

Table of Contents

	Page
PREFACE	v
ACKNOWLEDGMENTS	vii
Chapter 1. Setting the Stage: The Corporation and Its Lawyers	1
Overview of the Chapter	2
William T. Allen, OUR SCHIZOPHRENIC CONCEPTION OF THE BUSINESS CORPORATION	3
Milton C. Regan, Jr., PROFESSIONAL RESPONSIBILITY AND THE CORPORATE LAWYER	13
Hon. Potter Stewart, PROFESSIONAL ETHICS FOR THE BUSINESS LAWYER: THE MORALS OF THE MARKETPLACE	21
William T. Allen, CORPORATE GOVERNANCE AND A BUSINESS LAWYER'S DUTY OF INDEPENDENCE	22
Chapter 2. The Lawyer's Role	30
Overview of the Chapter	31
Monroe H. Freedman, UNDERSTANDING LAWYERS' ETHICS	33
David Luban, THE ADVERSARY SYSTEM EXCUSE IN THE GOOD LAWYER: LAWYERS' ROLES AND LAWYERS' ETHICS	40
Stephen L. Pepper, THE LAWYER'S AMORAL ETHICAL ROLE: A DEFENSE, A PROBLEM, AND SOME POSSIBILITIES	49
David Luban, THE LYSISTRATIAN PREROGATIVE: A RESPONSE TO STEPHEN PEPPER	51
William H. Simon, THE PRACTICE OF JUSTICE: A THEORY OF LAWYERS' ETHICS	56
Robert W. Gordon, A NEW ROLE FOR LAWYERS?: THE CORPORATE COUNSELOR AFTER ENRON	64
Kermit Roosevelt, IN THE SHADOW OF THE LAW	74
Chapter 3. Who Is the Client?	76
Overview of the Chapter	76
Ralph Jonas, WHO IS THE CLIENT?: THE CORPORATE LAWYER'S DILEMMA	78
William H. Simon, WHOM (OR WHAT) DOES THE ORGANIZATION'S LAWYER REPRESENT?: AN ANATOMY OF INTRACLIENT CONFLICT	79
American Bar Association Standing Committee on Ethics and Pro- fessional Responsibility, Formal Opinion No. 91-361	92
Problem	95
Chapter 4. Moral Accountability	97
Overview of the Chapter	98
Deborah L. Rhode & David Luban, LEGAL ETHICS	101
Paul R. Tremblay, THE NEW CASUISTRY	105

	Page
Richard W. Painter, THE MORAL INTERDEPENDENCE OF CORPORATE LAWYERS AND THEIR CLIENTS	116
<i>Doe v. Unocal Corporation</i>	130
Problems	136
Chapter 5. The Work of the Corporate Lawyer: What Do Corporate Lawyers Do?	139
Overview of the Chapter	140
Ronald J. Gilson, VALUE CREATION BY BUSINESS LAWYERS: LEGAL SKILLS AND ASSET PRICING	142
James C. Freund, ADVISE AND INVENT	164
Lawrence M. Friedman, Robert W. Gordon, Sophie Pirie & Edwin Whatley, LAW LAWYERS, AND LEGAL PRACTICE IN SILICON VALLEY: A PRELIMINARY REPORT	180
Mark C. Suchman & Mia L. Cahill, THE HIRED GUN AS FACILITATOR: LAWYERS AND THE SUPPRESSION OF BUSINESS DISPUTES IN SILICON VALLEY	185
Lawrence A. Cunningham, SHARING ACCOUNTING'S BURDEN: BUSINESS LAWYERS IN ENRON'S DARK SHADOWS	198
Problems	208
Chapter 6. In-House Counsel	212
Overview of the Chapter	212
Michael J. Kelly, LIVES OF LAWYERS: JOURNEYS IN THE ORGANIZATIONS OF PRACTICE	214
Robert L. Nelson and Laura Beth Nielsen, COPS, COUNSEL, AND ENTREPRENEURS: CONSTRUCTING THE ROLE OF INSIDE COUNSEL IN LARGE CORPORATIONS	223
Robert Jackall, MORAL MAZES: THE WORLD OF CORPORATE MANAGERS ... Problem	248 249
Chapter 7. The Corporate Law Firm: Characteristics and Trends	250
Overview of the Chapter	250
Marc Galanter & Thomas Palay, THE TRANSFORMATION OF THE BIG LAW FIRM IN LAWYERS' IDEALS/LAWYERS' PRACTICES	251
Susan Hansen, THE YOUNG AND THE RESTLESS	260
John E. Morris, THE NEW WORLD ORDER	272
Krysten Crawford, A MARRIAGE OF CONVENIENCE	281
Susan Beck, CLIFFORD CHANCE MAKES PUSH FOR PROFITS	289
Problem	292
Chapter 8. The Corporate Law Firm: Career Paths	293
Overview of the Chapter	293
David B. Wilkins and G. Mitu Gulati, RECONCEIVING THE TOURNAMENT OF LAWYERS: TRACKING, SEEDING, AND INFORMATION CONTROL IN THE INTERNAL LABOR MARKETS OF ELITE LAW FIRMS	294
Martha Neil, BRAVE, NEW WORLD OF PARTNERSHIP	317
Elizabeth H. Gorman, MOVING AWAY FROM "UP OR OUT": DETERMI- NANTS OF PERMANENT EMPLOYMENT IN LAW FIRMS	324
Problem	333

	Page
Chapter 9. The Organizational Setting	335
Overview of the Chapter.....	335
Dennis A. Gioia, PINTO FIRES AND PERSONAL ETHICS: A SCRIPT ANALYSIS OF MISSED OPPORTUNITIES.....	337
Donald C. Langevoort, THE EPISTEMOLOGY OF CORPORATE-SECURITIES LAWYERING: BELIEFS, BIASES AND ORGANIZATIONAL BEHAVIOR.....	349
Robert Eli Rosen, RISK MANAGEMENT AND CORPORATE GOVERNANCE: THE CASE OF ENRON.....	360
Problem.....	365
Chapter 10. Attorney Discipline and Liability	366
Overview of the Chapter.....	366
A. Bar Admission and Discipline.....	368
B. Liability.....	369
1. Malpractice.....	369
<i>Developments in the Law: Lawyers' Responsibilities and Lawyers' Responses</i>	369
John Leubsdorf, LEGAL MALPRACTICE AND PROFESSIONAL RESPON- SIBILITY.....	373
<i>Federal Deposit Insurance Corporation v. Clark</i>	374
2. Breach of Fiduciary Duty.....	381
<i>Milbank, Tweed, Hadley & McCloy v. Boon</i>	381
<i>Hendry v. Pelland</i>	383
3. Negligent Misrepresentation.....	388
Restatement of the Law, Second, Torts.....	388
4. Aiding and Abetting.....	392
<i>Chem-Age Industries, Inc. v. Glover</i>	392
5. Liability for Silence.....	398
<i>Austin v. Bradley, Barry & Tarlow, P.C.</i>	398
C. Practice Specialty Rules.....	401
Problems.....	401
Chapter 11. Multistate Law Practice	405
Overview of the Chapter.....	405
Report of the Commission on Multijurisdictional Practice 2002.....	406
<i>Birbrower, Montalbano, Condon & Frank, P.C., et al. v. The Superi- or Court of Santa Clara County</i>	411
<i>Estate of Condon v. McHenry</i>	418
<i>Fought & Company, Inc. v. Steel Engineering and Erection, Inc.</i>	422
American Bar Association, Client Representation in the Twenty- first Century.....	426
Problems.....	427
Chapter 12. Confidentiality	429
Overview of the Chapter.....	430
A. Attorney-Client Privilege.....	432
John K. Villa, 1 CORPORATE COUNSEL GUIDELINES.....	432
<i>Simon v. G.D. Searle & Co.</i>	434
John K. Villa, 1 CORPORATE COUNSEL GUIDELINES.....	436
<i>Valente v. Pepsico, Inc.</i>	440
B. Work Product Doctrine.....	445
<i>Simon v. G.D. Searle & Co.</i>	445
<i>United States v. Adlman</i>	448

	Page
C. Ethical Duty of Confidentiality	455
Problems	458
Chapter 13. Conflicts of Interest	461
Overview of the Chapter	462
John K. Villa, CONFLICTS OF INTEREST ISSUES INVOLVING OUTSIDE COUNSEL	463
The Association of the Bar of the City of New York Committee on Professional and Judicial Ethics	470
American Bar Association Standing Committee on Ethics and Pro- fessional Responsibility Formal Opinion 95-390	479
American Bar Association Standing Committee on Ethics and Pro- fessional Responsibility	490
Problems	494
Chapter 14. Incorporation and Close Corporations	496
Introduction	496
Overview of the Chapter	498
A. Who is the Client?	500
Scott Thomas FitzGibbon, PROFESSIONAL ETHICS, ORGANIZING COR- PORATIONS, AND THE IDEOLOGY OF CORPORATE ARTICLES AND BY-LAWS	500
<i>Jesse by Reinecke v. Danforth</i>	507
State Bar of Arizona, Opinion No. 02-06	510
<i>In re Banks</i>	512
Legal Ethics Comm. of the D.C. Bar, Op. 216 (1991)	519
Geoffrey C. Hazard, Jr., ETHICS IN THE PRACTICE OF LAW	521
B. Lawyer as Director	525
American Bar Association Formal Ethics Opinion 98-410 (1998)	525
Craig C. Albert, THE LAWYER-DIRECTOR: AN OXYMORON?	531
Laura Pearlman, WHEN LAWYERS SIT ON BOARDS: IT'S A COMMON PRACTICE, BUT TODAY'S CORPORATE SCANDALS COULD CALL IT INTO QUESTION	539
Michael H. Trotter, EXODUS OF OUTSIDE COUNSEL LEAVES HOLE IN CORPORATE BOARDS	542
C. Stock for Services	546
American Bar Association Formal Ethics Opinion 00-418 (2000)	546
The Association of the Bar of the City of New York Formal Opinion 2000-3	551
Problems	558
Chapter 15. Legal Opinions	561
Overview of the Chapter	562
M. John Sterba, Jr., LEGAL OPINION LETTERS	563
Richard R. Howe, THE DUTIES AND LIABILITIES OF ATTORNEYS IN RENDERING LEGAL OPINIONS	572
American Bar Association Formal Opinion 335 (1974)	581
Donald W. Glazer & Charles R.B. Macedo, DETERMINING THE UNDER- LYING FACTS: AN EPISTEMOLOGICAL LOOK AT LEGAL OPINIONS IN CORPO- RATE TRANSACTIONS	585
<i>Schatz v. Rosenberg</i>	596
<i>Securities and Exchange Commission v. Spectrum, Ltd.</i>	603
Problems	608

	Page
Chapter 16. Securities Regulation: The Disclosure System	611
Overview of the Chapter	612
A. Introduction to Securities Laws	616
James D. Cox, Robert W. Hillman & Donald C. Langevoort, SECURITIES REGULATION: CASES AND MATERIALS.....	616
B. The Attorney as Gatekeeper.....	626
Commissioner A. A. Sommer, Jr., THE EMERGING RESPONSIBILITIES OF THE SECURITIES LAWYER	626
Reinier H. Kraakman, CORPORATE LIABILITY STRATEGIES AND THE COSTS OF LEGAL CONTROLS	631
John C. Coffee, Jr., THE ATTORNEY AS GATEKEEPER: AN AGENDA FOR THE SEC	636
<i>In the Matter of Emanuel Fields</i>	647
Tamara Loomis, SEC GOES GC IN SARBANES-OXLEY DUST-UP.....	648
C. Materiality	651
James D. Cox, Robert W. Hillman & Donald C. Langevoort, SECURITIES REGULATION: CASES AND MATERIALS.....	651
<i>Basic Incorporated v. Levinson, et al.</i>	652
James D. Cox, Robert W. Hillman & Donald C. Langevoort, SECURITIES REGULATION: CASES AND MATERIALS.....	655
Forward-Looking Information	656
D. Preparation of Registration Statement Under Securities Act 1933	658
Carl W. Schneider, Joseph M. Manko & Robert S. Kant, GOING PUBLIC: PRACTICE, PROCEDURE AND CONSEQUENCES.....	658
Association of the Bar of the City of New York, REPORT BY THE SPECIAL COMMITTEE ON LAWYERS' ROLE IN SECURITIES TRANSACTIONS	663
<i>Escott v. Barchris Construction Corp.</i>	665
James D. Cox, Robert W. Hillman & Donald C. Langevoort, SECURITIES REGULATION: CASES AND MATERIALS.....	679
<i>Notes and Questions</i>	679
E. Continuous Disclosure.....	682
<i>In the Matter of William R. Carter Charles J. Johnson, Jr.</i>	682
Richard W. Painter, THE MORAL INTERDEPENDENCE OF CORPORATE LAWYERS AND THEIR CLIENTS	701
Independent Examiner's Report Concerning Spiegel, Inc., SEC v. Spiegel, Inc.	705
F. Sarbanes-Oxley Attorney Rules	712
Simon M. Lorne, AN ISSUE-ANNOTATED VERSION OF THE SOX RULES FOR LAWYER CONDUCT.....	712
Michael A. Perino, SEC ENFORCEMENT OF ATTORNEY UP-THE- LADDER REPORTING RULES: AN ANALYSIS OF INSTITUTIONAL CON- STRAINTS, NORMS AND BIASES	724
ABA Model Rules and SEC Rules: A Comparison	729
Problems	730

	Page
Chapter 17. Securities Regulation: Attorney Liability	732
Overview of the Chapter.....	732
A. Attorney Liability.....	735
—James D. Cox, Robert W. Hillman & Donald C. Langevoort, SECURITIES REGULATION: CASES AND MATERIALS.....	735
<i>In the Matter of Keating, Muething & Klekamp</i>	741
<i>Securities and Exchange Commission v. National Student Mar-</i> <i>keting Corp. et al.</i>	753
<i>In re Enron Corporation Securities, Derivative & ERISA Litiga-</i> <i>tion</i>	769
Robert J. Haft & Michele H. Hudson, LIABILITY OF ATTORNEYS AND ACCOUNTANTS FOR SECURITIES TRANSACTIONS.....	801
Problems.....	803
Chapter 18. Negotiations	805
Overview of the Chapter.....	806
A. Ethical Rules.....	807
B. Common Law.....	808
1. Tort.....	808
American Law Institute, Restatement of the Law, Second, Torts.....	809
2. Contract.....	815
American Law Institute, Restatement of the Law, Second, Contracts.....	815
C. What's Fair?.....	819
Charles B. Craver, Negotiation Ethics: HOW TO BE DECEPTIVE WITHOUT BEING DISHONEST/HOW TO BE ASSERTIVE WITHOUT BEING OFFENSIVE.....	819
Alan Strudler, MORAL COMPLEXITY IN THE LAW OF NONDISCLOSURE ..	826
Problem.....	829
Chapter 19. Accounting and Financial Reporting	831
Overview of the Chapter.....	831
A. Corporate Accounting and Financial Reporting Systems.....	833
B. Financial Statements.....	838
Jeffrey D. Bauman, Elliott J. Weiss & Alan R. Palmiter, CORPO- RATIONS LAW AND POLICY: MATERIALS AND PROBLEMS.....	838
1. Introduction to Accounting Principles.....	842
2. Financial Statement Terms and Concepts.....	845
a. How Different Financial Statements Relate.....	845
b. Balance Sheet Terms and Concepts.....	847
3. Introduction to Financial Analysis.....	852
a. Cash Flow Analysis.....	852
David Henry, FUZZY NUMBERS: DESPITE THE REFORMS, CORPORATE PROFITS CAN BE AS DISTORTED AND CONFUSING AS EVER. HERE'S HOW THE GAME IS PLAYED.....	853
Manning Gilbert Warren III, REVENUE RECOGNITION AND CORPORATE COUNSEL.....	863
Problem.....	876

	Page
Chapter 20. Complex Transactions	878
A. Enron	879
B. Enron's Attorneys	889
C. Structured Finance Transactions	890
Issue One: True Sale vs. True Issuance Opinions	895
<i>Questions</i>	898
Issue Two: Andrews & Kurth Opinions.....	899
<i>Questions</i>	903
D. Related Party Transactions.....	903
Issue One: The "Hedges" That Weren't.....	904
<i>Questions</i>	910
Issue Two: Disclosure of Fastow's LJM Compensation	911
<i>Questions</i>	916
 Chapter 21. Regulatory Counseling	 917
Overview of the Chapter	917
Stephen L. Pepper, COUNSELING AT THE LIMITS OF THE LAW: AN EXERCISE IN THE JURISPRUDENCE AND ETHICS OF LAWYERING.....	920
Cynthia A. Williams, CORPORATE COMPLIANCE WITH THE LAW IN THE ERA OF EFFICIENCY.....	932
<i>Note</i>	945
Problems	945
 Chapter 22. Tax Practice	 948
Overview of the Chapter	949
A. Tax Shelters	950
U.S. Department of the Treasury	951
B. Tax Shelter Opinions	954
Paul Braverman, HELTER SHELTER	956
Joseph Bankman, THE NEW MARKET IN CORPORATE TAX SHELTERS Problem	969
	973
 Chapter 23. Regulatory Compliance	 975
Overview of the Chapter	976
A. Federal Organizational Sentencing Guidelines	977
B. Legal Compliance Programs	978
<i>In re Caremark International Inc. Derivative Litigation</i>	978
<i>Note</i>	986
Williams, Kastner & Gibbs PLLC, CORPORATE ACCOUNTABILITY AND COMPLIANCE IN HEALTH CARE—WILL HEALTH CARE BE THE NEXT ENRON?	987
<i>In the Matter of John H. Gutfreund, Thomas W. Strauss, and John W. Meriwether, Respondents</i>	994
Problems	1012
 Chapter 24. Internal Investigations	 1014
Overview of the Chapter	1015
Foley & Lardner, CONDUCTING INTERNAL INVESTIGATIONS.....	1016
<i>United States v. Hart</i>	1026
<i>Westinghouse Electric Corp. v. Republic of the Phillippines</i>	1028

	Page
Andrew Longstreth, DOUBLE AGENT: IN THE NEW ERA OF INTERNAL INVESTIGATIONS, DEFENSE LAWYERS HAVE BECOME DEPUTY PROSECUTORS	1038
Alex Berenson, CASE EXPANDS TYPE OF LIES PROSECUTORS WILL PURSUE Problems	1046 1049
Chapter 25. Criminal Prosecution	1052
Overview of the Chapter	1052
American Bar Association Standards Relating to the Administration of Criminal Justice, The Prosecution Function	1054
<i>Note: Charging Decisions</i>	1055
Dan K. Webb, Steven F. Molo & James F. Hurst, UNDERSTANDING AND AVOIDING CORPORATE AND EXECUTIVE CRIMINAL LIABILITY	1055
U.S. Department of Justice, Principles of Federal Prosecution of Business	1065
Vanessa Blum, A NIGHTMARE DEFERRED	1080
<i>Note: Prosecutor Contact with Corporate Employees</i>	1082
Problems	1083
Chapter 26. Criminal Defense	1085
Overview of the Chapter	1085
American Bar Association Standards for Criminal Justice, The Defense Function	1087
Dan K. Webb, Steven F. Molo & James F. Hurst, UNDERSTANDING AND AVOIDING CORPORATE AND EXECUTIVE CRIMINAL LIABILITY	1088
Kenneth Mann, DEFENDING WHITE-COLLAR CRIME A PORTRAIT OF ATTORNEYS AT WORK	1089
<i>Note: Information Control and Ethical Rules</i>	1099
Harry I. Subin, The Criminal Lawyer's "Different Mission": Reflections on the "Right" to Present a False Case	1100
<i>Note: Ability of Corporation to Restrict Access to Employees</i>	1110
Problems	1110
Chapter 27. Mergers and Acquisitions	1114
Overview of the Chapter	1114
Philip B. Heymann & Lance Liebman, THE SOCIAL RESPONSIBILITIES OF LAWYERS: CASE STUDIES	1115
<i>Conflicts of Interest in Corporate Transactions: The Leveraged Buy-out of the Harris Chemical Company</i>	1140
Chapter 28. Civil Litigation	1164
Overview of the Chapter	1164
A. Rule 11	1166
Deborah L. Rhode & David Luban, LEGAL ETHICS	1166
<i>Garr v. U.S. Healthcare, Inc.</i>	1167
B. Document Preservation and Destruction	1176
1. Criminal Statute	1176
<i>Note</i>	1177
<i>Arthur Andersen LLP v. United States</i>	1178
<i>Question</i>	1181
2. Common Law	1181
<i>Zubulake v. UBS Warburg</i>	1182
<i>Note: Document Preservation and Destruction</i>	1192
Problems	1193

	Page
Chapter 29. Shareholder Litigation	1197
Overview of the Chapter	1197
Jeffrey Bauman, Lewis D. Soloman, Donald E. Schwartz and Elliott J. Weiss, CORPORATIONS LAW AND POLICY: MATERIALS AND PROBLEMS	1198
John C. Coffee, Jr., UNDERSTANDING THE PLAINTIFF'S ATTORNEY: THE IMPLICATIONS OF ECONOMIC THEORY FOR PRIVATE ENFORCEMENT OF LAW THROUGH CLASS AND DERIVATIVE ACTIONS	1201
<i>Rattner v. Bidzos</i>	1207
<i>Zapata Corp. v. Maldonado</i>	1210
Jeffrey Bauman, Elliott J. Weiss and Alan R. Palmiter, CORPORA- TIONS LAW AND POLICY: MATERIALS AND PROBLEMS	1212
<i>Sullivan v. Hammer</i>	1215
Problem	1223
Chapter 30. Transnational Law Practice	1226
Overview of the Chapter	1226
A. Overview of Transnational Practice	1227
Wayne J. Carroll, INNOCENTS ABROAD: OPPORTUNITIES AND CHAL- LENGES FOR THE INTERNATIONAL LEGAL ADVISER	1227
<i>Note: Non-Lawyer Professional Service Firms</i>	1234
B. Ethical Rules	1235
Lauren R. Frank, ETHICAL RESPONSIBILITIES AND THE INTERNATIONAL LAWYER: MIND THE GAPS	1235
C. Selected Sections of the CCBE Code	1238
<i>Note: The CCBE Code</i>	1240
D. Choice of Law Issues	1241
<i>Pancotto v. Sociedade de Safaris de Mocambique, S.A.R.L.</i>	1241
Problems	1248