

**Instructor's Manual  
to Accompany**

**Fundamentals of  
Law Office Management:  
Systems, Procedures,  
and Ethics**

**FIFTH EDITION**

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# **CHAPTER 1**

## **THE LEGAL MARKETPLACE**

Chapter 1 begins the student's journey into the fascinating legal marketplace. It sets the foundation for the rest of the text by describing the characteristics inherent in all types of legal offices, as well as the differences between various types of law offices. These characteristics familiarize the student with how the legal business differs from other businesses.

Two primary goals of this chapter are:

1. To give the student an understanding of the structure, organization, and management styles of various types of law offices in which paralegals work and
2. To give students an understanding of the many opportunities for employment a paralegal education offers.

Consistent with the first goal, this chapter illustrates as closely as possible the various types of law offices and their differences in management styles. Many variables compose a law office's environment, and this chapter identifies the factors that contribute to a law office's atmosphere and culture. To give the student a "real-life" feel for the subject matter, the chapter contains examples of typical law offices.

Consistent with the second goal, this chapter discusses career opportunities outside a traditional law firm. This will expand the student's perspective of the paralegal profession and illustrate the many employment options in the legal marketplace.

This chapter focuses on the legal marketplace as seen through the eyes of a lawyer rather than through the eyes of a paralegal. Viewing the business of law from a lawyer's perspective will give readers an understanding of the reasons management decisions are made. Since paralegals are an integral part of a legal office, understanding these reasons can only enhance the paralegal's understanding of the business of law in general.

### **OBJECTIVES**

After completion of this chapter, the student should be able to do the following:

- Describe the structure and organization of small, medium, and large firms.
- Explain the autocratic, democratic, managing partner, committee, and combination management styles.
- Discuss the differences between a sole proprietorship, partnership, professional corporation, and limited liability company.
- Define a boutique firm, an office-sharing association, a legal clinic, and a virtual law office.
- Discuss the differences between corporate legal departments, private companies, and government agencies.
- Identify the changes that have affected the legal marketplace.

## CHAPTER OUTLINE AND SLIDE GUIDE

### I. Introduction

Slide 1.1 is the opening slide.

### II. Structure and Organization

Slide 1.2 describes the structure and organization of a law office.

#### A. Size

Slide 1.3 describes the variation in size of firms according to the geographical area.

1. Small Firm
2. Medium Firm
3. Large Firm

Slide 1.4 lists the four types of large firms.

4. Mega-Firm

#### B. Specialties

Slide 1.5 lists attorney specialties. This is a good time to discuss the difference between general specialists and certified specialists.

#### C. Management Styles

Slide 1.6 lists different types of management styles.

Slide 1.7 describes law firm culture. The intangible areas that make up an office's culture are reviewed here. This is an important discussion. Everyone is exposed to the culture of a business, whether at work, home, or community activities. Is the environment tense? Creative? Comfortable? What things make up an office's environment that produce these feelings? When your discussion of law firm culture is completed, you can move on your discussion of management styles and how it affects law firm culture.

1. Autocratic

Slide 1.8 is an autocratic organizational chart. This slide illustrates how an autocratic management style functions.

2. Democratic

Slide 1.9 is a democratic organizational chart so the students can visualize how this management style functions.

3. Managing Partner

Slide 1.10 is an organizational chart of a medium firm with a managing partner style of management. To illustrate the difference in structure between a medium and large firm, a large firm organizational chart is displayed on the next slide.

Slide 1.11 is an organizational chart for a large firm managed by a managing partner. This will illustrate the difference in a managing partner style of management in the two sizes of firms.

4. Committee

Slide 1.12 illustrates how the committee style of management functions.

5. Combination

Slide 1.13 displays an organization chart for a combination style of management.

D. Forms of Management

Slide 1.14 illustrates the difference between centralized and decentralized forms of management.

III. Private Law Firms

Slide 1.15 lists the types of private law firms.

A. Sole Proprietorships

Slide 1.16.

B. Partnerships

Slide 1.17 is an example of full partner and junior partner percentages. This is where you can discuss equity and nonequity partnership positions.

C. Professional Corporations

Slide 1.18 is an organizational chart illustrating how a professional corporation is structured. Discuss the definition of shareholders and the role of the board of directors.

Discuss the functions of the officers and how officers relate to the board and shareholders.

D. Limited Liability Company

Slide 1.19 describes the three differences between a partnership and LLC. Mention that an LLC is not an option for a professional practice in some states.

E. Boutique Firms

Slide 1.20 describes the characteristics of the boutique firms.

F. Office-Sharing Associations

Slide 1.21 describes the two types of office sharing associations.

1. Suite Concept

2. Firm Concept

3. A Typical Office-Sharing Association

G. Legal Clinics

Slide 1.22 is a list of entities that establish legal clinics. Discuss the differences in these clinics, if any.

H. Virtual Law Firm

Slide 1.23.

IV. Private Industry

Slide 1.24.

A. Corporate Legal Departments

Slide 1.25 is an organizational chart of corporate legal departments.

Slide 1.26 illustrates how a corporate legal department is structured around its product.

B. Private Industry

Slide 1.27 is a list of positions paralegals have held in private companies other than a law firm. Ask if a student has had experience in one of these positions and discuss how a paralegal education would be beneficial in the position.

1. Self-Employed Paralegals

Slide 1.28. You will present the two types of paralegal services separately.

2. Freelance Paralegal Services

3. Independent Paralegal Services

C. Attorney Service and Nonprofit Companies

V. Government Agencies

Slide 1.29 begins the section on paralegals in governmental offices and lists the four main areas of government offices in which paralegals work.

A. Federal Agencies

Slide 1.30 lists the four types of governmental agencies that employ paralegals.

Slide 1.31 lists the federal agencies that employ paralegals.

B. State Agencies

C. County Agencies

D. City Agencies

VI. The Changing Marketplace

A. Multidisciplinary Practice

B. Nonlawyer Ownership of Law Firms

C. Globalization

D. Nonlegal Subsidiaries

E. Legal Insurance Plans

Slide 1.32 is the closing slide.

### KEY WORDS

1. **Autocratic:** Relating to government by one person with unlimited power.
2. **Autonomous:** Being self-governing, independent, and subject to its own methods of management.
3. **Boutique:** A law firm that offers services in one area of law only.
4. **Contract attorney:** An attorney who works for a law firm on an assignment basis or as an independent contractor.
5. **Contract basis:** Working as an independent contractor on a per case or assignment basis. The person is not an employee of the firm.

6. **Culture:** The working environment of a law firm, consisting of intangible elements such as the social environment, employee relationships, and attitudes.
7. **Cybercrimes:** Crimes committed on the Internet, including hacking and fraud.
8. **Cybertorts:** Actions or damages resulting from libelous material posted on the Internet. Also included is posting material that is protected by copyright or trademark, such as magazines and photos.
9. **Dividend:** A payment according to the profitability of a firm and the number of shares of stock owned by an attorney.
10. **Executive committee:** A committee comprising the heads of the various committees in a law firm.
11. **Freelance paralegal:** Contracts his or her services out to law offices and works under the supervision of an attorney.
12. **General counsel:** An attorney in charge of a corporate legal department; often an officer of the corporation.
13. **General practitioner:** An attorney who does not specialize but accepts cases in all areas of law.
14. **Globalization:** In the field of law, refers to law firms that establish offices in other countries to service international clients.
15. **Independent paralegal:** A person who does law-related work for the general public without the supervision of an attorney.
16. **Indigent:** Poor or needy.
17. **In-house counsel:** An attorney who is an employee of a corporation and works in the corporation's legal department.
18. **Legal administrator:** Experienced manager who is hired to manage a law firm and has the authority of a managing partner.
19. **Legal clinic:** Legal offices formed for the purpose of providing low-income people with free, or low-cost, legal services.
20. **Limited liability company:** A company formed to shield its owners and their assets from liability arising from the misconduct of other owners or employees.
21. **Mega-firm:** A firm that employs more than 1,000 attorneys and has branch offices throughout the world.
22. **Multidisciplinary practice:** A lawyer and a member of another profession practice together to provide both legal and nonlegal services to a client.
23. **Nonlegal subsidiary:** A company that is owned by a law firm but provides nonlegal services.
24. **Office manager:** A person hired to assist a managing partner or legal administrator with management functions of a firm.
25. **Outside counsel:** A private law firm retained to do legal work for a corporation.

26. **P.C.:** Professional Corporation.
27. **Sole practitioner:** An attorney who practices law alone. A sole practitioner does not employ other attorneys.
28. **Sole proprietorship:** A business that has one individual owner who operates the firm. A sole proprietor may employ other attorneys.
29. **Virtual law firm:** A professional law practice that is located online through a secure portal and is accessible to both the client and the attorney through the Internet.

### TEACHING TIPS AND SUGGESTIONS

Communicating the broad topic of the legal marketplace is challenging because each law office is different. However, law offices have common elements. Concentrating on these common elements will give students an understanding of factors inherent in most offices, which will prepare them for their paralegal employment experience.

**Nontraditional Paralegal Positions:** Nontraditional paralegal positions should be discussed. Review the list of nontraditional paralegal positions on pages 24 and 25. Ask the class to identify other positions not listed.

**Legal Specialties:** Invite an attorney or paralegal that specializes in an uncommon specialty to speak to the class about the specialty.

**Cybercrimes:** Have the students search the newspaper or magazines for an article concerning cybertorts or cybercrimes. Have them discuss hackers and the penalty imposed for hacking or cybertorts. Discuss identity theft over the Internet.

**Virtual Law Office:** Have the students discuss their experience, or the experience of someone they know, with a virtual law office such as Legal Zoom or Rocket Lawyer. What are the pros and cons?

#### *Group Projects*

1. Break the class into five groups. Each group will demonstrate the five management styles: autocratic, democratic, managing partner, committee, and combination. Each group will role-play the style. For example, the autocratic group demonstrates positive autocratic characteristics such as requesting input from subordinates and delegating responsibility. Negative autocratic characteristics are also displayed, such as authoritarian demands and not requesting input from subordinates. The committee group demonstrates a committee making a management decision such as purchasing new computer equipment.
2. Another method of role-playing the various management styles is to develop a problem and demonstrate how each management style resolves the problem. For example, a valued paralegal refuses to work on an accounting project. Each time the paralegal is reminded of the project, the paralegal states that the project will be completed on a certain date, but it never is. The supervising attorney is frustrated and asks management for assistance.



Management has agreed to discuss the matter with the paralegal. The paralegal has not completed the project because she has dyslexia and cannot perform accounting functions. However, she is embarrassed about her problem and does not want anyone to know about it. Role-play management's meeting with the paralegal and demonstrate how each style would resolve this problem. An autocratic style would resolve the problem alone; a democratic style would involve others; a committee style would discuss it among themselves. After the exercise is over, have the class discuss each style's manner of solving the problem. These exercises demonstrate the various management styles and show how each style functions with everyday problems. They also allow individuals in the group to express their creativity. Perhaps some members of the class have experience with the various management styles and can communicate those experiences to the class through this exercise.

### ***Internet Projects***

The Internet Resources section lists law firm websites, paralegal websites, and government websites. Assign a research project to review the sites and report their contents to the class. What are the differences between the websites of U.S. firms and foreign firms, if any? What are the similarities?

Research the Freelance and Independent Paralegal websites found in the Internet Resources section. What are the qualifications of the paralegals? What are their specialties?

Research how to apply for a federal job by visiting the Federal Jobs Internet Resources section.

Access a legal blawg and list the subject matter of the topics discussed. What is the general "tone" of the blawg? What is each student's general impression of the blawg?

## **ANSWERS TO CHAPTER REVIEW QUESTIONS**

1. The four things that determine the structure and organization of a law office are size, specialty, management style, and form of office (p. 2).
2. The growing complexity of the law and frequent changes in the law have forced attorneys to specialize (p. 3).
3. The five management styles used in most law firms are autocratic, democratic, managing partner, committee, and combination (p. 6).
4. The difference between centralized and decentralized management is that a centralized form of management exists when a firm is managed from one source as opposed to a decentralized form of management, which is managed in segments (p. 12).
5. The most common management style found in law firms is managing partner (p. 8).
6. The three classes of attorneys in a partnership are partners (owners), associates, and nontraditional attorneys (p. 14).
7. A legal clinic is different from a private law firm because a legal clinic is formed for the purpose of providing low-income people with free, or low-cost, legal services (p. 19).

8. Outside counsel is a private law firm retained to do legal work for a corporation (p. 22).
9. The head attorney in a corporate legal department is called General Counsel (p. 22).
10. The management style of a corporate legal department must conform to the management style of the whole corporation. A legal department is not autonomous in its management decisions. (p. 23).
11. Two distinct managerial areas are addressed by any law firm: administrative (financial, office systems, and so forth) and governance (associates, client relations, personnel, marketing, and the like) (p. 6).
12. The difference between a freelance paralegal and an independent paralegal is that a freelance paralegal works for attorneys and an independent paralegal does work for the general public (p. 25).
13. The federal government's General Schedule is the government's compensation schedule for federal workers (p.28).
14. A nonlegal subsidiary is a nonlegal business owned by a law firm (p. 33).
15. A multidisciplinary practice is a firm that employs nonlegal professionals from other disciplines to offer its clients nonlegal services in addition to legal services (p. 31).

### **EXAMPLES FOR DISCUSSION**

#### **1. The Books Are in the Safe**

This example illustrates the liability of all partners in a partnership situation. This example also illustrates the problems that can arise if sound management principles are not followed. In addition, it illustrates that some lawyers are reluctant to participate in management and would rather delegate that responsibility to another. In this case, the two partners suffered a severe financial loss because of the fraud of the third partner and poor management systems.

- A. Many things went wrong with this partnership. David and James did not participate in management and left all decisions to Edward. While this is often done in partnerships, it is important that all partners have knowledge of the actions and decisions of the managing partner. All partners should have been familiar with the financial accountings of the law firm.
- B. David and James had to pay the \$3.1 million judgment because the partnership, including each partner, is liable for the debts and obligations of the partnership even though they did not personally participate in the fraud. Edward was ordered to pay restitution to the partnership but does not have to pay the judgment.
- C. The situation could have been avoided if all partners were familiar with the financial accountings of the firm. If a system was in place where the partners reviewed the billings before they were mailed, a problem could have been found in Dresser's billings.
- D. This question will produce a discussion of review mechanisms. Many students may answer that they would require that the bills be reviewed. Questions to ask to prompt additional discussion would be: