I embraced budgeting and cost control tactics, key legal department objectives, as a selling point to attract business. The most vivid insights I gleaned, however, came from my personal experiences in cases involving legal departments and knowing lawyers who worked in them. The sheer size and scale of their practice was impressive. At that time, the legal department of ExxonMobil in downtown Houston had hundreds of lawyers. Then, there was Enron, the "it" company of the 1990s, with a legal department that grew to over 250 lawyers by the time of the company's demise.[2] From these experiences, I discovered that these legal departments, which were bigger than most law firms in Houston, along with many smaller departments, controlled the most desirable legal work, the related fees, and indirectly, called the tune in the legal services industry.

II. EVOLUTION OF LEGAL DEPARTMENTS

How did these internal legal departments gain such prominence? It did not happen overnight. If you look at the evolution of legal departments over the past forty years, you will see that there are some discernible stages in the process. The first twenty years of the history might be characterized as a period of law firm dominance. The next ten years could be considered a transition period towards a more client-centric model in which legal departments became more assertive. In the last ten years, in my opinion, the balance of power has shifted and we are now in an era of legal department ascendency.[3]

A. Period of Law Firm Dominance

During this period, law firms alone were at the intersection of business and law, providing legal services on a one-stop-shop basis to most corporate clients. The law was becoming more complex and corporations needed law firms to help them navigate through those complications. As a result, very close relationships developed between law firms and corporations. Many of these relationships were institutionalized over generations. One that I experienced tangentially was the historically close relationship between Chev-

2. *See* Naftali Benavid, *Enron's Law Firm Begins to Draw Fire*, CHI. TRIB., Mar. 14, 2002, http://articles.chicagotribune.com/2002-03-14/news/0203140277_1_enron-vinson-elkins-lawyers.

3. The discussion of these periods is greatly simplified here, but they are illustrative. I have outlined them broadly. They were not as distinct or discrete as depicted here. For a much fuller and academic discussion of these periods, see David B. Wilkins, *Team of Rivals? Toward a New Model of the Corporate Attorney-Client Relationship*, 78 FORDHAM L. REV. 2067 (2010).

ron Corp. and Pillsbury Madison & Sutro LLP, now Pillsbury Winthrop Shaw Pittman LLP.[4] For nearly one hundred years, the General Counsel of Chevron was a Pillsbury partner. Speculation was common about who from the Pillsbury ranks would be the next General Counsel of Chevron. This relationship was beneficial for the firm and put it in an enviable position to grow along with one of its largest corporate clients. Chevron's reliance on Pillsbury as an exclusive resource from which to recruit its General Counsels continued uninterrupted until the late 1990s.

Another key characteristic of law firm dominance was the direct relationship that the firms enjoyed with corporate executives. Legal departments were not yet a strong buffer between firms and corporate leaders during the early part of this period. I recall stories from my first firm about the time that Jack Eckerd of Eckerd Drugs developed a personal relationship with one of the firm's named partners. Similar stories were told about Jim Walter of Jim Walter Homes, and George Steinbrenner of American Shipbuilding Co. and the New York Yankees. In each of these instances, the senior partner of the firm was the trusted advisor to the business leader.

By the middle of the 1980s, change was occurring in the legal services industry. More corporations were staffing legal work internally as opposed to outsourcing to law firms. It had simply become too expensive to outsource recurring and routine work to lawyers in private practice. This trend had actually started earlier in certain industries, but the pace at which other corporations embraced a robust legal department function accelerated.

B. Transition Period

The transition to a model that favored corporate clients developed gradually. The first in-house lawyers provided transactional as opposed to strategic services. I got a glimpse of this early incarnation of corporate legal departments when I interned at a title company, one of the first businesses to insource lawyers as employees. Title companies, along with inside lawyers for insurance companies, were pioneers in the development of corporate legal departments. Over time, other companies began to build their own legal departments, primarily to save money. It was a classic make-or-buy decision.

Private practice lawyers initially viewed the employment of inside lawyers as benign. I recall early in my career, while this tran-

4. From 2000 to 2009, I was the Senior Vice President and General Counsel of Chevron Phillips Chemical Co., the primary petrochemical company of Chevron Corp. and ConocoPhillips.

sition was occurring, the conventional wisdom was that "real lawyers" worked in law firms. In-house lawyers seemed to have less professional standing. But this, too, started to change. As legal costs continued to skyrocket, companies continued to build their legal departments and hired some very talented lawyers from law firms.[5] As this progressed, the diagnostic work that went into deciding whether or not to hire a law firm, which law firm to hire, and who should work on an engagement started to be done by the legal department, as opposed to non-lawyer corporate executives.[6] Many companies even adopted guidelines that precluded non-lawyers from selecting or managing outside counsel. These developments were a sea change because the control over the referral of business shifted to legal professionals who understood the positives and negatives of law firm practice. With their experience working in law firms, they understood the inefficiencies that can occur in private practice and were less deferential than clients who were unfamiliar with the realities of law firm practice.

In 1987, General Electric Co. took the evolution of the corporate legal department to a new level when it hired Ben Heineman Jr. to be Senior Vice President and General Counsel. Mr. Heineman was a marquis selection—a graduate of Harvard and Yale, a Rhodes Scholar, an editor-in-chief of *The Yale Law Journal*, a United States Supreme Court clerk, and the managing partner of Sidley & Austin's Washington office. Possessing such impeccable credentials and stature, Ben Heineman was charged with remaking the legal department of General Electric Co. to rival the best law firms. He hired top flight lawyers and by the end of his tenure, the legal department of General Electric Co. had over one thousand lawyers.[7] The model he espoused was emulated by more corporations, even if on a much smaller scale.

One notable advantage that corporations had in recruiting top-tier lawyers into their ranks was equity-based compensation. Unlike law firms, where compensation is almost always in cash, many inside counsel started to participate in their company's equity compensation plans and benefitted from the equity appreciation. This type of compensation can obviously decline in value, but the prospect of equity appreciation proved to be enticing to a lot of star

5. "Between 1970 and 1980, there was a forty percent increase in the number of lawyers working in-house; and between 1980 and 1991, there was a thirty-three percent increase." 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, 1059 (1997).

6. *See* Robert Eli Rosen, *The Inside Counsel Movement, Professional Judgment and Organizational Representation*, 64 IND. L.J. 479, 483-84 (1989).

7. Wilkins, *supra* note 3, at 2081.

lawyers. The legal press also touted the compensation paid to General Counsels, which was disclosed in public filings. Some General Counsels with large equity packages were making significant amounts, often more than senior partners at prestigious law firms. As a result, being an inside lawyer, particularly with a shot at the top legal job, became a much more attractive career path for some of the profession's high achievers.[8]

Another player—the consulting firm—emerged to facilitate the transition from law firm dominance to strong corporate legal departments. Many consulting firms, including those currently or formerly associated with Big Four accounting firms, began to offer advice to legal departments on how they could save money, reduce the number of law firms they use, and implement technology to be more productive and hold firms accountable for compliance with billing guidelines. An example of one consulting firm that focused specifically on the legal services market and facilitated the transition towards more client-centric services was Huron Legal of Huron Consulting Group. Its founder, Shahzad Bashir, has spent the past thirty years assisting legal departments in improving their internal processes and strategic engagements with law firms.[9]

C. Legal Department Ascendency

Gradually, the economic power in the legal services industry shifted towards corporate legal departments. This may not be as evident in some locations with a dearth of large companies, but it has happened in most of the major urban areas in the United States. For example, approximately fifty Fortune 500 companies are headquartered in Texas, most of them in Houston and Dallas.[10] In Florida, the cities of Tampa, Jacksonville, and Miami all have a substantial number of companies large enough to support corporate legal departments; those departments have a significant impact on the legal markets in those cities. Of course, a company does not need to be headquartered or even located in a city to have legal business there, and legal departments from outside the city

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8. Early in the transition period, it was also suggested that the work-life balance for in-house counsel was preferable to that of private practice lawyers. As legal departments gained in stature and recruited more private practice alumni, the demands placed upon inside counsel increased. While schedules of in-house lawyers may be more predictable than in private practice, in my experience, the time demands are very similar.

9. *See Shahzad Bashir, Executive Vice President*, HURON CONSULTING GROUP, http://www.huronconsultinggroup.com/Company/Leadership/Shahzad_Bashir.aspx (last visited Mar. 12, 2013).

10. *See Fortune 500: Our Annual Ranking of America's Largest Corporations*, CNNMONEY, http://money.cnn.com/magazines/fortune/fortune500/2012/states/TX.html (last visited Mar. 12, 2013).

will hire and pay the local law firms to handle it. As this shift has occurred, it is the General Counsel and his or her direct reports who are in the most proximate positions to be the trusted advisors to a company's C-suite executives, much more so than law firm partners who are more likely to have episodic interactions with senior executives.

Another feature in the development of corporate legal departments is that they have become more centralized. Initially, many in-house counsels were embedded in or co-located with the business units they worked with most frequently. This enhanced responsiveness and local accountability, but it also splintered the impact that the legal function could have on the enterprise. Over time, a centralized model began to predominate. A survey from the Association of Corporate Counsel indicates that seventy-three percent of all legal departments are now centralized.[11] There are several reasons for centralization. First, a centralized legal department tends to enhance the prestige enjoyed by the entire legal team. Second, centralization allows the legal department to have greater influence in the company. Working together with common processes, procedures, and technology, legal department personnel can punch above their weight in terms of headcount. Finally, information is shared on a more real-time basis in a centralized model and information is the coin of the realm in a sizable company.

As a consequence of the growth and centralization of legal departments, today they wield great economic power in the legal services industry. Reliable statistics are hard to come by on total legal spending in the United States, but if you assume that it is approximately $250 billion per year,[12] a significant portion of this is controlled by corporate legal departments. The 2012 annual survey by the firm HBR Consulting, which polled 260 companies representing twenty-one industries, gives an overview of the current eco-

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11. *See* ASS'N OF CORPORATE COUNSEL, ACC'S 2011 CENSUS REPORT (2012), *available at* http://www.acc.com/census ("A significant change in how legal departments are structured has taken place since 2006. Now, nearly three in four departments are centrally organized: Attorneys are housed in the corporate center rather than in far-flung business units. A full 73% of corporate law departments are now organized this way, up from 55% in 2006. In general, a centralized law department is viewed as carrying more prestige and as being closer to the center of power in a corporation. Again, this change may reflect a boost in the perceived importance of in-house counsel.").

12. The 2007 Economic Census indicates that the total receipts for the legal service industry were approximately $240 billion. *Economic Census: Industry Snapshot for Legal Services*, U.S. CENSUS BUREAU, http://smpbff1.dsd.census.gov/TheDataWeb_HotReport/servlet/HotReportEngineServlet?emailname=ec@boc&filename=rcp1.hrml&20120202092457.Var.NAICS2002=5411&forward=20120202092457.Var.NAICS2002 (last updated Feb. 28, 2012).

nomic clout of corporate legal departments.[13] More than thirty percent of the HBR survey respondent companies generated more than $20 billion in revenue.[14] The median total legal spending was $31 million worldwide and $26 million in the United States.[15] Compare that to the amount of fees generated by smaller businesses and individuals. There are not too many individual clients represented by large law firms. Large firms are principally designed and operated to serve corporate clients.

Legal departments now even have their own advocacy association, the Association of Corporate Counsel ("ACC"), which is celebrating its thirtieth anniversary. The origin of the ACC is ironic. Back in the early 1980s, Carl Liggio, the General Counsel of Arthur Young & Co., and Robert Banks, the General Counsel of Xerox Corp., were interested in enhancing the education, networking, and profile of corporate legal departments. They and other legal department leaders explored with the American Bar Association the possibility of the Bar Association sponsoring the sharing of best practices amongst legal department counsel. They received an unwelcoming response. According to the ACC, "[t]he traditional bar did not make a space for the exchange of in-house ideas, and the organization's founders decided to create their own."[16] Thirty years later, the ACC is an international organization with thirty thousand members and chapters in seventy-five countries around the world.[17] Compounding the irony of the ACC's formation at a time when the traditional bar was unwelcoming is the fact that today's law firms underwrite a significant portion of the ACC's expenses in the form of sponsorships or advertising. They do so to obtain access to the very same legal departments that were rebuffed by the traditional bar in the early 1980s.

III. IMPLICATIONS

A. Implications for Law Firms

A significant change in the way legal departments work with law firms began to take shape through convergence programs in

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13. Monica Bay, *HBR Consulting Survey Shows Law Department Spending Is Up*, L. TECH. NEWS (Oct. 3, 2012), http://www.law.com/jsp/lawtechnologynews/PubArticleLTN.jsp?id=1202573461428&HBR_Consulting_Survey_Shows_Law_Department_Spending_Is_Up&slreturn=20130212183836.

14. *Id.*

15. *Id.*

16. ASS'N OF CORPORATE COUNSEL, 30 YEARS OF RAISING THE IN-HOUSE BAR 5 (2012), *available at* http://www.acc.com/aboutacc/30th/upload/acc-30-anniversary.pdf.

17. *Id.* at 4.

which departments reduced the number of law firms they used. This practice is epitomized by the DuPont Convergence and Law Firm Partnering Program (the "DuPont Legal Model") developed by Tom Sager, currently Senior Vice President and General Counsel of DuPont, and his colleagues in the 1990s. Under the DuPont Legal Model, a legal department reduces the number of firms it uses, gives those that remain more work, and obtains more favorable arrangements from the remaining firms.[18] It has been replicated in corporation after corporation and has become a benchmark in the industry. The DuPont Legal Department even authored a book entitled, *The New Reality: Turning Risk into Opportunity Through the DuPont Legal Model*. It is ninety pages long and currently sells for ninety-five dollars. For those interested in getting work from corporate legal departments, the price per page is worth it.

Legal departments are now looking to reengineer what work goes to law firms and the way in which law firms work. They are looking at outsourcing to non-law firm providers, sometimes in distant lands. Legal services are being unbundled into phases and tasks and then allocated to different providers who offer more competitive pricing, whether inside or outside counsel, or law firm or non-law firm service providers. One notable example is the treatment of documents and eDiscovery. When I was in private practice, big document cases were a bonanza for law firms. Law firms made money by having people comb through the documents, create databases to catalogue them, prepare extensive summaries of key documents, and continuously analyze them. What happens now? Many law firms do not get that work anymore. The work goes to document service providers in the United States, India, and elsewhere. As a further step, many service providers are offering predictive coding to further reduce the human element in document management. Simply put, with ascendency of legal departments, substantial chunks of revenue are not going to law firms anymore. The money spent on legal departments, usually forty to fifty percent of a company's total legal spending, is one revenue stream that no longer goes to law firms. Legal departments are insourcing more work.[19] And, legal departments are providing work to non-law firms that traditionally went to law firms.

18. *Inside the DuPont Legal Model*, NEW LEGAL REV. (May 11, 2010), http://www.cpaglobal.com/newlegalreview/4377/inside_dupont_legal_model.

19. *See* ASS'N OF CORPORATE COUNSEL, ACC'S CHIEF LEGAL OFFICERS (CLO) 2013 SURVEY 4 (2013), *available at* http://www.acc.com/legalresources/loader.cfm?csModule=security/getfile&pageid=1327206 ("[N]early half of the [2013 ACC-CLO] study respondents report that they expanded law departments in 2012 and hired new staff. In-house lawyers account for most of the new hires. Over the next 12 months, 28

The growth and consolidation of legal departments has also led to law firms consolidating to serve larger multinational corporate clients. In the 1960s, there were twenty law firms in New York City that had more than fifty lawyers.[20] By 2000, there were more than 250 firms with over 125 lawyers and more than 10 firms with over 1,000 lawyers.[21] By some estimates, twenty-five percent of the top 200 law firms in gross revenue have embarked on merger talks.[22] The reason is clients—corporate clients.[23]

What is on the horizon? I expect more of the same (convergence, insourcing, and alternative fees) with some new twists. Cost control will continue to be an area of emphasis. Legal departments are like other corporate staff that must watch their costs very carefully. The most variable part of legal department spending is outside counsel fees, so law firms will continue to be under pressure from departments. Legal process outsourcing is gaining in acceptance. This occurs when a company or firm outsources an activity to a provider composed of non-lawyers. Most outsourcing arrangements today focus on documents, contract administration, legal research, and patent drafting, but the companies that perform legal process outsourcing services intend to move up the value chain. Outsourcing firms are located in India, Ireland, Eastern Europe, and Latin America. The technology consulting firm Forrester Research predicts that by 2015, 80,000 legal jobs will have been exported from the United States to outsource providers in

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percent of study respondents plan to change the size of their law departments with in-house lawyers and paralegals as the top two anticipated hires.").

20. Wilkins, *supra* note 3, at 2089.

21. *Id.*

22. Jennifer Smith, *Stark Choice for Lawyers—Firms Must Merge or Die*, WALL ST. J. (Jan. 20, 2012), *available at* http://online.wsj.com/article/SB10001424052970203750404577171153838217514.html; *see also* Andrew Ross Sorkin, *Big Law Steps into Uncertain Times*, N.Y. TIMES DEALBOOK (Sept. 24, 2012, 5:20 PM), http://dealbook.nytimes.com/2012/09/24/big-law-steps-into-uncertain-times/ ("The focus on profits per partner is one reason so many companies have increasingly tried to move legal work away from big firms and have hired internal lawyers."). Significantly, Ben Heineman pointed out that Mr. Sorkin missed two significant reasons for the challenges confronting big law firms today: "1. The general counsel, not the senior partner in the law firm, is now often the go-to counselor for the CEO and the board . . . . 2. There has thus been a related, dramatic shift in power from outside private firms to inside law departments." Ben W. Heineman, Jr., *The Rise of the General Counsel*, HARV. BUS. REV. BLOG NETWORK (Sept. 27, 2012, 1:00 PM), http://blogs.hbr.org/cs/2012/09/the_rise_of_the_general_counsel.html.

23. In addition to consolidation, firms in other jurisdictions are opening up ownership of law firms to non-lawyers to obtain access to capital which will allow for greater expansion. As recently noted in *The Economist*: "Other countries have started liberalising their legal professions. Australia has the world's first publicly listed law firm, in which anybody can buy shares. Britain has blessed 'alternative business structures': lawyers can now link up with other professionals, be bought by private-equity firms and even go public." *America's Lawyers: Guilty as Charged*, ECONOMIST, Feb. 2, 2013, at 12, *available at* http://www.economist.com/news/leaders/21571141-cheaper-legal-education-and-more-liberal-rules-would-benefit-americas-lawyersand-their.

other jurisdictions.[24] Law firms too are becoming bigger users of outsourcing,[25] and law firm outsourcing is happening in the United States. Big law firms are moving their back offices to lower cost locations, like Kentucky, West Virginia, and even Florida.[26] Alternatives to the traditional law firm, like Axiom, will continue to emerge. Axiom is a relatively new firm that was founded by a former Davis Polk lawyer. Axiom has no partners and has grown to almost 1,000 lawyers serving nearly half of the Fortune 100.[27]

B. Implications for Legal Departments

The ascendency of the legal department has changed the landscape for legal services. This has obviously brought great change to law firms, but it has also placed greater burdens on legal departments. Today, the legal department has supplanted the law firm in being the most proximate legal professional to corporate decisionmakers. Regulators and academics have advocated that this makes in-house lawyers gatekeepers for the corporation.[28] Others disagree and note that in-house lawyers are advocates for their clients and not in the same position as law firm lawyers to spread their professional risks amongst multiple clients. Regardless of whether it is fair to cast in-house lawyers in the role of gatekeeper, the colossal failures of Enron and WorldCom resulted in the Sarbanes-Oxley Act of 2002 ("SOX"), in which Congress directed the Securities and Exchange Commission to adopt rules of ethics governing lawyers who appear or practice before the Commission.[29] The post-SOX rules give lawyers an up-the-ladder reporting obligation.[30]

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24. ELLIOTT MALONE, LEGAL PROCESS OUTSOURCING (LPO): KEY CONSIDERATIONS 1-2, *available at* http://www.americanbar.org/content/dam/aba/administrative/ethics_2020/ethics_20_20_comments/malone_legalprocessoutsourcingdiscussiondraft.authcheckdam.pdf (last visited Mar. 12, 2013).

25. One company that has come to my attention is Integreon, which entered into a contract to provide back office support for a major British law firm for $825 million over a ten-year period. *See* Press Release, CMS Cameron McKenna, CMS Cameron McKenna Announces a Ground-Breaking Arrangement with Bus. Servs. Provider Integreon (May 14, 2010), *available at* http://www.cms-cmck.com/CMS-Cameron-McKenna-announces-a-ground-breaking-arrangement-with-business-services-provider-Integreon-05-14-2010. Labor arbitrage is alive and well in legal services.

26. After this presentation, it was announced that New York-headquartered law firm Kaye Scholer is moving its back-office functions to a stand-alone center in Tallahassee, Florida to reduce costs.

27. *See* Sorkin, *supra* note 22.

28. *See, e.g.*, Stephen M. Bainbridge, *Corporate Lawyers as Gatekeepers* 2 (UCLA Sch. of Law, Law-Econ Research Paper No. 12-03, 2012), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1980975.

29. *See* Kathleen F. Brickey, *From Enron to WorldCom and Beyond: Life and Crime After Sarbanes-Oxley*, 81 WASH. U. L.Q. 357, 358-59 (2003).

30. *See* 17 C.F.R. pt. 205 (2013).

My own view is that the General Counsel and the legal department will not be able to sidestep the gatekeeper contention in time of crisis. After doing everything they can to escalate an issue that needs to be addressed by the company, they must be prepared to quit if all reasonable attempts to persuade the company to take the right course fail. Fortunately, I have been blessed to work in companies with executives who have never given me cause to ponder that dilemma. But, structurally the potential is present. It is important, therefore, that when going to work in an in-house position, you satisfy yourself that there is the right tone at the top, that lawyers are valued in the organization, and that the company has a strong culture of business ethics.

C. Possible Implications for Legal Education

The rise of corporate legal departments has implications for legal education as well. Recently, *The Wall Street Journal* published an article about the low percentage of graduating law students who were working as lawyers.[31] Possible contributing reasons are that corporations are resistant to pay the fully-loaded, hourly costs of newly minted lawyers, and that law firms are reluctant to hire as many recent graduates as before. Another may be that more senior lawyers in firms are retaining work that they would have gladly delegated to more junior lawyers in the past. Given the tough employment prospects and the costs of pursuing a law degree, the number of applicants to law school is on pace to hit a thirty-year low.[32] Some are suggesting a change in the legal education model. The ABA has called for drastic change in educating new lawyers, including reducing the curriculum to two years, providing practical training, and licensing technicians.[33] New York University recently introduced a two-year curriculum, with the third year of law school dedicated to getting into the workforce and learning practical skills that can enhance the prospect of employment. More creatively, the Sandra Day O'Connor College of Law at Arizona State University is planning on launching its own law

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31. Joe Palazzolo, *Law Grads Face Brutal Job Market*, WALL ST. J. (June 25, 2012, 10:18 AM), http://online.wsj.com/article/SB10001424052702304458604577486623469958142.html. Florida State fared very well in that report, but there will continue to be challenges. *See id.*

32. Jordan Weissmann, *How the Job Market for Law School Grads Crumbled (and How It Could Come Back to Life)*, ATLANTIC, Feb. 5, 2013, *available at* http://www.theatlantic.com/business/archive/2013/02/how-the-job-market-for-law-school-grads-crumbled-and-how-it-could-come-back-to-life/272852/.

33. *See* Ethan Bronner, *A Call for Drastic Changes in Educating New Lawyers*, N.Y. TIMES, Feb. 11, 2013, at A11, *available at* http://www.nytimes.com/2013/02/11/us/lawyers-call-for-drastic-change-in-educating-new-lawyers.html?_r=0.

firm this summer that will provide legal services at affordable prices.[34] The point is that the corporatization of legal practice has had consequences far beyond the C-suite.

IV. CONCLUSION

The business of law has undergone tremendous change and the ascendency of the corporate legal department is a seminal event. Collectively, corporate legal departments are at the apex of the legal services industry in terms of economic power and influence. The evolution has been long and gradual, but it is here to stay. The impact of this change reverberates through corporate corridors, law firm conference rooms, and university campuses. I hope that I have raised your awareness of corporate legal departments, their evolution, and the continuing impact they have upon the legal services industry. I have enjoyed being a part of this process over the last thirty years and I appreciate very much the fine education I received at the Florida State University College of Law that prepared me to participate.

34. *See College of Law to Launch Teaching Law Firm in Summer*, ARIZ. ST. U. NEWS (Mar. 7, 2013), https://asunews.asu.edu/20130307_lawteachingfirm ("The firm will be comprised of four to five litigation and transactional practice groups, with five recent College of Law graduates serving as associates in each, for terms of up to three years. The groups will each be overseen by experienced supervising attorneys whose connections to the legal community run deep, and who are dedicated to training new lawyers. In addition to providing on-the-job training, the firm will provide formal training to junior lawyers on substantive areas of law, essential skills, and client development and retention. The firm will hire about 10 ASU law graduates per year for a total of 30 associates at any one time.").