

ANNUAL REPORT OF UNIVERSITY OF  
CALIFORNIA LEGAL EXPENSES FOR OUTSIDE  
COUNSEL  
FY 2010

Submitted  
January 31, 2011

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# ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

## EXECUTIVE SUMMARY

For fiscal year 2010, the University of California paid gross legal expenses<sup>1</sup> of \$79.8 M, a 4.5 percent reduction from the prior fiscal year. (Tables 1, 2) This 4.5 percent reduction followed a year in which, as a result of aggressive cost management efforts and a formal outside counsel cost reduction program initiated by the General Counsel with substantial support from the Office of Risk Services, outside legal costs had been reduced by 15 percent. Over the two-year period, the University's gross legal expenses have been reduced by nearly 20 percent or nearly \$20 M (from \$99.4 M in FY 2008 to \$79.8 M in FY 2010).

This substantial reduction reversed a ten-year trend of annual increases averaging 10 percent per year – the result of outside counsel rate increases, other inflationary costs of legal service delivery and, increasing costs of defending litigation in the professional liability and employment practices areas given the generally escalating verdicts and settlement values in those areas. When the Office of General Counsel (OGC) embarked on an outside counsel savings program in the Spring of 2008, OGC projected savings approximating \$5 M or nine percent of outside counsel expenses in the first 18 months, or by the end of calendar year 2009. This savings goal had already been exceeded by three times the projected amount in the first 12 months of the program, and successful efforts to contain outside legal expense continued in FY 2010.

For example, in FY 2010, OGC organized and implemented a patent prosecution savings program that included selection of a panel of firms to handle the University's licensing work. Panel firms agreed to charge lower rates for a variety of patent prosecution tasks and committed to those rates for two years. OGC believes that this program contributed to the 19 percent reduction in gross legal expenses in this practice area in FY 2010. (Table 1) A similar program was implemented in January 2010 in the immigration law area, which resulted in a 10.5 percent drop in outside counsel immigration fees in FY 2010.

The 4.5 percent figure understates the impact of OGC's cost management initiatives during FY 2010 because a small number of major litigation matters accounted for nearly ten percent of the total expenditures on outside counsel. Excluding the outside legal expense incurred on those unusually complex and difficult litigations from the total cost in both years, all other outside legal costs declined over 14 percent from FY 2009 to FY 2010.

Nevertheless, even the 4.5 percent decline in the overall expense of outside counsel during fiscal year 2010 is noteworthy because it was achieved during a period when the capacity of the University's in-house attorneys and other legal staff was reduced. Under the mandatory furlough program, attorney working hours were reduced during fiscal year 2010 by eight to nine percent (or 21 to 24 days over the course of the year). Non-attorney staff hours were similarly reduced by about six to seven percent during this period (or 16 to 18 days). Even with furloughs, however, OGC has been successful in targeted increases of in-house resources in a number of substantive areas, including health law, labor and employment, environmental law, patent law, and governance and compliance. In-sourcing of legal functions has resulted in substantial

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<sup>1</sup>Gross legal expenses include all legal expenses (legal fees and costs and experts costs) paid by the University to outside firms, including in the Technology Transfer area where 89 percent of the FY 2010 expenses were reimbursed by third parties, resulting in net expenditures of \$57.4 M. (Table 1)

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

savings because in-house legal costs, on average, are less than half of the competitive hourly rates charged by outside counsel for the same services. OGC is using data derived from its improved reporting capability to drive attorney hiring decisions and maximize savings.

The efforts of OGC's in-house attorneys and costs spent on outside counsel also generated \$44M in affirmative recoveries in FY 2010 in areas such as trusts and estates, bankruptcy, commercial transactions, reimbursement for hospital services and securities litigation.

Given the scope, scale and complexity of the University's enterprise, and the fact that the legal issues presented by the University's affairs are often difficult and novel, continued substantial reliance on outside counsel can be expected. However, with the demonstrated success of formal efforts to reduce outside counsel expense, the General Counsel expects that outside counsel expenses will remain flat over the next two years.

This Report is organized into four sections:

- Introduction of the University's legal function with organization and operation of the General Counsel's Office
- Summary review of the three main outside counsel expense categories: Risk Services Program Litigation; UCOP Innovation Alliances and Services (IAS) – formerly Office of Technology (OTT); and Core Legal Services -- the balance of the University's outside counsel uses
- Comparative analysis of expenses in the two most recent fiscal years in each of the three main outside counsel expense categories
- Review of the continued implementation of the OGC Outside Counsel Reduction Program

## **ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

### **INTRODUCTION -- THE UNIVERSITY'S LEGAL FUNCTION**

The University's legal function is performed under the general direction of the Vice President, Legal Affairs and General Counsel, pursuant to Bylaw 21.2, and is managed through the Office of the General Counsel (OGC). OGC consists of attorneys and support staff in Oakland, on the campuses, in the medical centers, and at the Lawrence Berkeley National Laboratory. There are approximately 75 in-house attorneys working for the University, 27 of whom are located on eight of our campuses, all five medical centers and at the Berkeley Laboratory.

The legal function consists of three segments: (1) the resident counsel located at the campuses; (2) the Oakland-based attorneys located at the central office; and (3) outside counsel retained to supplement the services of OGC. The resident counsel serves as the first legal resource for the University's campus activities. They serve on the executive leadership teams at the locations and provide general legal advice and counsel on a broad range of matters facing the locations, many of which represent multi-billion dollar, stand-alone enterprises. The size of campus-based legal staffs range from eight attorneys at UCLA to a part-time attorney (1/3 time) at UCM. On average, the larger campuses employ two campus-based and two hospital-based attorneys, while the smaller campuses employ one campus and one hospital-based attorney.

The 48 Oakland-based attorneys perform legal services for The Regents, the President, the Office of the President and Offices of the Regents' Officers, and directly supervise all of the University's litigation. Organized into five broad practice groups, these attorneys provide substantial legal support to the attorneys and managers on the campuses and medical centers in specialized areas of law. These include labor and employment, construction, real estate, environmental, technology transfer, health care, educational affairs, governance and compliance, commercial transactions, estates and trusts and national laboratory affairs.

Outside counsel are retained when the legal work can be performed more efficiently by outside counsel, such as when OGC lacks a particular expertise or the requisite systems and infrastructure to support the service. Outside counsel are also retained when the volume of work exceeds the capacity of the OGC to provide appropriately timely service. Typically, the litigation managed through the University's Risk Services Programs can be more efficiently performed by outside counsel who are retained under cost-contained, negotiated hourly rates with direct legal oversight from OGC attorneys. This practice area alone represents over one-third of the outside counsel expense. Immigration law is another practice area more efficiently handled by outside counsel, working at cost-contained, flat rate fee structures to process hundreds of visa and other similar applications for faculty recruited from foreign countries.

The University's complex organization, disparate funding, novel business transactions and heavily regulated activities create many legal challenges that are often of first impression. A number of these challenges benefit from the expertise that can only be obtained by an outside counsel specialist with broad experience across a range of clients and industries. Specialists are retained, for example, in areas of health care investigations and compliance; patent prosecution and infringement actions; complex real estate transactions; complex litigation with system-wide implications and other similar matters.

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

### BACKGROUND RE OUTSIDE COUNSEL EXPENSES

The University's outside counsel expenses are segmented into three broad categories, each representing roughly one third of the total annual cost:

- Outside counsel expenses for litigation managed through the General Counsel and UCOP Risk Services (OPRS) Self-Insurance Program;
- Expenses for patent prosecution, defense, infringement and other matters related to the UCOP Innovation Alliances and Services (IAS) and technology transfer offices on the campuses (collectively referred to as IAS);
- All other outside counsel expenses for various core legal services, both litigation and non-litigation.<sup>2</sup>

The first two categories of outside counsel expense largely concern court or administrative processes in a few relatively discrete and predictable (in terms of volume) areas of the University's legal practice. These categories are supported by reliable budgets and have dedicated funding sources for payment of the legal expenses. The Risk Services category of expenses is funded by annual fees assessed against the Office of the President, the campuses and the medical centers, determined by actuaries and based on a number of factors including payroll, headcount, and loss experience. Funds in this program are held in trust and administered by the University's Chief Risk Officer under the auspices of the Executive Vice President and Chief Financial Officer. The IAS category of expenses is paid largely from royalty revenue and other campus sources and can include reimbursement for administrative overhead as appropriate under the University's patent policy. These funds are administered by the IAS Executive Director – Research Administration and Technology Transfer under the auspices of the Vice President – Office of Research and Graduate Studies. Each campus is responsible for the funding and staffing of its technology transfer activities, including providing financial resources for the legal support of those functions.

Broadly speaking, expenses in the Risk Services category can be viewed as a University cost of risk associated with the operation of its enterprise. In contrast, IAS expenses can be viewed as an investment in the University's intellectual property to encourage industry to bring inventions to market, thereby fulfilling the University's mission of creating public good from its research programs. Of particular note, three University inventions have generated over \$300 M in revenue, nearly a third of the total revenue generated by the University's patent portfolio over the past ten years. (See Table 10) Moreover, over 80 percent of the IAS legal expenses were reimbursed by licensees and other third parties over the past two fiscal years, thus substantially reducing the overall legal expense in this area.

The third category, Core Legal Services, spans a broad spectrum of practice areas and consists of significant training, counseling, compliance, and business transactions activities, as well as

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<sup>2</sup> Generally, OGC incurs outside counsel legal expenses only as a pass through. OGC outside counsel expenses are recharged to the client department requesting the service.

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

complex litigation. While largely associated with legal risk management and compliance, the Core Legal Services category also includes business-related investments in the form of healthcare alliances and affirmative litigation, in which the University is plaintiff seeking to recover damages or other funds. Appendix Table D shows the University's \$44 M in affirmative recoveries in the fiscal year. Such affirmative litigation includes trust and estates, bankruptcy, commercial transactions, appropriate reimbursement for hospital services, and securities and investments litigation. Affirmative litigation is estimated to have generated more than \$300 M in revenue over the past six years, the majority coming from the \$200 M recovery in the AOL/TimeWarner securities case and the \$40 M recovery in the Enron securities class action matter.

As is shown in Appendix Tables C and D (Summary of Legal Expenses by Category and Summary of Top Categories by Location), the legal work performed in the Core Legal Services category is highly reflective of the initiatives at each location and, therefore, more difficult to predict and budget for than the work of the other two categories. It also offers the greatest opportunities for rethinking the University's service needs, funding and delivery methods.

This report relies on data from three primary sources: the Office of the President Risk Services (OPRS) claims management system; the Office of Innovation Alliances and Services (IAS) financial system, and the General Counsel's invoice payment system. The data compiled from these sources tracks very closely with the University's general ledger and provides the necessary granularity to enable management interpretation and analysis. Total expenditures may deviate slightly from those reported in the general ledger due to the University's policy of accruing expenses at year end; such expenses are not reflected in the FY 2010 report which is generated from a system that works entirely on a cash basis. In FY 2009, in partnership with OPRS and as one of the cost savings measures, the OGC implemented a new billing/tracking system for all outside legal expenses using the same Third Party Administrator as OPRS. This new service has resulted in more efficient billing practices and, most significantly, an improved ability to track and report expenses that is expected to lead to a more complete calculation of the University's total costs and improved comparative data.

### ANALYSIS Summary

Total legal expenses for FY 2010 were \$79.8 M, as compared with \$83.5 M in the prior year. The difference (\$3.72 M) represents a 4.5 percent overall reduction. (Tables 1, 2) IAS experienced a 19 percent decrease, from \$31.1 M to \$25.2 M, and net expenses declined by a remarkable 65 percent. The Risk Services Program experienced a 6 percent overall increase (primarily due to rising Worker's Compensation costs) (\$28 M in FY 2009 to \$29.7 M in FY 2010). Billings for Core Legal Services totaled \$24.9 M in FY 2010 as compared with \$24.4 M in FY 2009, a \$500,000 or less than two percent (1.9%) increase. Excluding unusually high expenses on two large-scale, multi-party construction cases and two complex and contentious personnel cases from the total cost in both years, the costs of all other Core Legal Services declined year over year by nearly 35 percent.

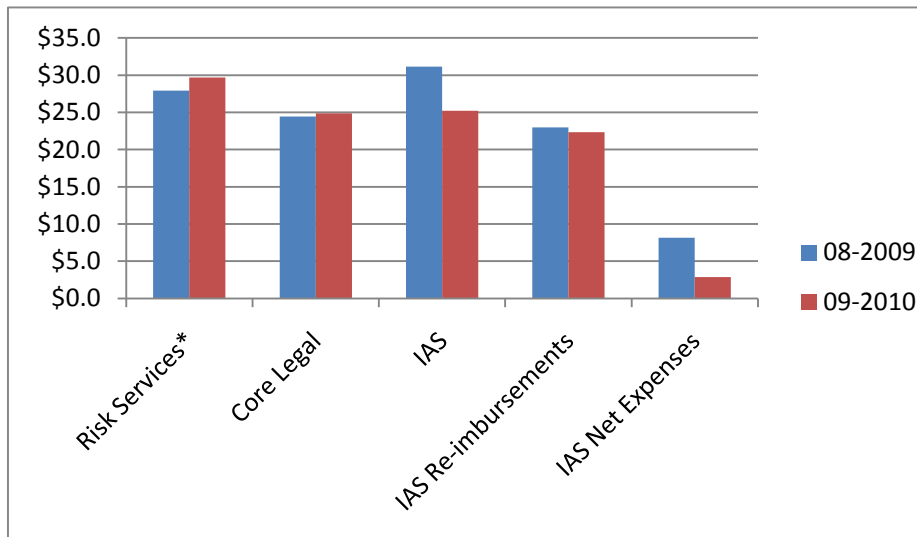
### TABLE 1

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

Summary of Outside Counsel Expenses  
FY 2009 and FY 2010  
In Millions

FY	2008-2009	2009-2010	\$ Difference	% Difference
Core Legal	\$24.42	\$24.89	\$0.47	1.9%
Risk Services	\$27.94**	\$29.70	\$1.75	6.3%
IAS	\$31.14**	\$25.20	(\$5.94)	-19.1%
<b>Gross Total</b>	<b>\$83.50</b>	<b>\$79.78</b>	<b>(\$3.72)</b>	<b>-4.5%</b>
IAS Reimbursements	\$23.00	\$22.34	(\$0.66)	-2.9%
IAS Net Expenses	\$8.14**	\$2.86	(\$5.28)	-64.9%
<b>Total Net Expenditures</b>	<b>\$60.50</b>	<b>\$57.44</b>	<b>(\$3.06)</b>	<b>-5.1%</b>

**TABLE 2**  
Comparison of Outside Counsel Expenses  
FY 2009 and FY 2010  
In Millions



\*Includes Self-Insurance Litigation and Workers' Compensation

\*\* Figures differ from those reported previously because of corrections due to better data collection methods and, as to Risk Services, excluding costs associated with claims handling.

# ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

## ANALYSIS By Category

### Risk Services Litigation

The Risk Services Self-Insurance Litigation Program constitutes approximately 95 percent of the litigated cases against the University by volume and is administered jointly by OPRS and OGC. For purposes of this analysis, the program is divided into four subparts -- Professional Liability (PL) (medical malpractice) Employment Liability (EL), General Liability (GL)<sup>3</sup> and Worker's Compensation (WC).

Litigation in the Risk Services Program is a high volume practice area involving over 1,000 open claims and litigated matters at any one time. OGC and OPRS regularly review the defense bar in these areas, and retain the state's leading trial experts to serve on the University's established defense panels at aggressively negotiated billing rates. OGC and OPRS also closely manage defense costs through comprehensive defense panel guidelines, through strict billing requirements and through the retention of a Third Party Administrator (TPA) to help oversee the management of the litigation and to review and process the billing invoices. The partnership formed among OGC, OPRS and the outside defense panels has created a model program that is efficient, with clear and substantial accountability and control processes.

The PL program is the largest of the programs, encompassing approximately 500 open matters, ranging from minor incidents to multi-million dollar malpractice lawsuits emanating from the five medical centers, ten hospitals and many medical clinics operated by the University.

The Employment Practices Liability Program covers employment claims, including wrongful termination, whistleblower retaliation, discrimination, harassment, defamation, emotional distress and other employment-related torts.

The General Liability Program includes damages claims arising from corporate and employee-created liability, including police misconduct, student harassment, whistleblower claims, dangerous condition of property, auto liability (personal injury and property damage) and other similar torts.

The Worker's Compensation Program pays claims of University employees who are injured in the course and scope of their University service. Approximately 6,000 claims are filed per year and, unlike the other Risk Service Programs, are not adjudicated in civil courts. These claims are administered by OPRS with a TPA and retains outside counsel only in claims where the injured worker is represented by legal counsel.

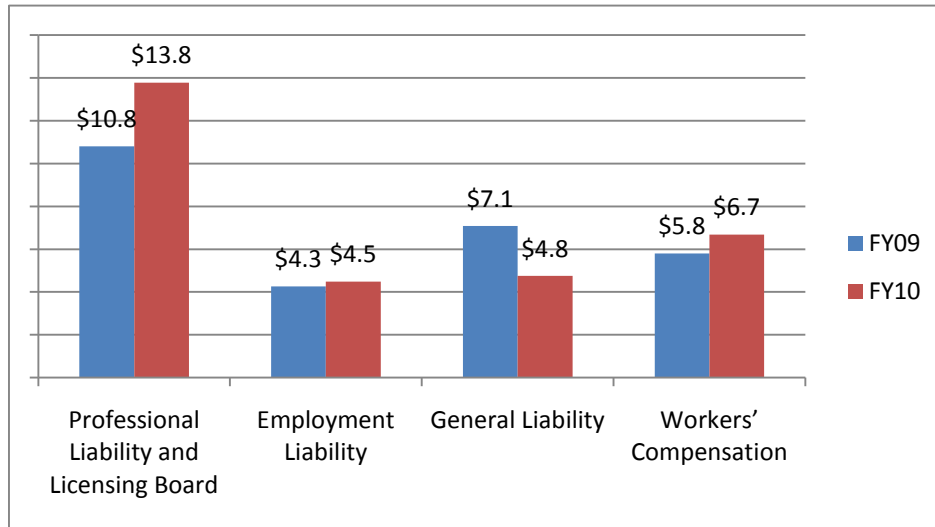
As shown in Table 3, Risk Services Litigation experienced an increase in legal expenses from \$27.5 M to \$29.8 M. (Expense by location in these programs is shown in Appendix Table A.) Below is an analysis of each of the Risk Services categories of legal expenses (GL, PL, WC and EL).

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<sup>3</sup> In last year's analysis, Auto Liability was separately listed. This year, it is included in "General Liability" which explains the rise in GL to \$7.1 M in Table 3 (\$6.4 M of GL plus \$700 K of Auto).

# ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

**TABLE 3**  
Risk Services Expense Summary  
FY 2010  
In Millions



A. General Liability (GL):

The \$2.3 M decrease in GL legal expenses from FY 2009 is a result of the Accelerated Claims Closure Project (ACCP) and a continuing trend of decreasing claims in the GL Program. The two-year ACCP concluded June 30, 2010. For FY 2009, the University's actuary reported realized defense cost savings of \$1.5 M, representing the difference between the actual defense costs and the defense costs anticipated prior to early resolution based on an industry standard process for setting reserves as applied by the TPA. This project also achieved savings of \$4.4 M in settlement costs through early resolution. The ACCP resolved four high severity auto claims which eliminated substantial ongoing expense.

B. Professional Liability (PL):

The \$3.0 M increase in PL expense from FY 2009 is part of a national trend and is specifically due to the following facts:

- (i) by a substantial margin, the majority of the increase in PL expense was due to expert fees, which rose significantly and are generally not negotiable for the top experts who are indispensable in the defense of PL cases (as demonstrated by 9 defense verdicts and one hung jury out of 11 trials in FY 2010);
- (ii) in FY 2010 there was significantly more activity than in FY 2009; two examples

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

illustrate this: in FY 2009, four cases were tried, in FY 2010, 11 cases were tried; in FY 2009, 12 cases had costs and fees over \$100,000, in FY 2010, 30 cases had costs and fees over \$100,000;

- (iii) in FY 2009 settlements of \$1 M or more were paid in six cases, in FY 2010 in eight cases;
- (iv) in FY 2010 the UCI Liver Transplant Program litigation required significantly more expenditure for defense costs than in FY 2009.

### C. Worker's Compensation (WC):

The \$1.4 M increase (a 15.2 percent increase) in FY 2010 is attributable to the uncertainty caused by two Worker's Compensation Appeals Board decisions (Almaraz/Guzman and Ogilvie), an uncertainty which has greatly increased litigation of WC cases. Additional factors are changed regulations for Medicare Set Asides and one death claim that resulted in \$832,581 in legal fees, an extraordinary amount for a WC case.

### D. Employment Liability (EL):

The slight increase in EL costs is attributable to two cases, one concluding in a one month jury trial and the other involving more than 40 witnesses, which settled on the eve of trial. If the fees for these two cases (\$619,731) are deducted, the EL program counsel expenses actually decreased by \$400,000. At the same time, although the number of claims increased between FY 2009 and FY 2010 from 45 to 77, indemnity payments decreased from \$2.7 M to \$2.1 M.

## Core Legal Services

Core Legal Services encompasses the University legal work outside of IAS and Risk Services Litigation, spanning a broad spectrum of practice areas and consisting of significant training, counseling, compliance and business transactions activities, as well as complex litigation. (See Appendix Tables B and C) Billings in this category totaled \$24.9 M in FY 2010 as compared with \$24.4 M in FY 2009, a \$500,000 or less than two percent (1.9%) increase.

Since these matters arise out of the discrete individual legal needs of a campus or unit of the Office of the President (OP), the expenses associated with this category are the most difficult to predict. The data from FY 2010 demonstrate that a small number of major litigation matters can dramatically impact the total outside counsel expense incurred in the Core Legal Services category. Increased litigation activity in FY 2010 over FY 2009 in two large-scale, multi-party construction cases and two highly contentious personnel cases, for example, significantly impacted the total outside counsel expense. In the two largest litigations, it is worth noting that the University achieved extraordinary results. If spending on outside attorneys' fees in those four litigation matters in FY 2010 had remained at a level consistent with the amounts incurred in the prior year, then the total outside counsel cost for Core Legal Services would have declined by over 30 percent. If all expenses on those four unusual cases are excluded from the totals for

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

both years, the costs of outside counsel for Core Legal Services would show a decline from one year to the next of nearly 35 percent.

Thus, while the total legal expense in this category appears to have remained relatively flat, increasing only slightly (1.9%) in FY 2010, very substantial savings were actually achieved in a number of substantive areas within this category as a result of better expense management by the General Counsel's office.

### Core Legal Expenses by Practice Area

Table 4 shows the top five practice areas in terms of outside counsel expense in Core Legal Services for FY 2010. These five broad practice areas – Construction, Health Care, Non-Risk General Litigation, Business and Labor & Employment – represent 89 percent of all Core Legal Services expenditures in the year. Table 4 combines expenses associated with related practice areas – “Labor & Employment” includes services regarding benefits and retirement, for example, and “Business” includes business and finance transactions, real estate transactions, trademark and copyright, gifts and tax, and governance and compliance. Appendix Table B shows a more detailed break-down of FY 2010 expenditures by practice area.

**TABLE 4**  
Top Five Billing Practice Areas and Percent of Total  
Core Legal Services  
FY 2010  
In Millions

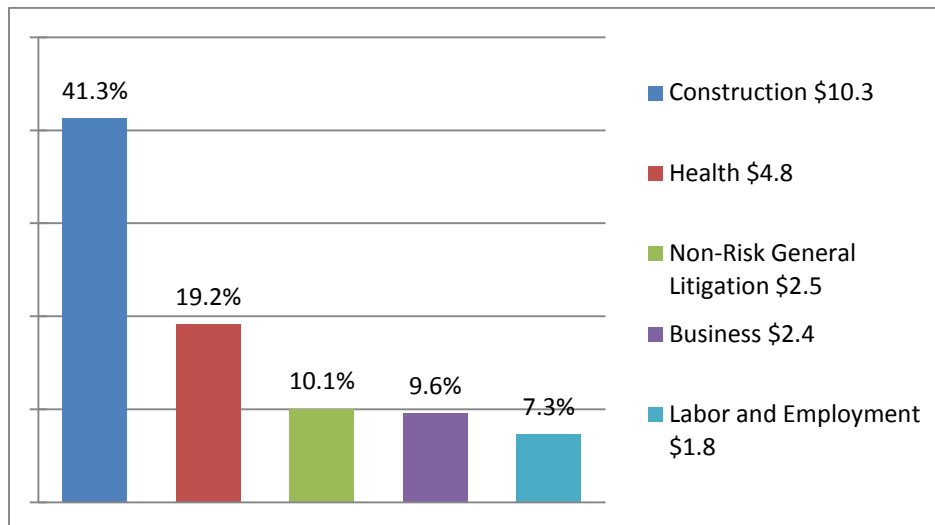
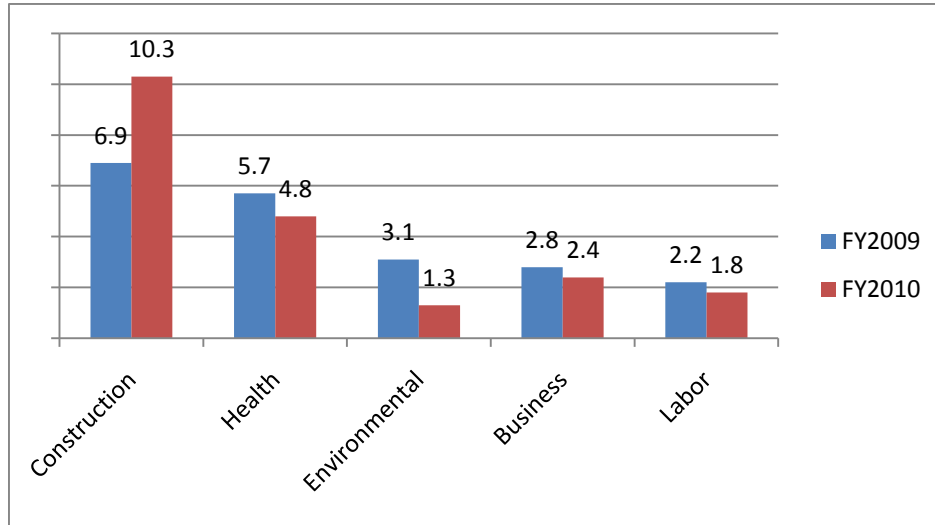


Table 5 shows changes to the Top Five Billing Practice Areas identified in FY 2009. As was expected when reporting on FY 2009, Construction, Health Care, Business and Labor &

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

Employment predominate in both time periods. However, as shown on Table 5, outside counsel expense declined considerably in FY 2010 in Health Care (16%), Business (13%), and Labor & Employment (18%). Contributing to these reductions were strategic hires in each of these three practice areas that enabled OGC to provide some of these services in-house on a more cost-effective basis. In FY 2010, OGC hired two Principal Counsel in the Health Law area, a Senior Counsel at 50% time in Governance and Compliance (an area in which costs declined from \$178,757 to zero), and a new Managing Counsel and Counsel in Labor & Employment.

**TABLE 5**  
Comparison of Largest Billing Practice Areas  
Core Legal Services  
FY 2009/2010  
In Millions



Expenditures in the Environmental law area declined so significantly (55%) that the practice area dropped out of the Top Five in FY 2010. In addition to OGC's other cost reduction measures, these savings were driven in large part by less activity in seven large matters that together consumed \$1.4 M less in FY 2010 than in FY 2009. Included in this group were the highly contentious CEQA and related "tree-sitter" litigation arising out of UCB's Student High Performance Athletics Center project adjacent to the football stadium, which accounted for 65 percent of the total environmental expenditures in FY 2009. In-sourcing of much of the University's environmental health and safety work has also contributed to remarkable savings in this practice area, where legal costs fell from \$1 M in FY 2009 to \$35,000 in FY 2010.

As referenced previously, large increases in FY 2010 in the areas of Construction and Non-Risk General Litigation are directly tied to activity in a small number of unusually large litigation matters that were particularly complex and difficult. For example, Construction expenses in this period included the cost of handling the largest claim by a construction contractor in the history

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

of the University, a matter involving 18 lawsuits, 31 parties, and a demand upon the University for \$217 M in alleged additional construction costs (which was resolved substantially below that figure). Likewise, litigation arising out of two particularly contentious personnel disputes caused the total for Non-Risk General Litigation to rise to the Top Five.

Over the three years for which OGC has collected data, four broadly defined practice areas – Construction, Health Care, Business and Labor & Employment – have consistently required the largest expenditures on outside counsel. However, as highlighted by the FY 2010 data, these figures can be heavily impacted by the outside counsel costs of a single, large matter. Therefore, while the General Counsel assumes that expenses in the above four practice areas will continue to predominate Core Legal Services over the five-year horizon, a longer period of data is necessary to identify firm trends that could assist in predicting these costs and/or allowing the services to be delivered more efficiently.

### Core Legal Expenses by Location

As a result of the core administrative services provided by the Office of the President (UCOP) to the rest of the University, including the Treasurer's Office, Human Resources, Employee Benefits, systemwide Labor Management, Academic Affairs, Research and Agriculture and Natural Resources, UCOP necessarily has a large share (18.9%) of Core Legal Expense. Significantly, UCOP expenses were reduced in FY 2010 by 28 percent from the prior year (\$6.5 M to \$4.7 M) (Tables 8, 9). This follows a 40 percent reduction in UCOP expenses last year. Since FY 2008, UCOP's outside legal costs have declined from \$10.7 M in FY 2008 to \$4.7 M in FY 2010.

In FY 2010, UCOP's largest expenses by practice area were for systemwide health and labor/employment matters, bond/external finance, treasurer's investments, and the student fee litigation. (Table 6) As shown in Table 6, these five categories account for 89 percent of UCOP's total. As the figure for student fee litigation reveals, UCOP's total legal expense includes administrative ownership of litigation with systemwide impact, such as the *Kashmiri* and *Luquetta* student fee cases, although fees for those particular cases declined in FY 2009 due to the conclusion of *Kashmiri* (from \$476,591 to \$233,866). Other litigation "owned" by UCOP in FY 2010 because of its systemwide impact included several cases challenging different aspects of the University's admission and fee policies, such as the *Martinez* case, in which the University's position was recently upheld by the California Supreme Court.

The same five practice areas accounted for the highest UCOP legal expenses in FY 2009, and the General Counsel expects that systemwide health matters, systemwide labor relations management (which includes bargaining and union disputes), bond/external finance, treasurer's investments, and litigation with systemwide impact will continue to be among the top drivers of UCOP expenses.

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

**TABLE 6**  
**UCOP Expenses by Practice Area**  
**FY 2010**

<b>UCOP</b>	
Health Combined	\$1,544,062
Labor and Employment	\$1,233,600
Bond/External Finance	\$925,921
Treasurer's Investments	\$250,765
Student Fee Litigation	\$233,866
<b>Subtotal</b>	<b>\$4,188,213 89%</b>

UCLA, the campus with the largest operating budget, had the highest share of Core Legal Expenses of all the campuses in FY 2010, and the highest Core Legal Expenses overall, accounting for 39 percent of the total and surpassing even UCOP in FY 2010. (Table 8) As shown on Table 7, construction accounted for 88 percent of UCLA’s costs, reflecting exceptional expenses arising out of new hospital construction projects and related litigation. This included the cost of handling the largest claim by a construction contractor in the history of the University, a matter involving 18 lawsuits, 31 parties, and a demand upon the University for \$217 M in alleged additional construction costs (which was resolved substantially below that figure). Litigation of public construction cases requires the use of forensic experts who, while costly, perform critical services such as analyzing thousands of contemporaneous documents to evaluate assertions concerning the cause of project delay or to confirm that alleged damages were actually incurred and associated with the disputed project.

In the same period, however, the UCLA Medical Center achieved a 64 percent drop in legal expenses, from \$3.8 M to \$1.3 M. (Tables 8, 9) The bulk of the decline in the UCLAMC’s legal costs resulted from concluding several major matters, including the investigation arising out of the widely publicized alleged health information privacy breaches that had required significant expenditures in FY 2009. As a result, the combined totals for UCLA/UCLAMC constituted a similar share of total Core Legal Expenses, accounting for 46 percent of FY 2010 Core Legal Expenses and 40 percent in FY 2009. While the breakdown differs in each year, the combined total spent at UCOP, UCLA and UCLAMC again (as in FY 2009) represents approximately 65 percent of the total Core Legal Expense.

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

**TABLE 7**  
**UCLA and UCLAMC Expenses by Practice Area**  
**FY 2010**

<b>UCLA</b>		
Construction	\$8,613,893	88%
Immigration	\$444,070	
Real Estate	\$319,105	
Probate/Gifts	\$160,460	
	<u>\$9,537,528</u>	<b>98%</b>
<b>UCLA MC</b>		
Medical Staff Litigation	\$651,908	
Subpoenas	\$109,621	
Litigated Labor (including PERB)	\$107,151	
Managed Care Contracts	\$105,109	
	<u>\$973,789</u>	<b>71%</b>

Other campuses showing significant increases in FY 2010 over FY 2009 included UCD Medical Center, where legal costs increased by \$1 M. (Table 8) In FY 2010, UCDCMC spent approximately \$1,275,000 on managed care litigation. (Appendix Table C) These expenditures were incurred to pursue claims owed to UCDCMC by commercial managed care plans and governmental payors who had underpaid (or not paid) UCDCMC for hospital and physician services rendered. In return for this \$1.2 M investment, however, UCDCMC recovered over \$5.8 M as well as over \$600,000 in attorneys' fees (with an additional \$360,000 in recovered fees likely to follow). The portion of this \$5.8 M that was recovered during FY 2010 is reflected in Appendix Table D. Appendix Table D also shows that similar managed care litigation by other medical centers was handled on a contingent fee basis. UCSF's total outside legal expense also showed a significant increase in FY 2010. (Table 8) UCSF's 56 percent increase largely resulted from outside attorneys' fees incurred in litigating one complex case. (Appendix Table C) Again, however, the University obtained an extraordinary result in return for this investment.

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

**TABLE 8**  
Expenses by Location  
FY 2009 and FY 2010

<b><u>Location</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>
<b>UCLA</b>	\$5,833,896	\$9,762,212
<b>UCOP (Inc. Treasurer, systemwide labor)</b>	\$6,523,030	\$4,698,227
<b>UCSF</b>	\$1,480,567	\$2,312,346
<b>UCDMC</b>	\$422,940	\$1,425,579
<b>UCLAMC</b>	\$3,855,355	\$1,371,380
<b>UCSB</b>	\$678,094	\$1,180,813
<b>UCB</b>	\$2,145,830	\$962,601
<b>UCD</b>	\$650,434	\$723,451
<b>UCIMC</b>	\$135,064	\$692,795
<b>UCI</b>	\$481,227	\$515,958
<b>UCSDMC</b>	\$159,682	\$378,758
<b>UCSC</b>	\$927,815	\$329,023
<b>UCR</b>	\$99,951	\$164,404
<b>UCSD</b>	\$421,115	\$138,964
<b>UCM</b>	\$469,054	\$134,297
<b>UCSFMC</b>	\$136,125	\$83,948
<b>LBNL</b>	\$0	\$11,483
<b>TOTAL</b>	<b>\$24,420,179</b>	<b>\$24,886,239</b>

As previously discussed, both UCOP (28% decrease) and UCLAMC (64% decrease) showed large decreases in expenses as compared to the prior year. As shown in Table 9, other locations also experienced significant decreases by percentage in FY 2010. In particular, UCB reduced its outside counsel expenditures by \$1.2 M or 55 percent. This decline was in large part attributable to the conclusion of the CEQA and related “tree-sitter” litigation arising out of UCB’s Student High Performance Athletics Center project adjacent to the football stadium.

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

**TABLE 9**  
Largest Decreases in Expenses by Location  
Core Legal Services  
FY 2010

In Millions

Location	\$ Change	% Change
<i>Decreases</i>		
<b>UCLAMC</b>	<b>(\$2.5)</b>	-64%
<b>UCOP</b>	<b>(\$1.8)</b>	-28%
<b>UCB</b>	<b>(\$1.2)</b>	-55%
<b>UCSC</b>	<b>(\$0.6)</b>	-65%
<b>UCM</b>	<b>(\$0.3)</b>	-71%
<b>UCSD</b>	<b>(\$0.3)</b>	-67%

### Innovation Alliances and Services

Outside counsel expenses related to IAS patent activities are paid as administrative costs largely from patent royalty revenue, but also from other campus sources. Outside counsel is retained to assist in the patent development process, for prosecution efforts before the U.S. Patent and Trademark Office and for litigation associated with the protection of the University's foreign and domestic patents. Litigation has resulted in substantial recoveries for the University. Notable cases include the Monsanto, Genentech and Eolas cases which, collectively, netted the University lump sum payments totaling \$330 M and additional annual royalty fees of \$5 M since February of 2006.

Gross legal expenses for patent prosecution, for maintaining patents and for infringement actions totaled \$25.2 M in FY 2010, a 19 percent reduction from the prior year. Reimbursements of those expenses in FY 2010 was 89 percent, compared with the national average of 46 percent for all US research universities, as reported by the Association of University Technology Managers for 2007 (the most recent year with available data). Legal expenses not directly reimbursed by third-party defendants in infringement actions are also recovered from settlements or judgments when those litigation efforts are successful.

The large drop in IAS legal expenses in FY 2010 is attributable to the following factors:

- (i). Significant efforts by OGC to respond internally to massive third party subpoena requests as opposed to sending these to far more expensive outside counsel;

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

- (ii). The successful implementation by OGC of an aggressive program to reduce outside counsel expenses associated with patent prosecution work performed for the University. That program is described in more detail in the Outside Counsel Savings Program below;
- (iii). The weaker economy, leading to less licensing activity; and
- (iv). The absence of any pending patent infringement case in the United States for or against the University in FY 2010.

As the IAS Table shows, the University's patent enterprise is substantial. Over the past 11 years the University's patent portfolio (in combination with the University's legal interventions to protect its property) has generated over \$1.3 billion in revenue. Over the same period, the University expended \$152 M in net outside counsel expenses. (Table 10)

**TABLE 10**  
IAS Revenue and Net Legal Expenses 2000-2010

Year	Income From Royalties & Fees	Net Legal Expense
2000	\$267,765,000	\$9,107,000
2001	\$72,899,000	\$12,295,000
2002	\$88,148,000	\$13,360,000
2003	\$67,019,000	\$13,629,000
2004	\$79,265,000	\$14,845,000
2005	\$92,902,000	\$17,686,000
2006	\$193,500,000	\$26,951,000
2007	\$97,594,000	\$15,795,000
2008*	\$146,314,000	\$13,934,000
2009*	\$103,105,000	\$8,540,000
2010	\$104,373,000	\$6,064,000
<b>TOTAL</b>	<b>\$1,312,884,000</b>	<b>\$152,206,000</b>

\*The figures for 2008 and 2009 have been revised since last year's report.

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

### OUTSIDE COUNSEL SAVINGS PROGRAM

In the spring of 2008, OGC began implementing a multi-part outside counsel cost savings program that it had reviewed with several Regents, with the President and other senior administrators, and with the Legal Services Advisory Committee (LSAC).<sup>4</sup> At that time, OGC projected savings approximating \$5 M or nine percent of outside counsel expenses in the first 18 months of the program, or by the end of calendar year 2009. This savings goal had already been exceeded by three times the projected amount in the first 12 months of the program, as previously reported with respect to FY 2009. In FY 2010, OGC continued implementation of this program and achieved a further reduction of outside legal expenses.

The program targeted expenses in the Risk Services and Core Legal Services expense categories and centered on four key objectives: (1) reducing hourly billings rates; (2) aggressively managing outside counsel costs through improved monitoring, proactive management, billing and accountability controls, and improved data collection; (3) terminating redundant or inefficient services and in-sourcing select practice areas; (4) minimizing and/or avoiding certain types of claims through enhanced management training and pre-litigation intervention.

#### Rate Reductions

At the outset, this project targeted three high billings categories – Labor & Employment, Environmental and Academic Affairs Litigation, which collectively accounted for more than \$6 M in FY 2008. Requests for proposals were sent to outside attorneys with experience and/or interest in providing services in the three areas on a state-wide basis. Approved panels of counsel were selected in these three areas following review of written submissions and interviews. The selected firms are now under contract with the University at very favorable negotiated rates that are frozen through FY 2011. The project resulted in an average hourly billing rate reduction of 25 percent over the contract period, and an immediate rate savings of 19 percent in the first year. Savings as a result of these approved panels have continued to impact costs in these areas in FY 2010. (Table 5)

#### FY 2010 Rate Reduction Programs

In FY 2010, OGC expanded the panel program to successfully reduce hourly rates in two practice areas: (1) Patent Prosecution; and (2) Immigration.

In FY 2010, OGC organized a committee (“patent committee”) that included the IAS Director, two campus Licensing Directors and several OGC attorneys to implement a patent prosecution cost savings program. The patent committee contacted a number of patent prosecution firms (both those who previously worked for the University and potential new ones) and invited them to submit proposals setting forth their lowest possible rates for a variety of patent prosecution tasks and committing to these rates for two years. Providing these rates gave the firms that submitted proposals the opportunity to be selected to a panel of firms to do the University’s licensing work. OGC also created a secure database application which was made available to

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<sup>4</sup> The LSAC is a group of high-level representatives from each campus and two medical centers established by the General Counsel in January 2008 for purposes of obtaining advice and feedback concerning all aspects of the University’s legal services.

## **ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

campus licensing officers. This site lists all the firms selected to the patent prosecution panel and their charges for different types of patent prosecution work, and can be used in a sortable format. As indicated above in the discussion of Innovation Alliance and Services, OGC believes that this program has contributed to the 19 percent reduction in IAS expenses in FY 2010.

OGC also organized and implemented an immigration law cost savings program in FY 2010. Similar to the patent prosecution project, OGC worked with International Students and Scholars (ISS) campus offices to generate a list of firms they use for immigration work, sent letters to these firms asking them to submit their best rates which they would be willing to lock in for two years, and selected 12 firms to serve on OGC's immigration panel. OGC also streamlined its immigration billing procedures through the iVos system. Although this program was not implemented until January of 2010, its success is confirmed by a 10.5 percent drop in outside counsel immigration fees (from \$1,142,437 in FY 2009 to \$1,022,344 in FY 2010) spent by the various ISS campus offices.

### **General Counsel's Request for Across-the-Board Reduction**

On top of the creation of panels in key areas, in August 2009, the General Counsel delivered a letter to all University outside counsel asking that they reduce hourly rates by 10 to 15 percent, depending on the hourly rate then being charged. In addition, in this letter, the General Counsel advised outside counsel of that rates would be capped at \$500 per hour.

As a result of these rate reduction efforts, hourly fees for outside counsel for Core Legal Services were reduced in FY 2010 on average by at least \$15 per hour – resulting in significant savings.

### **Aggressive Cost Management**

This is a multi-faceted project that focuses on improving the internal controls for retaining and monitoring outside counsel in the area of Core Legal Services. The project features included:

- Improved Outside Counsel Guidelines
- Improved Internal Retention Controls
- Improved External Retention Controls
- Improved Bill Review Processes
- Improved Bill Pay Processes
- Improved Internal Recharge System
- Improved Data Collection, Report Capabilities and Data Management

The most ambitious feature is the use of a Third Party Administrator (TPA) to review and process all counsel billing statements previously processed by OGC. The new process, which was fully implemented by May 2009, includes a robust claims-tracking database that provides reliable and informative billing data on outside counsel. This new database has allowed the General Counsel (and others) to track and study outside counsel trends – individually and programmatically, and the General Counsel has begun delivering monthly reports of expenditures to the UCOP and campus leadership.

## **ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

Data from FY 2010 suggest that the use of a TPA to review and process outside counsel bills has significantly expedited the process such that most invoices are paid within 30 days of receipt. Moreover, the use of a TPA has resulted in savings of roughly \$50,000 through the identification of charges disallowed under OGC's Outside Counsel Guidelines.

### **Accelerated Claims Closure**

This project continues to target Risk Services litigation expenses and is based on the proven experience of OGC and Risk Services actuaries that litigated claims cost more the longer they remain active. OGC attorneys, working with OPRS and the TPA, target claims in the PL, GL and EL programs that are suitable for early resolution. A resolution plan is developed and implemented, usually through assistance of outside counsel. Metrics for establishing savings are created and tracked by independent actuaries.

### **In-Sourcing Select Practice Areas**

OGC has been successful in targeted increases of in-house resources in a number of substantive areas, including health law, labor and employment, environmental law, patent law, and governance and compliance. In light of differences in cost structures, OGC attorneys are able to provide services in these areas on a more cost-effective basis than private law firms, and thus in-sourcing of legal functions has resulted in substantial savings. OGC is using data derived from its improved reporting capability to drive attorney hiring decisions and maximize savings.

For example, OGC engaged in a concerted effort to recruit additional internal labor and employment attorneys to provide labor and employment advice and human resources training previously handled by more expensive outside attorneys. In 2007, as a result of attrition, OGC staff in the Labor & Employment section fell to only two full-time attorneys – down from seven such attorneys in 2005. Presently, OGC has five labor and employment specialists, including a Managing Counsel and Counsel hired during FY 2010.

In FY 2010, OGC also hired two Principal Counsel in the Health Law area which has reduced fees paid to outside counsel who typically demand a premium in this highly specialized area of the law. Additionally, OGC hired a Senior Counsel at 50% time in Governance and Compliance (an area in which costs declined from \$178,757 to zero in FY 2010). Finally, in-sourcing of much of the University's environmental health and safety work has contributed to remarkable savings in that practice area, where legal costs fell from \$1 M in FY 2009 to \$35,000 in FY 2010.

### **Enhanced Pre-Litigation Training**

This project focuses on training and other preventative measures to raise awareness of employment best practices and to improve the workplace environment in areas where, based on loss experience and other factors, the risk has been determined to be high. This project is administered by the Manager of the EPL, GL and Auto Programs in OPRS in coordination with OGC employment attorneys and campus Human Resources departments. Even with furloughs, the program has maintained an ambitious schedule, as the following table illustrates:

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

<b>Date</b>	<b>Training Topic</b>	<b>Presenters</b>
<b>July 2009</b>	Best Practices for Family and Medical Leaves (Systemwide)	OGC Labor & Employment Lawyer
<b>October 2009</b>	Navigating the Waters of a Successful Workplace Investigation	Outside Counsel
<b>December 2009</b>	Legal Issues in Human Resources Management (Business Officers Institute)	OGC Labor & Employment Lawyer
<b>January 2010</b>	Care Giver Discrimination (to Chief Human Resources Officials)	OGC Labor & Employment Lawyer
<b>January 2010</b>	Essential Information about Family and Medical Leaves (OGC Cabinet & Campus Counsel)	OGC Labor & Employment Lawyer
<b>January 2010</b>	Genetic Information Nondiscrimination Act Training (UCI)	OGC Labor & Employment Lawyer
<b>February 2010</b>	Making Excellence Inclusive: "Lessons Learned: Study of Past UC Cases" (UCR)	OGC Labor & Employment Lawyer
<b>February 2010</b>	Disability Discrimination and Return to Work – Part I (Systemwide webinar)	OGC Labor & Employment Lawyer, OGC Litigation Lawyer, and Outside Counsel
<b>April 2010</b>	Disability Discrimination and Return to Work Part 2 (Systemwide webinar)	OGC Labor & Employment Lawyer
<b>May 2010</b>	Title IX Conference: Legal Update (UCSC)	OGC Labor & Employment Lawyer
<b>June 2010</b>	Whistleblower Claims May Come to You – Will you Be Ready? (OGC)	OGC Labor & Employment Lawyers and UC's Director of Investigations
<b>June 2010</b>	Care Giver Discrimination (LBNL)	OGC Labor & Employment Lawyer
<b>June 2010</b>	Genetic Information Nondiscrimination Act Training (LBNL)	OGC Labor & Employment Lawyer
<b>October 2010</b>	Managing Family and Medical Leaves at UC (UCI)	OGC Labor & Employment Lawyers
<b>November 2010</b>	Non-Litigation Employment Practice Program (to OGC Cabinet & Campus Counsel)	OGC Labor & Employment Lawyer
<b>November 2010</b>	Title IX Conference: Legal Update (to Chief Human Resources Officials)	OGC Labor & Employment Lawyer

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

Date	Training Topic	Presenters
<b>November 2010</b>	Managing Family and Medical Leaves at UC (UCLA)	OGC Labor & Employment Lawyers
<b>December 2010</b>	Legal Issues in Human Resources Management (Business Officers Institute)	OGC Labor & Employment Lawyer
<b>December 2010</b>	Handling Disability Issues and Professionalism Issues for Residents (UCLA)	OGC Labor & Employment Lawyer and UCLA Panel
<b>December 2010</b>	Office of Federal Contract Compliance – Employment Law Legal Update	OGC Labor & Employment Lawyer
<b>February 2011</b> <b>Upcoming</b>	Disability Accommodation and Medical Separations (exact title not yet determined) (UCB)	OGC Labor & Employment Lawyers and Outside Counsel
<b>February 2011</b> <b>Upcoming</b>	UC Lessons Learned, A Retrospective Look (UCR)	OGC Labor & Employment Lawyer
<b>February 2011</b> <b>Upcoming</b>	Best Practices for Family and Medical Leaves (UCB)	OGC Labor & Employment Lawyer
<b>February 2011</b> <b>Upcoming</b>	Employment Practices Improvement Committee training – Hiring and Selection Practices (Systemwide)	OGC Labor & Employment Lawyer
<b>March/April 2011</b> <b>Upcoming</b>	Office of Federal Contract Compliance – Audit Preparation for UCSF Management (UCSF)	OGC Labor & Employment Lawyer

### Current Plans

In addition to continuing to pursue the various cost reduction programs outlined above, OGC is moving forward with the following initiatives.

First, the General Counsel continues to seek to enhance in-house capacity as a way to reduce reliance on outside counsel, now targeting OGC’s in-house litigation capability. In this regard, OGC has recently recruited two experienced litigators, one of whom will focus his practice on handling administrative hearings, including personnel matters of the type that caused large fees in FY 2010 and another who will likely handle litigation with potential systemwide impact.

Second, the General Counsel is exploring the possibility of negotiating alternative fee arrangements with outside counsel in appropriate cases as a way to achieve cost-savings and greater predictability of outside legal expense.

Third, for potential future savings, OGC is presently looking into organizations that specialize in reviewing legal bills at an even more detailed level than the review provided by the current TPA.

## **ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

Fourth, OGC plans to use data derived from its improved reporting capability to better monitor ongoing outside legal expenses, make strategic in-house hiring and utilization decisions and maximize savings.

### **CONCLUSION**

In FY 2010, despite reduced in-house capacity as a result of the mandatory furlough program, overall outside counsel expenses were reduced 4.5 percent from the prior fiscal year, and the size of the reduction is even greater (over 14 percent) if a few anomalous litigation matters are excluded from the calculation. These cost savings resulted from the continuation of formal programs initiated by the General Counsel in close partnership with the Office of Risk Services. By continuing these concerted efforts to contain and reduce outside counsel expense, the General Counsel projects that expenses will remain flat over the next two years.

## **ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

### **APPENDIX TABLES**

- A. Comparison of Risk Services Litigation Expenses FY2008/2009 by Campus
- B. Outside Counsel Expenses by Practice Area (Core Legal Services)
- C. Summary of Top Categories of Expenses by Location (Core Legal Services)
- D. Affirmative Recoveries to the University FY 2009

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

**APPENDIX TABLE A**

Comparison of Risk Services Litigation Expenses FY 2009/2010 by Campus

Campus	EL		GL		LB		PL		WC	
	FY 09	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09	FY 10
BERKELEY	\$831,456	\$439,799	\$577,692	\$585,771			\$5,272	\$3,200	\$344,658	\$386,153
DAVIS	\$539,218	\$1,032,995	\$727,744	\$725,237					\$268,699	\$275,999
DAVIS MEDICAL CENTER	\$349,670	\$468,551	\$120,743	\$56,042			\$1,655,273	\$1,889,923	\$277,026	\$247,765
IRVINE	\$313,967	\$74,544	\$682,408	\$207,522					\$279,829	\$359,195
IRVINE MEDICAL CENTER	\$42,174	\$54,994	\$287,103	\$92,621	\$13,116	\$105,303	\$1,642,617	\$2,352,498	\$258,027	\$405,053
LBL									\$86,579	\$93,364
LOS ANGELES	\$499,954	\$319,120	\$1,807,031	\$641,604					\$1,256,725	\$1,839,754
LOS ANGELES MEDICAL CENTER	\$340,247	\$585,112	\$367,206	\$88,199	\$10,716	\$15,313	\$3,458,489	\$4,164,167	\$915,543	\$873,363
MERCED									\$6,159	\$16,601
RIVERSIDE	\$39,987	\$48,001	\$67,851	\$307,384			\$1,169	\$0	\$109,506	\$172,273
SAN DIEGO	\$431,376	\$172,846	\$126,593	\$469,880					\$311,910	\$313,568
SAN DIEGO MEDICAL CENTER	\$18,626	\$52,170	\$100,707	\$155,451	\$9,602	\$13,609	\$1,743,451	\$1,574,805	\$385,111	\$368,529
SAN FRANCISCO	\$279,600	\$443,307	\$380,438	\$548,653					\$313,764	\$402,826
SAN FRANCISCO MEDICAL CENTER	\$40,677	\$321,329	\$32,594	\$36,824	\$2,826	\$3,438	\$2,252,368	\$3,646,797	\$405,133	\$412,116
SANTA BARBARA	\$53,289	\$347,213	\$87,918	\$235,528			\$0	\$1,600	\$306,219	\$298,317
SANTA CRUZ	\$15,176	\$0	\$68,340	\$88,665					\$202,154	\$180,475
UCOP	\$462,875	\$125,929	\$1,651,348	\$516,216					\$74,411	\$37,523
<b>Totals by Program by Fiscal Year</b>	<b>\$4,258,292</b>	<b>\$4,485,910</b>	<b>\$7,085,716</b>	<b>\$4,755,597</b>	<b>\$36,260</b>	<b>\$137,663</b>	<b>\$10,758,639</b>	<b>\$13,632,990</b>	<b>\$5,801,453</b>	<b>\$6,682,874</b>
<b>Totals FY 09</b>	<b>\$27,940,360</b>									
<b>Totals FY 10</b>	<b>\$29,695,034</b>									

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

### APPENDIX TABLE B

#### Summary of Legal Expenses by Practice Area Core Legal Services

Litigated-Construction	\$10,085,101
Litigated-Admin Hearings/Writs (Non-Student)	\$1,424,470
Litigated-Health (Managed Care)	\$1,378,166
Non-Litigated-Hlth-Counseling (Managed Care Contr)	\$1,248,555
Non-Litigated-Immigration	\$1,034,799
Non-Litigated-Bond/Other External Financing	\$925,921
Litigated-Labor	\$921,571
Non-Litigated-Hlth-Investigations	\$739,372
Litigated-Health (Medical Staff)	\$708,596
Litigated-Environmental Land Use	\$701,511
Litigated-Breach of Contract	\$667,677
Non-Litigated-Environmental Land Use	\$610,707
Non-Litigated-Real Estate	\$551,555
Non-Litigated-Labor Relations	\$269,181
Litigated-Probate/Gifts-Pledges/Trusts-Estates	\$267,108
Non-Litigated-Treasurer's Investments	\$250,765
Non-Litigated-Employment	\$246,723
Litigated-Student Matters	\$235,310
Non-Litigated-Hlth-Counseling (Medicare/Cal Reimb)	\$205,783
Litigated-Health (Other)	\$205,142
Non-Litigated-Construction	\$200,736
Non-Litigated-Intellectual Property Other	\$180,711
Litigated-Employment	\$168,467
Litigated-Collection	\$168,430
Litigated-Subpoenas	\$164,797
Non-Litigated-Government Relations/Legislation	\$153,430
Non-Litigated-International	\$136,074
Non-Litigated-Real Estate Privatized Transactions	\$127,755
Non-Litigated-Hlth-Counseling (Fraud/Abuse Compl)	\$123,059
Non-Litigated-Benefits	\$100,516
Non-Litigated-Miscellaneous	\$84,373
Non-Litigated-Tax	\$83,118

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

Non-Litigated-Hlth-Counseling (Med Staff Matters)	\$64,440
Non-Litigated-Investigations	\$53,805
Non-Litigated-Corporate/Business	\$47,767
Litigated-Miscellaneous	\$45,000
Non-Litigated-FCC	\$38,820
Litigated-Benefits	\$37,212
Non-Litigated-Hlth-Counseling (Mental Hlth)	\$36,733
Litigated-Environmental EH&S	\$34,870
Litigated-Whistleblowing	\$30,866
Non-Litigated-Hlth-Counseling (Hospital Accr/Lic)	\$29,615
Non-Litigated-Hlth-Counseling (Transactions)	\$22,635
Litigated-Real Estate	\$19,106
Non-Litigated-Procurement and Competitive Bidding	\$18,391
Non-Litigated-Development (Gifts, Estates, Trusts)	\$10,476
Non-Litigated-Hlth-Medicare/Cal Cost Rpt/Bill Appl	\$10,307
Litigated-Bankruptcy	\$5,000
Non-Litigated-Real Estate Acquisitions	\$4,107
Non-Litigated-Real Estate Dispositions	\$4,042
Non-Litigated-Hlth-Counseling (Antitrust)	\$2,522
Non-Litigated-Real Estate Endowment	\$1,051
	<b>\$24,886,240</b>

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

**APPENDIX TABLE C**

Summary of Top Categories of Expenses by Location  
Core Legal Services

<b>UCOP</b>		
Health Combined	\$1,544,062	
Labor and Employment	\$1,233,600	
Bond/External Finance	\$925,921	
Student Fee Litigation	<u>\$233,866</u>	
Subtotal		<u>\$3,937,449</u> 84%
<b>UCB</b>		
Environmental		<u>\$890,137</u> 92%
<b>UCD</b>		
Construction	\$379,476	
Immigration	\$165,296	
Environmental	<u>\$96,615</u>	
		<u>\$641,386</u> 89%
<b>UCD MC</b>		
Managed Care		<u>\$1,275,832</u> 94%
<b>UCI</b>		
Liver Transplant Program	\$176,422	
Immigration	<u>\$175,528</u>	
		<u>\$351,950</u> 68%
<b>UCI MC</b>		
Medical Staff	\$404,992	
Fraud/Abuse Complaints	\$97,213	
Medicare/Cal Reimbursements	\$56,824	
Non-Litigated-Hlth- Investigations	<u>\$54,033</u>	
		<u>\$613,062</u> 88%
<b>UCLA</b>		
Construction	\$8,613,893	88%
Immigration	\$444,070	
Real Estate	\$319,105	
Probate/Gifts	<u>\$160,460</u>	
		<u>\$9,537,528</u> 98%

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

UCLA MC			
Medical Staff Litigation	\$651,908		
Subpoenas	\$109,621		
Litigated Labor (including PERB)	\$107,151		
Managed Care Contracts	<u>\$105,109</u>		
		<u>\$973,789</u>	71%
UCM			
Environmental		<u>\$125,715</u>	94%
UCR			
Labor and Employment	\$84,875		
Immigration	<u>\$38,218</u>		
		<u>\$123,092</u>	75%
UCSD			
Benefits/UCRS	\$37,212		
Environmental	\$34,870		
Labor and Employment	<u>\$27,616</u>		
		<u>\$99,698</u>	72%
UCSD MC			
Medical Staff	\$221,667		
Managed Care Contracts	<u>\$100,249</u>		
		<u>\$321,915</u>	85%
UCSF			
Non-Risk General Litigation	\$1,566,807		
Non-Litigated Health Counseling	\$187,133		
Immigration	\$143,265		
Real Estate	<u>\$116,249</u>		
		<u>\$2,013,454</u>	87%
UCSF MC			
Medical Staff	\$43,376		
Labor and Employment	<u>\$40,572</u>		
		<u>\$83,948</u>	100%
UCMSB			
Construction		<u>\$1,008,276</u>	85%
UCSC			
Real Estate	\$230,808		
Environmental	<u>\$49,094</u>		
		<u>\$279,902</u>	85%

**ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES**

**APPENDIX TABLE D**

Affirmative Recoveries to the University FY 2010 (Revised as of 4/5/2011)

<b>Case Name</b>	<b>Cause of Action</b>	<b>Received</b>	<b>Expenses</b>	<b>Net Recovery</b>
Regents v. Anthem BlueCross (UCLAMC)	Breach of contract	\$20,261,295	\$600,000	\$19,661,295.00
Regents v. Kaiser Foundation (UCIMC)	Breach of contract	\$12,200,000	\$2,000,000	\$10,200,000.00
Enron Class Action**	Securities Litigation	\$5,696,065	\$273,411	\$5,422,654.00
Regents v. Health Net (UCDMC)	Breach of contract	\$1,705,000	Included in recovery	\$1,705,000.00
Remp AG	Breach of contract	\$1,558,570	\$0	\$1,558,570.00
Regents v. Health Net (GMC) (UCDMC)	Breach of contract	\$1,300,000	\$37,223	\$1,262,777.00
_____ Trust*	Tax sale redemption re: mineral rights	\$530,000	\$17,183	\$512,817.00
_____ Trust*	Gift dispute	\$420,000	\$0	\$420,000.00
_____ Trust*	Gift dispute	\$413,086	\$0	\$413,086.00
UC Davis Perf. Hall	Construction defect	\$465,500	\$120,000	\$345,500.00
UCI Bren Events Center	Construction defect	\$299,000	0	\$299,000.00
Estate of _____*	Gift dispute	\$247,955	\$0	\$247,955.00
_____ Trust*	Challenge to estate	\$200,000	\$0	\$200,000.00
Regents v. Blue Cross	Breach of contract	\$211,630	\$27,163	\$184,467.00
Regents v. Reliant	Antitrust/gas litigation	\$182,246	\$0	\$182,246.00
Regents v. Golf Marketing	Breach of contract	\$180,000	\$0	\$180,000.00
Regents v. Blue Cross	Breach of contract	\$199,967	\$22,812	\$177,155.24
Regents v. Aetna	Breach of contract	\$185,000	\$24,200	\$160,800.00
TAQ	Discrimination (disability)	\$114,095	\$0	\$114,095.00
Regents v. General Monitors**	Hospital/Payor Collections	\$125,000	\$17,000	\$108,000.00
Best Life & Health Insurance Group**	Hospital/Payor Collections	\$120,000	\$16,400	\$103,600.00
Jingyi Luxiao v. Aramark Corp.**	Insurance Tender	\$102,169	\$0	\$102,169.00
Regents v. Group Health, Inc.**	Hospital/Payor Collections	\$113,000	\$15,560	\$97,440.00
_____ Estate*	Gift dispute	\$92,000	\$0	\$92,000.00

## ANNUAL REPORT OF OUTSIDE COUNSEL EXPENSES

Case Name	Cause of Action	Received	Expenses	Net Recovery
_____ Trust*	Gift dispute	\$91,504	\$0	\$91,504.00
Blue Cross (Illinois)**	Hospital/Payor Collections	\$100,712	\$14,095	\$86,617.00
_____ Estate*	Gift dispute	\$52,764	\$0	\$52,764.00
_____ Estate*	Unclaimed property	\$40,598	\$0	\$40,598.00
Miark Misciagna v. Regents	Insurance tender	\$25,380	\$0	\$25,380.26
_____ Trust*	Fee Dispute	\$17,715	\$0	\$17,715.00
_____ Estate*	Unclaimed property	\$4,822	\$0	\$4,822.00
<b>NET TOTAL TO UNIVERSITY</b>				<b>\$44,070,026.50</b>

\*Names have been redacted to protect privacy of donors

\*\*Not included in report submitted on 1/31/2011, revised as of 4/5/2011