DIRECTORS ROUNDTABLE

WORLD RECOGNITION of DISTINGUISHED GENERAL COUNSEL

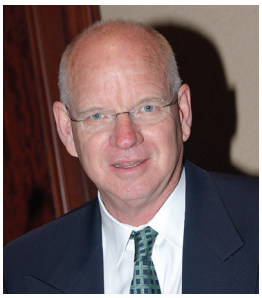
GUEST OF HONOR:

Charles A. James

Vice President and General Counsel for Chevron Corp.

THE SPEAKERS:

Charles A. James
Vice President and General Counsel for Chevron Corp.



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TO THE READER:

The Directors Roundtable is a civic group which organizes the preeminent worldwide programming for Boards of Directors and their advisors including General Counsel. In recognition of Charles James's distinguished career in the corporate, government, and law firm sectors, in late 2007 we presented him with the leading global honor given to General Counsel. He was the distinguished Guest of Honor at a special Roundtable in San Francisco entitled, "World Recognition of Distinguished General Counsel." What follows is information on the Guest of Honor, a complete transcript of the event, and the biography and firm information for each of the Distinguished Speakers. Many topics were discussed including global legal issues; oil & gas litigation; antitrust; and mergers & acquisitions.

Jack Friedman
Directors Roundtable
Chairman & Moderator

Charles A. James
Vice President
and General Counsel
Chevron Corporation

Charles A. James is Vice President and General Counsel for Chevron Corp.

Most recently, he was Assistant Attorney General in charge of the Antitrust Division at the U.S. Department of Justice. Prior to his assignment at the Justice Department, James practiced law at Jones, Day, Reavis & Pogue in Washington, D.C., where he chaired the firm's worldwide Antitrust and Trade Regulation Practice.

James received his bachelor's degree in 1976 from Wesleyan University and his law degree in 1979 from the National Law Center at George Washington University. He joined the Federal Trade Commission where, from 1979 to 1985, he served in several positions, including Assistant to the Director of the commission's Bureau of Competition. In 1985, he joined Jones Day.

James interrupted his tenure to serve in the first Bush administration as Deputy Assistant Attorney General and later as acting Assistant Attorney General.

James returned to Jones Day in 1993. His practice concentrated primarily on antitrust matters, including mergers, acquisitions and joint ventures, particularly in the telecommunications, health care, information technology, and financial services industries. He has extensive international and regulatory experience in and out of government.

He assumed his current position on Dec. 2, 2002.

James has been active in numerous professional and public service organizations. He has held leadership positions in the American Bar Association's Business Law and Antitrust Law Sections and has been a member of the Antitrust Council of the U.S. Chamber of Commerce.

Mr. James was born in May 1954.

JACK FRIEDMAN: Honoring Charles James is a great pleasure for us. He has done so much — in government as head of the Antitrust Division of the Justice Department, in private practice, and now with one of the great corporations in the world, Chevron. I'd like to invite him to make the opening remarks and to thank him, the people here from Chevron, and the corporation itself, for the valuable work they do.

CHARLES JAMES: Good morning, and thank you for fighting San Francisco's legendary rush hour traffic to be here at 8:30. This is really quite an honor. I can tell you that I have been having that nightmare that people can have from time to time — suppose they gave a party and no one came! I just envisioned myself standing here, saying, "Well, it's wonderful to be honored, and I'm glad that I came!" This is special for me, because I get to share the podium with a group of people whom I've respected and admired for quite some time. [They're] great lawyers and friends of Chevron Corporation.

I have to say, as I look out into the audience, that this is reminiscent of the Chevron Law Managers' Conference. I thank you all for coming, as well, because you are so critically important to what we do at Chevron; and I thank a lot of my old friends. One friend of mine, Jamie Wareham, who is my personal lawyer, came all the way from Washington, and I'm particularly happy to have him here, as well as my colleagues in the leadership of the law function of Chevron, David Garten and Jerry Duck and Ken Schaumburger. These are people who make my complicated life a little easier. I certainly appreciate them.

I will talk a little bit about some of the legal challenges and issues that confront Chevron and companies like us. In the world of mandatory CLE, you very often come and get the very granular view of topics. You're not going to get any of that today. You're going to get big think, big speak, and big trends. I thought I'd start off talking a little bit about the challenges of corporate governance in today's world, where there are certainly many people who want to redefine the way that corporations operate and are governed. Just about every law professor with an idea about how he or she thinks the world should be is able now to get a proposal on your proxy and run it through the process. It will be interesting over the next couple of years to see how the Securities and Exchange Commission (SEC), the Delaware courts, and others resolve a lot of these issues. We have pending before the SEC right now a proposal that would be a step toward the direct election of directors by shareholders, which would be a marked change. We have several hundred comment letters out on the executive compensation proxy statements. Amazing how virtually every public company could get it wrong, according to the SEC; but we'll see how that works out.

We're going to talk a little bit about operating in the global environment, where companies are often asked to deal with the conflicting demands of governments all around the world. Our good friends at Microsoft got a healthy helping recently of what we refer to as "international comity," and that's comity — not comedy — in the sense that the European Union has now rendered its order. It is the exact *opposite* of the order that we rendered in the United States; and I wish my good friend Brad Smith a lot of luck figuring out what to do next. But that will be an interesting issue, and those issues certainly touch Chevron.

We're going to talk a little bit about the litigation morass today, its complexities and its costs and its consequences. Bobby Meadows is here, and he spends a great deal of his time litigating for Chevron. I can tell you that Bobby has handled some of the most interesting legal nightmares known to man. He's been defending us from those who want to blame us for global warming, and claims related to Hurricane Katrina. He's also defending us in a very large set of lawsuits where we are being blamed for putting a product in our gasoline that the government required us to put in. How do you get blamed for that? I have no idea, but we'll see how it works out in litigation.

Finally, we're going to talk about the overarching question of operating in the world of heightened government scrutiny and public scrutiny. That's certainly a portion of the litigation and operating climate today, where you have 24 hours of business news, where with any event that occurs you have Wolf Blitzer [CNN journalist] standing there, trying to make conversation for an hour and a half when nothing is really happening. But he usually finds something to say, and usually it's not too wonderful for the business community when he says it.

Bob [Mittelstaedt] has made a specialty in litigating some of Chevron's cases in which third parties are seeking to reform governments through lawsuits against Chevron, which is an interesting way of going about governmental reform. But it is something that's part of our environment, and Bob is going to talk a little bit about that.

I thought I'd start in a fairly provocative way, to get the ball rolling, by saying that I was congratulated for

being a young man — and I'm not. I just shaved my hair off so you wouldn't see the gray. I've been practicing law for nearly 30 years now, and I can say that it would be hard for me to remember a legal and regulatory environment that is quite as toxic as it is today. You have the situation where government agencies are printing subpoenas like they were handbills; you have litigation over every significant and insignificant issue of our time. Virtually any event prompts cries for new laws and new regulations; and those new laws and regulations themselves prompt needs for massive compliance efforts, because we now not only have to comply, but also we have to spend lots of time *proving* that we've complied and *documenting* that we've complied and *representing* that we've complied. This whole thing is really very challenging. It's certainly true that the business community brought some of this onto itself, but the fact remains that we now spend as much time trying to operate responsibly and profitably as we spend trying to prove to people who will examine our behavior in the luxury of 20/20 hindsight that we've done the right thing.

I can tell you that at Chevron we spend a great deal of time trying to do the right thing. We are *very* proud of the way that we operate. We have a shipping company that has an *amazing* record for spill performance. Our shipping company probably has spilled less crude oil in the last seven years than you folks in your homes have spilled coffee. But yet and still, with all of the efforts that we make at safety and compliance and other things, we still need some 350 odd in-house lawyers just to vindicate our legal rights and make sure that we stay on track.

Now, to talk a little bit about this environment. Many of you know I started my career at the Federal Trade Commission. It was the late 1970s and it was the end of the Carter Administration. The Federal Trade Commission had just been called by *The Wall Street Journal* the "National Nanny" because of some of its more interesting forays into the world of antitrust and consumer protection law. The very first case that I was asked to work on was something that Ted Kennedy had asked the Federal Trade Commission to start, which was a case to break up the then seven major integrated oil companies into some 28 independent refining, marketing, transportation, and E&P [exploration and production] companies. I can recall sitting there among my bureaucratic friends, talking about, "Gee, what do we think the oil industry *should* look like?" And "how should we structure this industry?" The fact that none of us knew anything about the oil companies or the industry or anything else, or had no stake or investment in it, didn't bother us at all. It never occurred to us that we might not be the right people to make those decisions. Fortunately, that piece of litigation collapsed of its own weight, but that experience helped shape my very strong fear about what happens when people start interfering in the economic realm.

As my views began to mature, it became clear to me that legal and regulatory policy in the United States swings like a pendulum: We have fervent populism; we have laissez faire. It sort of depends upon the national mood at the time and the business operating circumstances. Those of you who know me know that I have spent most of my career trying to nudge that pendulum over to the right. Unfortunately, we've never managed to get it all the way over there and keep it there. But, in the words of Jesse Jackson, "Keep hope alive."

I think it's pretty clear to the people in this audience that that pendulum has been stuck over to the left for the better part of this past decade. It's interesting that every time I sense that it's about to swing back in the opposite direction, I pick up the newspaper and I read about some new corporate scandal or semi-scandal or alleged scandal, and things seem to get stuck. So there we sit. I think everyone in this audience is familiar with the work the Manhattan Institute has done on the astronomical costs that what I call the "litigation industry" has imposed upon our society, and there's not a lot of controversy about that. It's an interesting thing that the category of people called "plaintiffs' lawyers" ranks down there with Congress in terms of public satisfaction with what they do. But that said, they are like Congress in the sense that no one likes Congress, but everybody likes their own Congressman. I think the same thing is true about the plaintiffs' bar.

We're also familiar with some of the work that's been done at Columbia University Business School, showing how litigation and hyper-regulation in the United States in our public securities markets is causing capital flight and movements to private equity here. So, as you look at all of this regulation, certainly at its core, much of it is well-intended. I doubt that many of our public policy gurus sit down and say to themselves as they wake up in the morning and have their coffee, "Let's see how I can wreck the economy today." But a lot of this stuff gets sideways. The real question that we ought to be asking is whether, in the final analysis, all of this is creating benefits to consumers or investors, or whether it's really just transferring wealth to bureaucrats and trial lawyers. As you might suspect, I have a perspective on this; and I'm going to offer a little bit of it today.

I know this is hyperbolic, but it's interesting to me that the entire manufacturing world is now moving to Communist China to get a favorable deregulated operating environment. I think that that shows you how far things have gone.

You can trace all this stuff, and it's easy to blame it on the dot.com crash and the corporate scandals and anti-business bias in the news media and class warfare and presidential campaigns. But I think, as lawyers, we have an obligation to look at these big societal issues as something more than the *Time* magazine version of reality. I hope that we'll talk today about some of these issues.

People gave me a microphone this morning, and so I've got a platform and a captive audience today. So I thought I would spend a couple of minutes talking about my new favorite pet peeve, and that is what I call the "plaintiff-less lawsuit." I think everyone in this audience has watched with great interest what's transpiring with Milberg Weiss; and, without gloating about those events or their potential impact on some of the individuals there, I think one of the more interesting things is that just like Enron and MCI begat SOX [The Sarbanes-Oxley Act of 2002, Public Company Accounting Reform and Investor Protection Act of 2002], the real question is, what is this situation going to beget for the courts and our judicial system? Because this activity reflects a problem, a soft spot in our legal system that we ought to be thinking about and talking about and debating. And I encourage you to do that.

Two years ago, we announced our proposed deal to acquire Unocal. We announced it on a Friday morning about 5:00 a.m. Pacific time, in order to do it before the markets opened in New York. By 11:00 a.m. Pacific time, we'd gotten our first securities suit challenging the deal.

Earlier this year, the *Financial Times* ran an article speculating that our company was on the verge of resolving an investigation over the "oil for food" controversy. It just ran the article saying, "I think that a settlement's possible" and nothing very much more than that; but that day we got a shareholder derivative action filed. No settlement has been reached in that case, and so it is in a sort of suspended animation; but it was filed within hours of the first news reports.

Just recently we received dismissal of a claim made by a plaintiffs' lawyer that Texaco's oil operations in Ecuador almost 20 years ago had caused people to get cancer; and as we began to unpack that claim, we discovered that the plaintiffs' lawyer, who hadn't been in Ecuador at any time in the last decade, had just e mailed back to his friends there and said, "Jeeves, would you get me five people who live near oil opera-

tions and could get a doctor that says they got cancer from oil operations, and give me those names." And as we unpacked that and put the evidence before the court, it became clear that (a) they didn't have cancer, and (b) they'd never authorized this particular lawyer to file suit on their behalf.

Just last year, we won an 8–0 Supreme Court victory in an antitrust challenge involving what were once Texaco's refining and marketing joint ventures with Shell and the Saudis. In the court's unanimous decision, it went out of its way to point out that this venture, which had been reviewed backwards and forwards by the federal authorities, created a unitary entity that was incapable of conspiring with itself for antitrust purposes. We won that case 8–0; but just last month, the very same plaintiffs' lawyer held a big press conference to say that he was bringing that same case again, under a new theory.

The common theme in these things seems to me to be that these are controversies that are manufactured by and for lawyers. You can talk to me from now to the end of eternity, and you are never going to convince me that in the four hours between our announcement of the Unocal deal and the filing of that lawsuit, that the Unocal shareholders became so indignant that they needed to run into court and file an action. You're never going to convince me that just in that miniscule period of time after the news report about the "oil for food" matter, sentiment within the shareholder community had galvanized to the point where a lawsuit needed to be filed. So I think you can see, in these circumstances, that what we have here are lawsuits that are manufactured by lawyers and for lawyers.

Here in California, the business community had to undertake a massive ballot initiative just to get the simple proposition that people suing under the Unfair Business Conduct statute actually had to at least *allege* that they personally were harmed. You wouldn't think that a proposition like that would be as controversial as it has turned out to be.

Now, as a corporate general counsel, I can certainly tell you that these types of lawsuits — the lawyer-manufactured lawsuits — are a lot more difficult to contend with than the lawsuits that are filed by genuinely aggrieved parties. Genuinely aggrieved parties are people whom you can reason with, because there is something that's happened to them. You can have a sensible discussion about why it happened and how it happened, and you can resolve that lawsuit. The lawyer-manufactured lawsuit, on the other hand, is an investment. It's an investment in "how can our legal system be used to produce a certain economic result" for them and against us. It's an unfortunate issue, and I think the long-term health of our legal system, and certainly the way in which lawyers are viewed, and the way in which companies are going to be viewed in the past, really depend on our ability to balance the need to have vehicles such that multiple parties injured by the same conduct can recover and the consequences of just opening up the doors to any lawyer who can think up a legal theory, file a case, and begin litigating against a company.

> "We at Chevron are firmly committed to what we call the 'Chevron Way.' Reduced to its essentials, it means that we are trying to sustain high performance in an ethical and responsible manner. We say, in shorthand, 'We try to get results the right way.'"
> – *Charles James*

The class action system is in need of reform. It's unfortunate that there's no real significant movement on that on the federal level. What's been done in the states has been helpful, but in our system, with airplanes and fax machines and the fact that there are these places known as "tort hell" (somebody else's term, not mine), it points to the need [for reform]. I think that the courts really need to become much more open to investigating and sanctioning claims of barratry by lawyers who are litigating without clients.

Most important, Congress and the state legislatures need to become far more circumspect about passing these open-ended statutes that enable suits by so called "private attorneys general". Among other things, you know, we really need to return to the real Constitutional principle of legal standing in order to make sure that things get balanced in the appropriate way.

Now, I admit to you that mine is the perspective of somebody who's usually on the receiving end of these activities. We certainly have a long list of them on our docket. I recognize that every plaintiffs' lawyer in the country portrays himself as a "victims' rights lawyer," championing the causes of harmed consumers and swindled investors; but I would ask the people in whose names these suits are filed whether, at the end of the day, when they get their coupon or their $19.99 financial reward, is it really worth it in comparison to the monumental fees that the lawyers seem to extract from this process. I would also ask the people who pass these laws whether they truly and honestly believe that having litigation against companies is the best way to get the precise, non-harmful regulatory results that they desire. I'm thinking the answer to those two questions should indicate the need for some reform.

We at Chevron are firmly committed to what we call the "Chevron way." Reduced to its essentials, it means that we are trying to sustain high performance in an ethical and responsible manner. We say, in shorthand, "We try to get results the right way."

As someone with a very good view of the liability we face as a company, I can say without equivocation that as it presently operates, our legal system isn't serving the interest of our stakeholders: not our investors, not our employees, and certainly not the communities that we operate in.

Our company occasionally makes some mistakes; and when we do, we have to shoulder the responsibility for doing that. I think we have an excellent record of doing that. I think we have an excellent record of looking at situations where there is potential for problems and moving very swiftly to address those. I think most of the people in this room have come near Chevron in one form or another. As my friends from private practice come around us, they are almost amused at our "safety moments" and our "safety principles" and the fact that here on my belt, I've got my "safety principles" (so in case I am about to step down some stairs, I remember how I'm supposed to do that). But I think the real issue that we all face here is that so many of our legal resources in today's environment are devoted to this "do loop" of not only trying to do the right things, but documenting the fact that we're doing the right things, and being prepared to deal with people who are going to look at them in retrospect, in 20/20 hindsight as I said, and also to impose upon us the standard of "what you knew or should have known" as they judge the conduct in which we have engaged. I think a lot of the resources that were devoted to these things would be better for our shareholders and better for communities and certainly better for our employees, if they were devoted toward finding more energy resources, building more production capacity, and expanding the benefits of our business.

The business community has been, I think, very cowed the last several years. If you were someone who stood up and said that any aspect of these laws and regulations was a little bit problematic, you were labeled as a "bad person." You were labeled as someone who was an "anti-reform" or "status quo" person. Now things are getting to the point where after nearly seven years of practiced reticence, people are beginning to think about how these companies are operating. The simple fact of the matter is that if you look at the worst of the scandals that have taken place in the business community, they involve such a tiny fraction of what people at companies are trying to do and the number of employees who are trying to accomplish things. So I'm hopeful that in the near term we're going to start seeing this pendulum swing backwards so that companies can do business, so that our lawyers

can stop looking so haggard and spend some time doing some positive things like maybe playing golf (I said that for Jerry Duck) or whatever they want to do.

I sincerely believe that through these kinds of things that the Directors Roundtable is doing, and by forcing people to confront who the business community truly is and what business is really trying to do, that we will begin this process of healing our legal system. I call on lawyers, separate and apart from representing your own individual clients, to become advocates for change and not just to accept what's going on today as a necessary feature of our times.

With that, I say thank you and turn it over to people who have detailed things to say!

JACK FRIEDMAN: There are a number of interesting topics for us, stimulated by your comments. Each of the panelists will speak briefly on a topic in his or her own area, and then we'll have an interaction among the distinguished panelists. Toward the end, we'll open it up to interaction with the audience.

I'd like to introduce our first speaker, Terry Kee. Terry is a partner with Pillsbury Winthrop Shaw Pittman LLP.

TERRY KEE: First off, I'd like to say, and I know I'm speaking for all the panelists here, what a privilege it is to participate in a forum like this, to honor our keynote speaker, and to honor the fine company that he represents. Charles, you really exemplify Chevron's values. You're a strong and courageous leader, and you've contributed greatly to the company's success. I'm proud to support you in all of your and Chevron's efforts to do the right thing.

As the corporate lawyer on the panel, I thought I would sketch out for you what a corporate lawyer understands as "doing the right thing." It's worth reminding ourselves that corporations developed and exist today in order to encourage the productive use of capital. The shareholders have the ultimate claim on the corporation, and they expect a solid return on their investment. Fulfilling those expectations is a good thing, and not simply for the investors. Through the intelligent use of capital, corporations make goods that people need. They provide employment that supports lives of dignity and purpose. They relieve governments of the need to perform some services themselves, and they generate tax revenues to use on other services.

When you look at it this way, virtually everyone is a stakeholder in corporations. The different ways in which people *can* be stakeholders create competing claims. It takes a kind of regulation to sort out, prioritize, and resolve these claims. By regulation, I mean not only legislation — for example, the corporate laws that provide a useful governance framework — but also litigation, which has created a large corporate common law around a few core principles.

Some regulation is clearly necessary. We all benefit from having clear rules of the road. Corporations welcome regulation when it gives clear and reasonable direction. A well-run company, like Chevron, will make it a policy to adhere not only to the letter of the law, but also to its spirit. What that means is that they will support the purposes for which the law was enacted. Only by doing so can there be any assurance that society will continue to welcome or even tolerate their presence and activities.

Of course, as Charles points out, not all regulation is welcome or even wise. In this case, it's not only proper, but it may be necessary, to try to change it. The law permits, and society must accept, the right of corporations to voice their concerns about regulation. Not doing so could fail to meet the legal duty that managers owe to the owners of the enterprise. The business community, therefore, is always within its rights to seek to reduce the costs of regulation, including recently, when it sought to make changes in how the effectiveness of internal controls was documented — not simply, as Charles said, the need to have effective internal controls, but how you document that you do. When relief is granted from burdensome regulation, that too is a good thing.

But just as corporate managements can try to change regulation, so can others. Not everyone sees the way business is being conducted as a good thing. Large companies like Chevron are particularly inviting targets for this sort of attention. We all know the saying that "with great power comes great responsibility." We cannot deny that large corporations have tremendous resources. That's *some* measure of power. Of course, they need those resources in order to be able to tackle the projects they do — projects that are sometimes of unbelievable scope and complexity.

In Chevron's case, for example, the development of a new oilfield may require capital outlays in the many billions of dollars, the focused attention for decades of a large and highly skilled workforce, and the continuing cooperation over that time of many others, including partners, contractors, governments, and local communities. Development of the project would provide energy for economic progress and human development — fulfilling some of the core values of the Chevron Way.

But inevitably, some will oppose the project from being undertaken at all, and others will seek to exact a greater toll charge on the company for conducting that activity. That toll charge would be used to support other purposes. Some will try to justify that approach on the grounds that in some parts of the world, multinational corporations are more capable and more ready to address local needs than the host governments which license their activities.

But when regulation becomes confiscatory, whether this is done by governments or by private groups through litigation, this deprives the corporation of a fair return on its capital employed. For obvious reasons, that is not a good thing.

The court of public opinion, not to mention the law courts and legislatures, will continue to debate how much power companies like Chevron have and what responsibilities they must shoulder. As Charles referred to it, it's a pendulum that swings back and forth. We both agree that it has swung a little too far in one direction. The regulation will continue to evolve, both here and abroad, to reflect current views of how to apportion responsibility.

In responding to these developments, corporate managers and the lawyers who advise them must not fail to acknowledge the many claims that do exist. This is simply the landscape in which we all operate. But for now, at least, the claims of these other stakeholders cannot be absolute; and they cannot be primary, because, in this case, helpful regulation directs corporate managers to keep the owners of the enterprise first in mind. Charity is an admirable thing, but in the corporate world, only when it's consistent with the best interests of the owners. In the corporate world, that is precisely how you do the right thing. Thank you.

JACK FRIEDMAN: Karen Silverman is our next panelist. She is a partner with Latham & Watkins, LLP.

KAREN SILVERMAN: Thank you, Jack. Like Terry and, I'm sure, the others up here, we are all extremely honored to be here to honor Charles, whom I've known for many years. Charles has been an extraordinary teacher and friend for many, many years; and it has been a pleasure watching him move from role to role and fill each of them, make each of them his own, and in such an extraordinary and principled way. I think some of what Charles described for you this morning really does encompass and capture how carefully and thoughtfully he approaches problems. So, it is a pleasure to be here on the stage with him and with many of his other colleagues and supporters.

What I intend to address today is not meant as good news or as bad news. It is the observation, in essence, that some of the phenomena that Charles described earlier and Terry just addressed, don't play out just in

a U.S. national environment, but actually in a global one. To the extent that we've got issues and an environment — toxic or not, reforming or not — we need to think about those issues and these solutions in a global context.

Beyond the obvious observation that Chevron is a multinational corporation and operates in many jurisdictions and is subject to many different local regulations, one of the things we observe now is a shifting in the kind of issues multinational corporations face — and this affects Chevron and many other companies around the world – it is not just that they operate and have logistical and legal requirements in specific jurisdictions, but rather that the issues they face are by their nature interrelated across jurisdictions – often arising in many places at the same time. As one of my partners (not the famous philosopher) said, it's a little bit like the butterfly that flapped its wings and caused a tornado across the world.

The conduct and the decisions that can be made in one location or around one set of issues (and if you're talking about intellectual property, it can be an interesting question about where that ever occurred in the first place) can have these implications and repercussions in many other places, some of which are intended, others of which may not have been intended or even anticipated. And what kind of questions, pressures and challenges does that present for Chevron and the lawyers who try to guide it and advise it?

The international and global phenomenon has accelerated, and I can describe that in a minute. There is a complexity, as well as logistics and mechanics aspects to this, in trying to fathom how decisions in one place or challenges in one place can have these implications elsewhere.

But it's also trying to understand and anticipate the opportunities and the threats that arise because of this interrelatedness and globalization. I've concluded, at least for the time being — and I'd be interested in others' views — that this is a set of issues that is much more likely to be managed than to be solved in the short term. It's up to the lawyers to anticipate and consider thoughtfully how they would like to see some of these issues resolve. I think if you talked to the people at Microsoft today, there may even be differing views within the company about the timeframe in which this whole episode played out, in front of which organizations and which authorities, and where their money and time was spent in attempting to resolve this favorably for them.

That's a topic that could take up our entire morning, which we will not permit it to do. But it's a good example of where conduct that was essentially the same in the United States and in Europe and in Korea and in Japan and in many other jurisdictions where it's been reviewed, has been evaluated ultimately and had consequences attached to it that are very, very different. And they are very, very different not because the activities were different and not because the actors behaved differently in one environment or another, but because different principles were brought to bear on precisely the same set of circumstances, and that yielded different results.

I think, quite honestly, Microsoft anticipated that it would; and other companies faced with business practices that are being reviewed in multiple jurisdictions can and should anticipate and factor into their thinking that those practices will be evaluated not just by local standards, but by evolving standards, which raises another level of complexity.

Two other things that I would observe in this context are, first, that whoever you are, your adversaries are equally sophisticated and know this, too; and they show up in all sorts of environments — sometimes it's business or strategic; sometimes it's just protecting legal rights; sometimes it's opportunistic. Coke and Pepsi have been at each other globally for years and years and years in jurisdictions that now have become very active litigation environments and regulatory environments. Intel and AMD, same thing. You see these issues erupting all over the place — the private business strategy and conflicts that are being worked out on a global scale.

You've got NGOs [nongovernment organizations] that have essentially forum shopped to most aggressively advance their causes. These are very sophisticated organizations working both with and against corporations based on very specific issues. The NGOs have certainly figured it out.

I think the plaintiffs also have figured it out. My second major observation is that for all the earlier observations made here about how the plaintiffs' and particularly the "plaintiff-free" litigation has evolved in the last couple of years, the bad news, if you're standing where I'm standing, is that that's all being exported. What we're seeing now is that jurisdictions that never had private rights of action before now do. The class plaintiffs' lawyers from the United States have colonized, essentially. They've gone out. They're now showing up in a variety of jurisdictions and filing lawsuits in legal systems that have to invent new rules to deal with these class-type suits; they don't have even the mediocre basis and history you find in the U.S. for resolving them and for sorting out the credible claims from the non-credible claims. From a litigation perspective, it's the Wild West now, in my view. Not here, but elsewhere.

Then you've got our U.S. law enforcement authorities enforcing the criminal laws, among others, more aggressively than ever against foreign actors for conduct that has some effects in the United States, either effects on U.S. consumers or U.S. businesses. Our law enforcement authorities are being extremely aggressive in terms of prosecuting individuals and companies and extraditing their executives to serve time in jails in the United States for cartel activity, for instance, that occurs exclusively overseas.

You've got foreign plaintiffs (individuals and classes) who are trying to bring lawsuits in the United States against foreign companies and U.S. companies for conduct occurring overseas where the injury arguably occurred overseas, as well. Some of the cases that we circulated today are just meant to give you a sense of the kind of jurisdictional arguments that are being raised by lawyers and by plaintiffs as they work through whose issues are justiciable where.

For a company like Chevron, which is really transnational more than multinational, this presents enormous risks and opportunities and threats, as well as questions about how you plan and how you try to anticipate the consequences of business decisions and conduct, let alone events that are occurring elsewhere. It's a credit to Charles and to his organization that they think about these issues ahead of time. They view these as part of the planning process. Everybody is surprised by specifics from time to time; but generally speaking, these issues are understood and they're managed within the legal department as part of the very core and critical counseling and advice that they provide to the executives. That's an enormous service, and I would encourage everyone to be thinking hard about how you can support the corporate counsel and this legal function in really trying to understand and anticipate the effects of globalization on the legal issues. It's not just how you operate elsewhere; it's how you think about your existing problems and the effect that they can have in other forums.

JACK FRIEDMAN: Before Bobby speaks, I want to ask you something, Charles. People have the stereotyped image that an oil company's assets are basically just iron and steel-ships, refineries, pipelines, oil rigs, and all that sort of thing. Could you describe what some of the other assets are? Two come to mind. One is your intellectual property portfolio and another is the people side of the business — how many people and the investments that the firm makes to train them and so forth. I think it would be good to round out what the company is, beyond the hard asset part.

CHARLES JAMES: If you look at any of our annual reports and glossy published materials, we talk about human energy. One of the most significant things for a company like Chevron is that our business proposition is based on our expertise. The oil and gas assets that we ultimately turn into energy are largely owned by foreign governments, including the U.S. government, which seems very foreign to me from time to time.

What we bring to the table as a company is our ability to turn those resources into products and molecules and power. So what we offer the countries around the world that invite us in and make us their partners is this knowledge. This knowledge is in expertise; it is in the skill of our workers; it is in the ability to execute (and execution is a big portion of the Chevron proposition) these projects safely, on time, and on budget. We will spend billions and billions and billions of dollars on our capital and exploratory operations during the course of the next year, and most of that is stuff that people have been doing for centuries. It's our task and obligation to do it better and more efficiently, and to have the scale and scope of operations to pull it off. It will involve some 110,000 fulltime equivalent employees, billions of capital investment, and a resource base of just metal in the ground that would scare people. People always get focused every year on the fact that we made $14 billion or we made $17 billion, or whatever we made, during the course of a year. I always thought that the more significant thing would be the return on capital investment; and the reason that our earnings number is so big is because our investment number is so big. We're not really that much more profitable than your average grocery store in the end — we just got more money in the gate.

JACK FRIEDMAN: Thank you. Up next is Bobby Meadows, who's a partner at King & Spalding LLP.

ROBERT E. MEADOWS: Good morning, ladies and gentlemen. I, too, want to congratulate you, Charles, for your recognition here today. I also congratulate you for the high quality and high level of performance that you've brought to the Chevron law function in your tenure as general counsel.

The topic that I was given is 'litigation issues that are confronting energy companies today' — and I was told to do it in seven minutes. The problems on the litigation landscape today for an oil and gas company, an international oil and gas company in particular, are immense. In fact, as I was thinking about how to make that point to you today, I struggled to think of another industry or another company that is under the same level of attack as an international oil company. And I, frankly, can't think of one. The pharmaceutical companies come close, but not really.

In the limited time that I have, I believe the best way to make the point is to give you a few examples of the types of problems that Charles and all of you face. He mentioned the Katrina litigation. There was a class action filed in New Orleans after Hurricane Katrina. Residents of 17 parishes took the position that the oil and gas industry had over time dredged canals and used them in a way that had depleted the wetlands and the marshlands, damaging the Louisiana coastline in a way that it could not absorb the winds and the storm surge from Hurricane Katrina. As a result of that production and exploration activity, the claim was that New Orleans and the other 17 parishes sustained significant, increased damage; and the oil companies were responsible for it.

The problems with the case are obvious. There are clear cut standing and political question issues — the governmental entities in Louisiana and the federal government have been promoting oil and gas exploration along the Louisiana coastline for decades; and in the end, a federal judge dismissed the case. But can you imagine the interests of the plaintiffs' lawyers in trying to get that case in front of a jury? And it just shows you the level of activism and creativity that we confront — and you confront — with the plaintiffs' bar. An even more ambitious example of this occurred in another class action case, *Comer v. Murphy Oil*, filed in Federal court in Mississippi. This suit was filed against the major oil and gas companies, coal companies, chemical companies, and utilities, on the claim that the activities of those industries were responsible for the greatest release of greenhouse gases and resulting global warming, which magnified the intensity and damage of Hurricane Katrina. Again, that case did not survive a defense motion. The court concluded, fairly, that the problems with global climate change shouldn't be resolved in a federal court in Mississippi. But the plaintiffs' lawyers are very interested in climate change litigation, and I think we're going to see more of it.

Charles also mentioned the MTBE [methyl tertiary-butyl ether] claims that the company faces in hundreds of cases around the country. As a result of the Clean Air Act Amendments in 1990, the use of MTBE in gasoline throughout the country increased to meet oxygenate levels required by Congress to address air pollution. It worked. MTBE in gasoline had a very important effect on air quality, and the EPA [Environmental Protection Agency] approved it, and still approves its use. But when gasoline with MTBE is spilled or leaks from underground storage tanks, it can cause problems in groundwater. Largely ignoring the party or conduct that caused the spill or leak, the plaintiffs come after gasoline manufacturers on the claim that gasoline with MTBE is a defective product, unreasonably dangerous and the oil companies, Chevron among them, are responsible for damage to groundwater as well as punitive damages. So, the government required the product and the oil companies are left to defend it.

Even when there is some success in the courts, there is often no relief. For example, the area of False Claims Act litigation, this is the act that President Lincoln passed in 1863 that dealt with profiteering in the Civil War. It has been around for 144 years and it affects oil and gas companies in the very complicated issue of calculating and paying royalties, where underpayments can become fraud claims. Very recently the United States Supreme Court ruled that before a claim can be made by an individual on behalf of the government, the individual claimant must have special knowledge of the facts underlying the claim. The ruling places a real limitation on the bounty hunting element of this type of litigation; it pulls the litigation in somewhat. Before anyone could celebrate, a bill was introduced into the United States Senate by Senators Grassley (R-Iowa) and Lahey (D-Vt.) and others, called the "False Claims Act Correction Act," to undo this ruling by the United States Supreme Court.

All of these cases, which are just examples, are truly small compared with the problems that the company faces with having its assets expropriated in foreign countries. Ignoring the level of risk and investment that Chevron and other international oil companies have made in foreign countries, we are now seeing state-owned oil companies take the position that they want to have a more active involvement in the projects, and unilaterally claim a greater share in the revenues.

So the problems are varied, they're immense; they involve very high exposure; they're very dangerous; and I think the company is fortunate to have Charles at the lead in dealing with such a complex array of challenges.

ROBERT MITTELSTAEDT: I'm Bob Mittelstaedt, and my topic today is the challenges in litigation in an international environment.

Like all the other panelists and everybody here, I am honored to be here today to congratulate Charles. I think it's a tremendous testament to Charles's contribution and his stature in our legal community that we have such a large crowd here today. Even more important, we've gone over an hour and there have been very few people using Blackberries. I think that shows tremendous respect for Charles.

For those of you who know my law partner, Tim Cullen, I'm sure you were looking forward to hearing

the presentation by him. I'm filling in for him, but I did ask him if he would be kind enough to share a copy of his draft remarks. He told me that he had, for discipline's sake (and Charles, you would know this better about Tim than I), drafted them in classical Latin verse, whatever that means. I can't read that; so I'm left to my own devices, and I thought the best thing to do would be to try and emulate what I've learned from Charles in the four years that we've worked together — and that is to cut to the chase, look at the big picture, and if at all possible, be a little provocative.

I'm going to talk about three things. One is, what's wrong with the Alien Tort Statute, which is a statute being used against Chevron in several cases. Second, I'll talk about some practical problems faced by the company with litigation overseas; and then, third, I'll talk about one success, and that has to do with Proposition 64 and its impact on litigation against the company.

But let me start with the Alien Tort Statute. For those of you who don't know, it was the second law passed by the first Congress in 1789; and it was, and still is, one of the shortest. It basically says any alien can sue in United States courts for torts in violation of the law of nations. So aliens can sue here for torts in violation of laws of nations.

For the first 200 years or so, it was rarely invoked. Then somebody started using it against foreign dictators who happened to be vacationing or otherwise in the United States. More recently, it has been used against multinationals that have the misfortune of being based in the United States. The prototypical case these days is brought by a foreign citizen who is complaining about something that his government did to him on foreign soil; and even though the courts of his own country provide an adequate remedy, he chooses to sue here, largely because it's a lawsuit motivated by his lawyers, who happen to be United States lawyers. As Charles would say, there's something wrong with this picture — and there is.

By one count, there are over 36 cases pending today against multinationals under the Alien Tort Statute. Many — too many of them, I say — fit this fact pattern. These are *not* cases where foreign plaintiffs are out of luck and have no recourse in their own countries. Their gripe is not with the United States government; it's not even directly with a United States company. Instead, their gripe is with their own government, either directly due to conduct by the government or indirectly because of their claim that their government does not provide an adequate remedy or a swift enough remedy.

An example is the *Rio Tinto* case pending before the U.S. Court of Appeals for the Ninth Circuit now. In that case, the residents of Papua New Guinea made a variety of claims; but one of the claims was that they were discriminated against in employment in a mine run by Rio Tinto. Their discrimination claim is that they were paid less than workers brought in from other places. As contemptible as any type of employment discrimination is, there is a serious question whether the United States should be providing a forum for employment discrimination cases arising elsewhere.

I hope that the Courts of Appeal and eventually the Supreme Court will rein in this statute. Right now, we are awaiting important rulings from the Ninth Circuit in the *Rio Tinto* case, where Chevron is an *amicus*, and, perhaps more importantly, from the Second Circuit in the apartheid case where Chevron is one of over 100 defendants. In that case, the issue is whether companies that did business in South Africa during the apartheid years are liable as aiders and abettors for the horrible wrongs committed by the government. The district court held that the Alien Tort Statute did not permit aiding and abetting liability; and if upheld on appeal, that decision will go a long way toward curtailing the misuse of that statute.

There's an even more basic way, I think, to curb that statute, and that is to go back to the original meaning. In 1789, I am told, "foreigners" was defined as anybody who lived in a foreign country and was not a U.S. citizen. But "aliens" was a subset of "foreigners." "Aliens" meant people who were not U.S. citizens, but were living in the United States. So the original intent, according to that line of argument, is that the statute should be limited to use by people who lived in the United States.

There's yet another way to limit the statute, and I'm hoping that when the Supreme Court eventually faces the issue head on, it will rule in this way. It hinted at it in the Sosa decision two terms ago, where Justice Suter said it is one thing for the American courts to impose constitutional limits on the power of state and federal governments in the United States, but it's quite another thing to consider suits under rules that would claim a limit on the power of foreign governments over their own citizens, and then to go the next step and to hold that the foreign government or its agents transgressed those limits set by the court.

That's exactly what the courts should not do. U.S. courts should not try to regulate the way a foreign government treats its own citizens on its own soil.

It's clear that if the Supreme Court does not ultimately curtail the use of this statute in these kinds of fact patterns, it's going to put multinationals based in the United States at a serious competitive disadvantage when they're operating in the global marketplace, compared to companies based in other countries that don't have this kind of regulation.

But if worst comes to worst, and this is my second point, and these cases need to be tried, they still can be won in the old-fashioned way. The Drummond Co., a mining company, just won an Alien Tort Statute case in Alabama courts. After the adverse verdict, the plaintiff's lawyer complained that it was difficult for them to get the evidence they needed, because their witnesses were in jail in Colombia. The irony is that that's usually the problem faced by the defendants in cases like this. There are serious, real-life, practical problems in litigating cases like this in U.S. courts, where all the conduct took place overseas.

First, there is a serious problem, believe it or not, in plaintiffs making up claims. I say it that way because most of the cases we do here, when plaintiffs sue and claim they bought some stock or they bought the product you made, chances are they really did do that. They may not have a legitimate claim, but at least they are who they say they are, they bought the product, and you get past that first phase.

We have two cases, one arising out of Nigeria and another out of Ecuador, where that's not the case. In the Nigeria case, a plaintiff came in, testified that she was at this village on a particular day when the military swooped in and chased her into the bush and shot her from a helicopter. At the deposition, she showed us the entry wound. It didn't quite make sense, because the entry wound was lower than the exit wound, which would have been the opposite if she had really been shot from a helicopter. And there were some inconsistencies in her story. But I still found it difficult to believe that she was just making it up; she was 13 years old. A couple of months later, we had the good fortune of taking the deposition of somebody else from the village, whom the plaintiffs put on to testify for a different reason; and she admitted that this young girl didn't live in the village and wasn't there on the day in question. Another plaintiff sued, claiming that his aunt had been killed in the same incident. We were lucky enough to find a reference in a Nigerian local paper six months earlier, reporting that that woman had been killed at that village by gunfire, but not by the military, by a rival tribe. So those two claims were dismissed.

But the point is that it's not enough to dismiss claims like that. Something ought to happen to them. But nothing happens to them, because they're in Nigeria — or pick some other country.

I think the reason we face more frivolous claims from overseas is that there is little disincentive. The people do live in desperate situations. Playing the lottery by filing a lawsuit here has a lot of appeal; and if they get caught, nothing happens to them. You can't sue them for malicious prosecution; the court can't impose sanctions; nothing happens to them — unless you get a judge who is willing to apply Rule 11. In the Ecuador case Charles mentioned briefly, we had two plaintiffs who sued, one saying that her son was diagnosed by a doctor in Ecuador as having leukemia; the other claiming that she had breast cancer and had been diagnosed on a certain date.

At the deposition, the two plaintiffs admitted that those stories weren't true, that they made them up because they thought they would help their case and help them get money against Texaco.

There was evidence in those cases from the plaintiffs themselves that they had not authorized their lawyers to bring those particular claims and that they did not know what was happening, so Judge Alsup, even as we speak, is considering imposing monetary sanctions, having already dismissed the claims as terminating sanctions.

The plaintiffs' argument in opposition to Rule 11 was that there should be a lower standard for investigating when the claims come from a foreign country. Their reasoning was that it's really hard, when you're dealing in these corrupt countries, to ferret out whether a claim is good or bad. Judge Alsup, from the bench, asked the question, "Think of the most corrupt country in the world, where you just can't trust the people." And the plaintiffs' lawyer said, "Well, let's take Ecuador." And the judge says, "Well, don't you think maybe you have a heightened duty to investigate in those circumstances under Rule 11?" As I say, that matter is under consideration, and we'll see what happens.

The other practical problem is trying to take discovery. This is a problem beyond the question of whether the Hague Convention applies. These people, whether in the Nigerian delta waterways or the Ecuadorian rain forest, are beyond subpoena power. They hide out. Even if you can identify who the good witnesses would be, there's no way to get them. So we're at the mercy of whatever witnesses the plaintiffs want to bring forward. Hopefully the jury will understand the disadvantage we're at. Finally, it's difficult in some of these cases, in some of these countries, to get the government's cooperation. So when the company is being sued as the agent of a foreign government or in regard to the conduct of the foreign government, you're at a disadvantage, because the foreign government won't come in and testify for you.

Let me just mention a success under Proposition 64 here in California. If all else fails, and if the Alien Tort Statute gets cut back, and if courts don't let these cases be brought in the United States for other reasons, the last refuge of the plaintiffs' bar is to say, "Well, okay. When we sued you, you made public statements denying liability. You denied that you did anything wrong, and under *Nike v. Kasky* and §17200, that's an unfair business practice; and you should be held liable for that." It's a great statute for the plaintiffs, because it gets them jurisdiction in the United States where the corporate offices make these press releases.

> "Our lawyers in the Chevron legal organization are encouraged to understand that there are circumstances when their legal advice has to include the question of legal risk, because very few things are black and white." — *Charles James*

In the Ecuador case, they sued on that theory. Judge Alsup threw that claim out, on the grounds that they were not injured. They tried to argue that somehow the statements denying liability meant that Chevron would not pay them settlement and would not give them restitution. Judge Alsup found that that stretched the bounds of advocacy beyond the breaking point, and that these people did not have a vested right in restitution.

In the Nigeria case, they brought a §17200 claim in state court on behalf of the Nigerian class and on behalf of the California class. The Nigerians' theory was that these false statements allegedly somehow injured them, because it hurt their standing in the community. The Californians claimed that they bought Chevron gasoline believing these statements; and if only they had known the statements were untrue, they wouldn't have bought Chevron gasoline.

Their problem was they needed to find a plaintiff who could actually figure all that out and say it. The plaintiffs were all activists, and they came in and said, "I wouldn't believe a word that Chevron said. And I wouldn't buy gasoline based on anything they said." So Judge McCarthy has thrown that claim out, as well.

Those are some of the challenges faced by a company like Chevron in dealing with litigation in U.S. courts based on conduct overseas. Thank you.

JACK FRIEDMAN: As the chairman of the event, I have the privilege of asking a variety of questions before we open it up to the audience.

I'd like to start with some close-to-home questions, and then move to broader issues. A close-to-home question is the following: You mentioned that you had something like 350 lawyers at Chevron. Is that correct?

CHARLES JAMES: Somewhere around that count, yes.

JACK FRIEDMAN: Could you tell us just a little bit about how you are organized and how you deal with outside counsel? This, by the way, is a favorite topic of the law firms who are in the audience.

CHARLES JAMES: Our principle here is that we try to get our lawyers as close to the legal problems as we possibly can. We lawyers who are embedded in operating companies are tied together by our common systems and processes and rules and regulations as a company. We are basically divided into two principle operating companies — one, our upstream (exploration and production), the other our downstream (refining, marketing and transportation). We do have a number of other businesses; they tend to be represented either by their individual general counsel or by our Corporation Law Department.

We identified early on two very specific needs to have cross-platform representation. One is in environmental law, so we have a globally-based environmental law practice headed by Margaret Hoffman. We also have a major capital projects group that does the contracting associated with our major oil and gas installations and refining and marketing operations around the world.

That's basically how we're organized. I'll describe how we deal with outside counsel and watch my panelists grimace here. Our principle here is that our core operating business as a law function is really in the operational aspects of our business. Contracting, intellectual property, those types of activities are what we want our lawyers focused on. That means that we want our external lawyers largely focused on our disputes, and so virtually all of our litigation is conducted by outside counsel.

There are other aspects of our business where, for lots of good and practical reasons and regulatory reasons, we use outside counsel, predominantly in the governance area. I think that the world doesn't necessarily trust in house counsel to be in control of certain governance issues, and so we need external counsel opinion and the independence that comes with that.

In general, our approach to dealing with outside counsel is that we want to have very strong partnerships with a select group of excellent law firms and lawyers. The reason we want to have those partnerships is because our business is so incredibly complex that for me to go off and hire the most well-regarded lawyer that you might imagine, who knows *nothing* about our business, means the first 2,000 hours on the bill is just us explaining how a refinery works, or how a pipeline works, or what have you. So we need to have these very strong partnerships. We have a preferred provider relationship with some 30 law firms. I think the law firms here are what we call our "tier 1" law firms, which means that they get the majority of our legal work and also that we rely on them as big, broad-based general practice firms that can accomplish a good deal of what we need. The other 26 firms are largely regional and specialty law firms.

There is an economic dimension to our preferred provider relationships; but we think the most important dimension of that is the expertise, knowledge of our company, and knowledge of the way that we want to attack legal problems, so that we don't have to explain to people about our proprietary litigation management system, which is called COBALT. We don't have to have that discussion. We don't have to have the discussion about Chip Dip [CPDEP], which is our decision system at Chevron. They understand our issues and can hit the ground running on our legal problems, because it comes from a foundation of knowledge about our business.

We are trying to be good partners to these law firms. By that, we mean we pay on time — we argue about the bills, but we do pay them, after the argument has taken place — and we call upon them to help us educate our executives; we call upon them to help us in a variety of other ways. I hope our lawyers around the company are there for you when you call upon us to help you with your events and your training and your other things so that the symbiotic relationship that generates excellence can really work for the benefit of the whole equation.

JACK FRIEDMAN: One of the things you were alluding to is the relationship between the legal department and operations. Starting at the top of the organization, what are some of the activities or responsibilities you have vis-à-vis the board? Let's just start there.

CHARLES JAMES: We have a Corporate Governance Department, and many of the people who are here — one of our Assistant Secretaries is here today — really own the governance process for the company. They support the board; they provide all of the pre read and what have you. They move them from place to place. Our board today is in Kazakhstan, and our Corporate Governance Department got them there.

We also have the responsibility for advising the board with regard to compliance issues. I attend all board meetings, principally for the purpose of advising the board on legal issues that come up. On a regular basis, we meet with the board's Audit Committee and do a complete review of investigations and other matters that relate to our controls and processes with the board. Twice a year, I give the board a detailed review of all of the major litigation that takes place within the company. Obviously, we work with the board and the company on the major transactions and circumstances that occur that require board approval or endorsement.

What we've tried to do as the law function is get our lawyers back into a role as legal advisors. In today's world, it is very easy for lawyers to become businesspeople and get that role confused. What we've tried to do at Chevron is to be legal advisors, and *only* legal advisors, and to be *available* to provide that advice on an on demand basis, and then also on a very systematic basis, to our board.

JACK FRIEDMAN: At one of our earlier events, the head of intellectual property (IP) in the legal department for one of the largest Hollywood studios described a real-life situation that I think resonates in any industry. I'd like to pass it by you and have you comment.

He said that "we're perfectly happy to support the business operations and not get in their way, because we don't want to have the reputation that the legal department is just a pain in the neck, and it doesn't have any value-added positively for the business." He said that "the problem we have is the following. I handle IP, and someone will literally come in and say, 'We've announced to the world that we're going to have a new Website to sell our products, and we were told that we have to get your approval of what appears on the Website before it goes public.'" The lawyer said, "I'd be delighted to help you out and review everything quickly. When is the Website going up? And he was told, 'In an hour.'" He said that is the problem, that people on the business side, don't really understand how to coordinate with legal. It's not just running a paper in front of somebody in an hour before a deadline.

So my question is, how do you further the working relationship and the understanding, going both ways, so that you don't get in the way of each other?

CHARLES JAMES: There are a couple things. One is that the predominant model through which we deliver legal services is on the ground, and so our lawyers are very close to the operating companies. Our lawyers sit on the leadership teams. Our lawyers participate in the strategic planning and development of business initiatives. Every once in a while, I have to catch up with a legal issue on a deadline; but most often, it's the case that our lawyers are integrated into the business process in a way that we don't get the issue of our lawyers being in conflict with business people.

That said, the fact that you are "involved" in legal problems is only meaningful if the involvement is real. When I first came to Chevron, I would ask a question about a legal problem, and they'd say, "Don't worry, Charles, the lawyers have been involved from the beginning." And I had to learn to say, "Yeah, but what did they say?" And, "did you *do* what they said?" The answer that often came back was, "Oh, that's a more difficult issue!" It is incumbent upon corporate lawyers to understand that you cannot give legal advice on what I call the "hand grenade method," which is you lob it in and duck for cover and hope everything works out very well. Our lawyers in the Chevron legal organization are encouraged to understand that there are circumstances when their legal advice has to include the question of legal risk, because very few things are black and white.

What we are committed to is making sure that the client really (a) understands the risk, and (b) that the risk decisions are being assumed at the right level within the organization. That means a business manager can't say, "Oh, that's just a legal risk — go ahead." We train our lawyers to stand up and to raise their hands and to raise issues, with me or up the line, to make sure that at every level our risk management decisions are being made after a complete analysis of the issues, with all of the external factors that bear on that risk considered, with all the stakeholder interests considered, where appropriate. Every once in a while I am a pain in the neck (or some other extremity) of some of our businesspeople. But over a longer period of time, what it has engendered is a greater respect for the law function. I think our clients have come to value the input we give. I think they view the input we give as a strategic advantage to them, so that very rarely do I have anyone come to me at 2 o'clock and tell me they want to do something by 3 o'clock, because they not only know that it's not in *their* interests to do so, but also it's not in the company's interests to do so.

And because I'm a generally unpleasant person anyway, it's just not good at all!

JACK FRIEDMAN: Just one more of what I call the "close-to-home" questions. What are some of the *pro bono*, diversity, or other people-oriented things that you get involved in?

CHARLES JAMES: One of the things we, at Chevron, are very proud of is our corporate commitment to diversity, and also the very significant progress that we have made on that front, not only within our own law function, but among our providers. Chevron set a goal several years ago to get its leadership to a certain numerical figure — I think it was like 23 something percent — within a certain period of time; and I think the period expired last June. And we have actually achieved that as a corporate metric. It has taken a lot of work to do so, because we're in an industry that goes through cycles that go with our business; and we have a very, very, very large contingent of 50 year-old white men in our company who've been there for quite some time, that corresponds to this business cycle issue. But we have achieved that.

We have also made major strides in increasing the diversity of our legal function and our Law Manager Group. I think it is probably true that the majority of the promotions that we've made over the last year into our Law Manager ranks are women and minorities. So we're proud of the work that we've done there. Lots of people ask, "Well, why is diversity the right thing to do?" And the answer is, "Oh, well, it's the right thing to do," or "we have to get a workforce that looks like the rest of the world;" and I think all of those things are well and good. But one of the things that I always say about diversity, and what I believe is the important thing, is that the way the molecules were organized, not all of the talent in the world belongs to white men. So what we've done in our law function is to assemble a hyper-talented organization by reaching more broadly into the base of people who have talent and putting those talents to work for Chevron.

Let me talk a little bit more about diversity for a second, in terms of one of the things that we've tried to do with our outside providers. There are a lot of initiatives around that want to use the stick on providers to become more inclusive. We at Chevron have had much more luck with the carrot. One of the things that we do is that among our preferred provider group, we survey their diversity characteristics — not only in terms of the firm, but in terms of the actual lawyers who are performing our work. Then we take the results of that survey and share it with the providers, so that they can see, in sort of a blind way, how their law firm stacks up.

The other thing that we've done that is unique, I think, is that we have put in place a diversity award, where we actually make a cash contribution to a charitable organization in the names of four law firms that we think have made the most progress in becoming more diverse. I know that two of the law firms that are up here have been winners of our diversity award, and that's Pillsbury Winthrop and King & Spalding. Jones Day and Latham Watkins can keep on running! And I hope you'll win it one day!

In the *pro bono* area, we again use more of the carrot than the stick approach. We want to be excellent, and so we thought that we would have some excellent lawyers come and talk to us. The first one that I picked was my own personal mentor, William T. Coleman. He came and spoke to our law function, and his remarks were so moving and his career, in terms of public service, is just so extraordinary, that our law managers decided that we would each kick in our own money to have an awards program where we would award the William T. Coleman award to the lawyer at Chevron who has done the most to encourage and to advance the legal profession. We're preparing right now to meet to discuss the nominees for our first-ever William T. Coleman Awards.

Rather than telling our lawyers, "You will go out and represent and do these *pro bono* things or those *pro bono* things," we've tried to provide a good platform for them to do so when they choose to do so, and to support them in the ways that they want to be supported. We're real proud of some of the major contributions that our lawyers make to both the San Francisco and Houston legal communities. And as we operate around the world, we're proud that our lawyers are

very often real leaders in their own legal communities and in their countries. Chevron is about opportunity. We talk about building human capacity; so our real concept in all the things that we do is to set the table, create the platform, create the resources, and let talent do the rest.

JACK FRIEDMAN: You were the Assistant Attorney General in charge of the Antitrust Division of the U.S. Department of Justice. I think if you were to ask even the most educated businesspeople, they'd say, "Oh, yeah, antitrust and oil, they broke up Standard Oil or something." That's about 100 years ago. Moving forward, what comments would you like to make about the antitrust area today or maybe some other regulatory areas?

CHARLES JAMES: One of the interesting things for me about antitrust, so I'm going to punt this question, is — I forgot it! People ask me to talk about antitrust law, and I go, "Yeah, I remember that."

My brain works in a very peculiar way, which is it clogs itself with lots of interesting little facts and factoids and when I don't need them anymore, I dump them. A federal judge once said that the best quality of a great lawyer is to have a quick but shallow mind; and because of that characteristic of my own mind, I've forgotten a lot.

What I think about the current world of antitrust is that it is this pendulum. There are some very basic laws. There are some very basic decisions that have had rigor and some concepts that have staying power. And there is a whole, huge world of people who try to keep improving upon them. Every decade or so, there's this new theory — there was monopoly, then there was no fault monopoly and shared monopoly and all these other things. At the end of the day, after the Supreme Court washes it all out, it ends up that there's just monopoly and that's the end of it. I'm always amused as I revisit antitrust policy that people are still having basically the same argument. You can leave for five or six years and come back, and you're right in the middle of the same old issue.

The most important development in the antitrust realm is that somebody decided a long time ago that these would be laws that would be good to export. And they went around to lots of countries and said, "Gee, you ought to have an antitrust law." Now, you tell the Russians that they have to have an antitrust law (I can recall this from the early 1990s), and we went there and we counseled them about what an antitrust law would be. And they passed one; and on the first day that it was enacted, we got this call, because they were trying to decide where they should have the meet-

ing to set the bread price. So it's a very dangerous tool in the wrong hands. What we're seeing now is that a lot of what passes for antitrust [law] is really a lot of the antitrust mistakes that the United States made and learned the better of over a period of time. It is passing for current policy in a lot of other jurisdictions, and hence the complications that Karen talked about.

JACK FRIEDMAN: Do any of you panelists have some additional comments?

KAREN E. SILVERMAN: Yes. The stuff of antitrust and antitrust policy is whatever's going along in the economy today and maybe ten minutes ago. It has got to be a reflection of the business that's transpiring now. So, to Charles' point, there's a core of policies and a testing and a return to these basic principles. As technology is developed that never existed before, as business relationships evolve that never have been seen before, the antitrust rules get applied to them and tested, and the boundaries of them get discussed. It leaves the United States with well-tested and understood rules about what a monopoly is, what it isn't, and so forth.

One of the unintended consequences of the discipline that the U.S. authorities have exercised (and I don't know if Charles would agreed to this term "discipline," but it's a relative matter; in a global context, it's been disciplined) is to have created something of a vacuum into which some of these other jurisdictions have flowed. They don't have the histories and the evolution that we've had, and they haven't made all the mistakes that we have made here, and so some of them are getting made over again.

Sometimes there are improvements, I'd venture to say, that arise out of these other jurisdictions. The key right now for companies — and this goes also to your question about how lawyers advise businesspeople — is to use these as moments to enable the businesses to understand their risks and to get done things that they need to get done. In the end, business does go on; and it needs to go on. Just knowing that the decisions that you make about how you're going to organize something are going to perhaps be evaluated under different standards or even inconsistent ones doesn't help to answer the questions. What answers the questions is, what are you going to do about that, and that is in part the role of the legal department.

JACK FRIEDMAN: Isn't one of the problems for the oil industry the fact that because of the enormous size of capital investments, you end up sometimes competing in one country and then lawfully being partners with a company in a different part of the world? Or that your partner is a national oil company, owned by a government? They're not just selling you the oil, but they're partnering with you, so you have very important relationships that a grocery store, for example, doesn't have.

CHARLES JAMES: The question really arises in the antitrust realm, and I've been gratified to find out that while we have the occasional antitrust case, we don't have very many antitrust problems, in the sense that — as quiet as it is kept, and no one wants to believe this, but it is true — the oil industry is actually very de concentrated. It is almost atomistic. The share of crude oil that is owned by the international majors is very small. As a matter of fact, Exxon Corporation, which is this grand behemoth in the minds of the American people, is really a relatively small oil company by comparison to most of the national oil companies. It's one of those little-known factoids that doesn't get known until we find ourselves in an antitrust dispute.

> "In our industry, one of the most important issues in dealing with partners and governments, and particularly partners that are governments, is that everybody wants us to take the risk on the downside, but they always want to share in the benefit on the upside."
> — *Charles James*

But you do raise a more interesting question about our interrelationships with governments. We are, in today's world, a partner with the national oil companies and, in fact, the governments of lots of places. One of the dimensions of our business is that people think of the oil industry not as a product, but as a geopolitical product. Because of the nature of our industry, we are seeing that for lots of countries we are a substantial share of their GDP [gross domestic product]. In lots of countries, we are a strategic resource; for lots of countries, we are the product that will determine whether or not that economy works.

So people treat our business differently. There is an expectation that a government will be a steward of its energy resources. So even if they made a deal with our company, if they perceive a more important national interest to be observed, they tell us, "Well, we made that deal, but that was then. And now this is now." It is not just governments around the world. We have a situation here in the United States where, years ago when the oil price was roughly $13 [a barrel], they were having a hard time getting people to take exploration blocks in the Gulf of Mexico. So they put into place something called "royalty relief." This royalty relief is something that was to give you a relaxation of the royalty for a period of time, and they used to actually put a cap in place on how much and how long this relief could take place, while the oil price increased.

Well, the market for these leases was so poor at one point that they stopped putting in the cap. Chevron was among the companies that said, "Are you sure you don't want to have the cap? And they said, "Nope! We think we don't want to have the cap." Well, now that the oil price has gone up to $80, the United States government is saying, "Well, my God! There's no cap in this deal! We should have a cap!"

And we said, "Well, we looked at the contract, and there's no cap." And lots of people say, "We're entitled to the sanctity of our contract, because we took the risk." But there are people in Congress who are trying to pass laws that say that we either put the cap in the contract or be precluded from competing for any future oil and gas leases in the United States.

JACK FRIEDMAN: In essence, "We'll honor the current contract, but you won't have another contract with us."

CHARLES JAMES: Correct. In our industry, one of the most important issues in dealing with partners and governments, and particularly partners that are governments, is that everybody wants us to take the risk on the downside, but they always want to share in the benefit on the upside. Unfortunately, because they are the people who control the process and can make the law, we are often, when the deal turns around in our favor, at the mercy of having people just changing the law.

JACK FRIEDMAN: What I'd like to do now is have a discussion on litigation and corporate matters.

We have several litigators here on the dais. What are some of the big issues for the litigators these days? Escalating costs, with all the e mails to go through, the tone of juries now in terms of big corporations versus the so called "little guy," or the issue of whether juries can even understand the issues; things are just too complex. There are a number of issues that I haven't even mentioned that you might want to think about. Who would like to comment?

ROBERT E. MEADOWS: I'll go first. You talked about technology, and it's a two-sided coin. We've never been as in touch, research is easier, searches are much more easily accomplished; but technology, on the other hand, has created this impression that you can save everything. There is an actual practice of holding onto things. People will say things in e mail that they wouldn't say anywhere else; really stupid things that turn up later.

The use of technology is very beneficial in many ways, but it has, no question about it, added immensely to the cost of litigation in general. And the book's not written yet. There's a tremendous amount happening in the courts today about what it means to have access to such a large volume of material and what you need to do with it and how you need to protect it and how

you need to make it available. These issues have also created an environment for a "gotcha" game in discovery, where litigants don't really want the material they request, what they really want is for the company to fail in discovery.

One other point, somewhat disconnected, but it was part of your question, and that is, how do you manage litigation, particularly for a large corporation or oil company today. Others have heard me say this and it's absolutely my belief. You cannot handle a case and expect to win it unless you can find a way to be morally right. Juries make moral judgments and if you can't convince jurors that what you want them to do is morally just, whether it's a damage argument or a liability argument, or whatever it is, then you need to find another way to resolve the dispute.

From my experience over the last decade, I can say that Chevron is very comfortable managing litigation in this way because it has the culture to support it.

JACK FRIEDMAN: How much can a corporation assert its legal rights in litigation versus feeling that the pressure from consumers, suppliers, politicians, and press forces them to settle? It's an issue of reputation or even customer base. Do you have an opinion on that?

ROBERT E. MEADOWS: At the end of the day, most cases do settle. More than 90% of them. Certainly, more settle now than when I started 30 years ago.

But there are cases that go to trial; and every case that matters has to be prepared as though it is going to be tried, because the settlement that you want will not be achieved unless you have convinced at least the plaintiff and his lawyer that you can try it and you might win it.

It's very important to handle cases in the way that I've described, in terms of finding a story that is persuasive and developing it, whether to win in court or settle.. So while most cases settle there are times you have to fight. Chevron certainly has, and Chevron has fought and won.

CHARLES JAMES: I'd like Bob to comment on this, but I'm going to say one thing. You talk about the company's reputation. Reputation is multi-dimensional. There are a couple of reputations that you have to protect. One portion of the reputation that you have to protect is that you are a responsible company and that you're doing a good job in the community. A reputation for settling some of these egregious claims before you've had the opportunity to put your side of the story out there doesn't necessarily protect your reputation. It allows other people to define you, because people know when these settlements take place.

The other part of your reputation that you have to deal with is your reputation within the business community, and certainly your reputation within this litigation industry.

We have a proprietary litigation management system. It's called COBALT. In the introduction, we say that one of our goals is to be a formidable adversary. We want the people who try to litigate against us to know we're not playing. We are not a company that is going to quake in our boots simply because you held a press conference and have told somebody that you are going to sue us for a big number.

One of the reasons that we use litigators like Bobby Meadows and Bob Mittelstaedt and Tim Cullen, and some of these other folks that we use, is so people, when they are about to do this, they understand that they're in for a fight. It's like having a real good burglar alarm system with a big, imposing sign out on the door. "Go rob somebody else's house — it might be easier." We are trying to maintain that Chevron will litigate ethically. We play by the rules, but don't expect to walk over us, because we're not having that. So that reputation is one that we want to preserve.

The other dimension of it is that we want our employees to be proud of us. Nothing can be more disheartening to a company than to have a business work hard and do the right things and achieve these monumental things — when you see one of those giant oil platforms out in the middle of the ocean, it's just breathtaking to understand the accomplishment to actually get that thing to work. It's amazing, right? And to have that all wiped out by some disheartening resolution on a piece of litigation or something like that! It doesn't "incentivize" the kind of performance we want out of our employees.

It is too easy to say that settling law suits is the way to protect your reputation. Settling lawsuits is sometimes a way of turning down the volume. But it's not necessarily a way of representing your company as the kind of company you want to be known to be.

ROBERT MITTELSTAEDT: Let me add a couple of observations. I agree with Bobby's points in response to your earlier question. Electronic discovery has, no question, become more expensive. My hope is that eventually, when things calm down, it may be less expensive than the old-fashioned way, where we had scores and scores of lawyers going through hard documents, page by page. With so many of the documents being electronic now and the availability of searching electronically, there's the prospect that it's going to be easier and cheaper.

Another point on your question about litigation being different now because of the public's opinion of corporations. This is much broader than Chevron or the oil industry. But I found over the years that you can wring your hands a lot about how the jury in this particular locale is likely to feel about this particular defendant — whether it's the oil industry, the insurance industry, the computer industry, or whatever industry. But at the end of the day, you really can't do much about it. You have to try the case the way that Bobby's described.

And when you ask, do you believe that some things are just too complicated for a jury, and a jury system just can't do it? Sometimes you hear people explaining a loss in a court, and they say, "The jury just didn't get it." It's very dangerous for a trial lawyer to say that, because of what it reflects about how the case was presented.

My final point is on the reputation of the company. It seems to me one of the trends in litigation that all of us are facing these days is that it's hard to represent a company in a case without working very closely with the public relations people, whether in house or outside. The press, especially with the Internet, is all over everything. I'm sure others have had this experience. We had an initial case management conference last week in a commercial dispute between two companies. The court had it out at counsel table, and the courtroom was half full of reporters. I say "reporters" — they're people who have Internet Websites. They were watching everything avidly, and it was stuff like when the discovery cutoff date was going to be. Then there were headlines in the

trade press about who won which battle about when the trial date was going to be. So I think in litigation these days, you have to keep an eye on it.

JACK FRIEDMAN: We do so many programs, and to tell you the truth, that's the first time that image has ever been presented. Of all the litigators we've ever had speak, nobody's mentioned that people are blogging away in the courtroom.

ROBERT MITTELSTAEDT: In this case, the judge stopped the case management conference and he asked, "Is somebody in the audience typing?' And the reporter raised his hand and identified himself, and the judge said, "You have a perfect right to do it, to be here; I just wanted to know who's typing in my courtroom." And that happens more and more often!

JACK FRIEDMAN: I'd like to start off with a comment about the relationships between boards of directors and corporate counsel, general counsel and senior management. I assume the whole relationship is changing, they don't have time, everybody's scared that they need their own attorney. It's not like in the good old days when the outside attorney represented everybody. So, those are just some things that you could comment about.

TERRY KEE: I do my best to dispel that, because I think that, by and large, it really is unnecessary. Obviously, there are situations where litigation has occurred, where the interests of the directors are going to be different and distinct from those of the corporation, and separate counsel may be advisable. But in the ordinary course of running a corporation, various board committees and the like, there's no reason, in my view, for the board to always insist upon a separate and segregated counsel. Whatever benefits there are from independence have to be offset against the disadvantages of unfamiliarity with the company and its business, and I think Charles made that point. That's why we look for provider law firms that understand your business and its issues, because you don't have to spend a lot of time educating them.

I think the same is true in the area of advising boards and directors. Charles mentioned there are some areas where there is a real value, as well as a perception value, in having an outsider come in and represent the company. But this is a landscape that is also changing, and we'll have to see where the pendulum swings on that. By and large, many more things are being done capably, efficiently, and effectively by the company's own lawyers and not by external lawyers.

CHARLES JAMES: One of the things about the perceptions of how things are being done is that the big story — the infrequent event but big story — tends to define the reality. For most companies and most boards, the relationship between the management and its auditors, the relationship between management and its board, and the relationship between management and the external stakeholders really has-

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n't changed very much. But what happens now is the legal system is designed to drive wedges between those various groups in such a way as to separate people and conquer. And if you have one of those "Old Testament" kind of legal problems, you see the situation where the board now all of a sudden feels like it can't trust management counsel and it needs its own lawyers. And the situation where all of a sudden you start having more conversations with the general counsel of the auditing company than you do with the management partner.

At the end of the day, people are going to look back at this period and ask whether anybody really created any value. Did you really get a crisper, more neutral decision? Did the company respond any better when you created this environment where everybody's expecting to protect themselves instead of looking out for the best interests of the shareholders?

JACK FRIEDMAN: One of our speakers at a prior event said that his clients asked his board whether he could bring in his personal attorney to board meetings — plural, not just for one issue. He said it was so traumatic, because it was an issue of the dynamic of having everybody bringing their own attorney. It is not a good way to get business done or to help the company.

CHARLES JAMES: I go to programs like this and programs where other corporate general counsel are present, and I get depressed and scared. I wonder whether I should go back to the office and just move to Bermuda, or something!

We have mandatory director education. Our directors go to these things, and they hear somebody from the Securities and Exchange Commission or the Commodities Futures Trading Commission or the U.S. Attorney's Office saying, "If you don't do this, you're going to jail! And if you don't do that, you're going to go to jail!" A lot of these programs are put on by outside lawyers; and at the end, the whole point of them is: "Let me tell you how I could come in and solve this for you. Let me tell you about this program that I could put in place. Let me show you this computer software program that you can buy to handle all your compliance stuff." Your directors get scared, and then they come back to the meeting and wonder, "How much insurance do we have?" and those kinds of questions.

Unfortunately, this environment is very scary to people. I think that, in the end, as more companies go for longer periods of time without these "Old Testament" legal problems, we're going to have more companies returning to their traditional governance and their traditional relationships — and also being run better because of it.

JACK FRIEDMAN: Could you define "'Old Testament' legal problems," for those who don't know that phrase.

CHARLES JAMES: It's the legal problem that is so big that it's just unthinkable, something that threatens the future viability of the enterprise. It's flood and pestilence.

JACK FRIEDMAN: Litigation of difficult proportions.

ROBERT MITTELSTAEDT: One of the things that you have to do as a lawyer in this situation is to not only have a clear line in mind which you will not cross, because you know that it's either a real conflict or a perception of a conflict that would be embarrassing to your client and to you personally, but also to identify something that's a long way from getting to that bright line, because you respect and value the judgments of your clients in making the decision where their comfort lies. As long as you are careful to identify those situations, then give them your honest assessment and tell them that they, of course, ought to think about it themselves and reach their own conclusions, I think you're in good shape.

JACK FRIEDMAN: I'd like to take one or two questions from the audience. Before I ask for questions, I want to thank Charles very much. I am leaving here, and I am sure other people are as well, with a much greater appreciation of you and of the company. Now, are there any questions?

AUDIENCE MEMBER: We have heard a lot of calls from the panelists for reform-tort reform, corporate reform, antitrust reform, litigation reform — but not much about achieving that through public policy. I wondered if you could comment on how you participated in the past year. When do you couch that support in trade associations, either of your own industry, across manufacturing, or across the professions? When do you speak by yourself, and how do you decide when to put a corporation's name on those calls for reform? When do you couch them through larger groups with similar interests?

CHARLES JAMES: One of the things that I am really proud about at Chevron is that Dave O'Reilly is not a fearful corporate leader.

AUDIENCE MEMBER: He's your CEO?

CHARLES JAMES: He's our CEO. You've heard him out in public, talking the real truth about many issues. He has not shrunk away from talking about the supply circumstances, the need for the United States and other countries around the world to be responsible in terms of energy. You can't have energy if you make it illegal to produce it, and you can't have refining capacity increases if you make it illegal to expand refineries. He has been a leader on lots of issues.

There used to be a view where the plaintiffs' bar was concerned in this country that if you were one of the people who spoke out against some of these excesses, you would get the first call from the lawyers about these problems. As a result, there was this void while they were out supporting campaigns and entrenching themselves. Somebody told me that one of the leading plaintiffs' lawyers was a guest in the Lincoln bedroom during the Clinton Administration. Right? You have those circumstances. I think companies need to generally come out of that view. If the business community leaves this void, it will never get its voice heard.

I think that the major legal organizations, the American Bar Association and certain of the other ones, are so big and so diverse that they cannot have clarity. I encourage people to join the more issue-specific organizations that are moving change along.

The other thing that is important for lawyers as they're representing individual clients is this: It's very often easy for you to say to your client, "You know, you don't

really want to take on this issue head on." I was at a program recently with David Boies and Bill Bennett. These are two of the most legendary trial lawyers in the country. The purpose of the program was billed as how do you deal with major corporate criminal litigation. What they said is you don't! You don't litigate these cases. You compromise.

Each of these great lawyers said my skill now is no longer as a great trial lawyer; my skill is as the great conciliator. I think lawyers have to not reach for the conciliation button quite so quickly and represent their individual clients.

And last but not least, I think some of the law firms themselves that have become large, powerful institutions, even if not public institutions, could take some stands on certain of these issues, because they have voices. I know they've got lots of client conflicts and pressures and stuff like that, but grow up already! And take it on.

JACK FRIEDMAN: I want to thank you very much, Charles, for honoring us by sharing your wisdom and giving us your time. I want to thank the audience. Feel free to come up to the dais and speak to the distinguished panelists. ■

Robert A. Mittelstaedt

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Bob Mittelstaedt is Partner-in-Charge in San Francisco. He litigates and tries complex commercial matters, including antitrust, unfair business practice claims, employment law, contract, fraud, and international law claims under the Alien Tort Statute. Bob has served as lead trial counsel or national coordinating counsel in state and federal antitrust matters for industries ranging from computer games and gasoline to Internet service providers and high-speed Internet access. He has handled class actions and parens patriae actions by nationwide and statewide classes of consumers and franchisees as well as regulatory matters before the California Public Utilities Commission, complex arbitrations and grand jury, and other criminal matters. His specialty is devising efficient ways to dispose of complex cases, including phasing or narrowing discovery, defeating or limiting class certification, and obtaining summary judgment.

His trial experience ranges from obtaining a defense jury verdict in a Sherman Act Section 2 monopolization action after a three-month trial to obtaining a declaration that a rent control law in Hawaii was unconstitutional as well as other criminal, complex civil, and wrongful death trials and arbitrations. Representative clients include Apple Inc., AT&T, ChevronTexaco Corporation, DaimlerChrysler AG, and Sega of America. His pro bono practice focuses on First Amendment and police misconduct litigation, including a recent injunction against the California prison system permitting prisoners to receive materials downloaded from the Internet.

Bob is a member of the State of California and numerous federal courts, including trial and appellate courts. He has served on the board of directors of The Bar Association of San Francisco and the Lawyers Committee for Civil Rights. He is a member of the Antitrust and Telecommunications Sections of the American Bar Association. He has spoken and written on the subjects of trial practice and civil discovery.

Before starting his legal career, he was a Peace Corps volunteer in Micronesia.

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KING & SPALDING

Robert Meadows is Managing Partner in the Houston office of King & Spalding and a member of the firm's Litigation Practice Group.

Mr. Meadows represents a diverse group of clients in a variety of litigation proceedings throughout the country, including trials in state and federal courts, arbitration and other forms of alternative dispute resolution.

Mr. Meadows' trial experience is extensive, and includes general commercial litigation and the defense of corporations including oil and gas companies, construction/engineering companies and product manufacturers in tort litigation. His representation of clients in oil and gas litigation includes lease and royalty disputes, offshore property evaluation and contract disputes arising under operating agreements. His trial experience in tort litigation includes the defense of corporations confronted with multi-plaintiff environmental claims. The nature of his practice has led to long associations with corporate counsel in managing large litigation dockets.

Mr. Meadows is a member of the American College of Trial Lawyers, the American Board of Trial Advocates, the Texas Supreme Court Advisory Committee and the International Association of Defense Counsel. He is a Fellow of the Texas Bar Foundation and a Fellow of the Houston Bar Foundation. He is admitted to practice before all Texas state courts, the Northern, Southern, Eastern and Western Districts of the U.S. Federal District Courts, and the Fifth and Eleventh Circuit Courts. He was recognized as a "Texas Super Lawyer" in the area of general litigation in 2004, and ranked in *Chambers Global: The World's Leading Lawyers for Business 2004-2005* in the Litigation: General Commercial area. Also in 2004, Mr. Meadows was listed in *Chambers USA: America's Leading Lawyers for Business* and recommended in Litigation. He also appears in the publication *Best Lawyers in America 2005-2006.*

Mr. Meadows is active in the community, principally through his service as a member of the Board of Trustees of Texas Children's Hospital and the Stages Repertory Theatre Board of Trustees.

Mr. Meadows earned a J.D. from the University of Houston where he was a member of the Order of the Barons. He received a B.A. from the University of Texas in Austin and an M.P.A. from the University of Texas Lyndon Baines Johnson.

King & Spalding LLP

King & Spalding is a full-service Global 50 law firm with over 800 lawyers across the United States, Europe and the Middle East. Founded in Atlanta in 1885, we now conduct business in more than 100 countries on six continents. We represent half of the Fortune 100, many mid-sized companies and clients with new ventures in emerging industries.

Our clients tell us that we have essential skills, experience and insight to understand their business and legal needs. We work closely with our clients and develop deep and long-lasting relationships. A large number of our clients have been with the firm for decades.

Among the firm's many distinctions are the following recognitions and honors:

- Listed as a Corporate Counsel 2008 "Go-To Law Firm";
- Named in The National Law Journal's Defense Hot List as one of the top defense firms in the nation for two consecutive years;
- Rated by Directors & Boards as the best law firm in the nation in general corporate governance issues, No. 2 in director liability and No. 3 in board-level M&A;
- Received an honorable mention in The American Lawyer's 2008 Litigation Department of the Year survey, placing us among the nation's top 22 litigation practices;
- Earned a top 10 spot from Global Arbitration Review for global law firms serving as arbitration counsel;
- Chosen by CIO magazine as one of the world's top 100 businesses for our achievement and innovative use of technology.

King & Spalding continues to build on the firm's fundamental roots and values. Our mission statement reflects our commitment to three core objectives: legal work of the highest quality, attentive and responsive client service and community stewardship.

Karen E. Silverman

Partner
Latham & Watkins LLP

LATHAM & WATKINS LLP

Karen E. Silverman is a litigation partner in Latham & Watkins' San Francisco Office, and a member of the Global Antitrust and Competition Practice Group. She handles antitrust representations of all sorts, including governmental and private enforcement matters and litigation in connection with domestic and international transactions, alleged cartels, pricing and distribution issues and consumer protection and privacy issues. Ms. Silverman represents companies on strategic mergers, civil litigation and criminal enforcement matters. She also provides day-to-day antitrust counseling to a broad range of clients. She has particular expertise in the areas complex transactions and counseling in high technology, biotechnology, consumer products, industrial inputs, health care and retail.

Before joining Latham & Watkins, Ms. Silverman worked at the US Department of Justice Antitrust Division as Special Assistant to the Assistant Attorney General, and in the Foreign Commerce Section. While at the Department of Justice, she was involved in the issuance of the 1992 Horizontal Merger Guidelines, as well as international and health care enforcement policies. In 1993, she returned to private practice and to the Bay Area in 1996.

Ms. Silverman is recognized by The Chambers & Partners USA Guide, (2006-2008) as a leading California Antitrust attorney and also by Who's Who Legal: California 2007 as one of "California's Leading Competition Practitioners." She is also named among "California's Top Women Litigators 2008," as selected by The Daily Journal.

She is a past Chair of the monopoly practices (Section 2) Committee of the ABA Antitrust Section, has recently completed a term on the Executive Committee of the California State Bar Antitrust Section. She speaks and writes on a wide range of antitrust topics and is a Lecturer at the Haas School of Business, University of California, Berkeley.

Ms. Silverman received a JD from the University of California, Berkeley and is qualified to practice before the California and District of Columbia bars.

Latham & Watkins LLP

Founded in 1934, Latham & Watkins has grown into a full-service international powerhouse with more than 2,100 attorneys in more than 26 offices and has become one of the only law firms capable of providing top-quality representation worldwide. With that growth, we have built internationally recognized practices in a wide spectrum of transactional, litigation, corporate and regulatory areas.

The firm's geographical footprint has expanded considerably over the past several years to 26 offices worldwide. Latham & Watkins has a significant presence in the United States (Chicago, Los Angeles, New Jersey, New York, Northern Virginia, Orange County, San Diego, San Francisco, Silicon Valley and Washington, D.C.), Europe (Barcelona, Brussels, Frankfurt, Hamburg, London, Madrid, Milan, Moscow, Munich, Paris and Rome), the Middle East (Dubai, with offices opening soon in Abu Dhabi and Doha) and Asia (Hong Kong, Shanghai, Singapore and Tokyo). Each office plays an integral role in the firm's delivery of services to our clients.

Our clients benefit from this non-hierarchical structure because they can readily access the expertise of our legal practitioners, regardless of resident office or practice. At the prestigious Legal Business Awards 2007, Latham & Watkins was named "Law Firm of the Decade" for being the firm that the judges believed had best reacted to the immense challenges of the global legal industry over the last 10 years. In 2006, The American Lawyer named Latham & Watkins "the most admired firm" for law firm management among the 200 largest US law firms.

Latham's experienced guidance in a range of matters around the globe – combined with our breadth and depth of resources – offers clients the highest quality legal representation. The firm has ranked among the top-10 in The American Lawyer's A-List since the list was created as a way to determine which firms have been able to build successful practices without giving up the core values of the legal profession. In addition, Latham's highly regarded transactional practice recently garnered the most top-10 rankings among all law firms in the 2007 The American Lawyer Corporate Scorecard, in categories including mergers and acquisitions and private equity, equity offerings, high-yield and investment-grade debt, initial public offerings, REITs, mortgage-backed securities and project finance. The firm has also been honored in The American Lawyer's biennial "Litigation Department of Year" 2004, 2006 and 2008 issues.

Terry Kee
Partner
Pillsbury Winthrop Shaw Pittman LLP

Terry Kee has practiced corporate law at Pillsbury for nearly 30 years, with an emphasis on mergers and acquisitions, joint ventures, public company governance, securities regulation and corporate finance. He is the relationship partner for the firm's work for Chevron Corporation, and acts as regular counsel to its Board Audit Committee and Disclosure Committee. Five times he has helped Chevron acquire another publicly held oil and gas company, including, most recently, Unocal Corporation, and he has handled many other purchases, sales, investments and joint venture arrangements for Chevron in the broad energy sector, with an aggregate deal value in the range of $100 billion. He has undertaken similar assignments for other energy concerns, as well as firms in many other industries, including automotive, banking, forest products, legal, internet and print media, resorts, semi-conductors, software and telecommunications. He has represented issuers, underwriters and selling stockholders in initial public offerings and other debt and equity financings, and has counseled boards of directors on many other matters, including responses to unsolicited offers and stock accumulation programs, conflicts of interest and corporate investigations, chief executive termination and succession arrangements, and other sensitive relationships with stockholders or regulators.

As a senior partner in Pillsbury's corporate practice, Terry has served in many firm leadership positions, including responsibility for corporate, M&A, SOX and legal opinion practices. He served for three years as a member of the firm's governing Board, and chaired its Budget Committee. In 2006, a leading trade journal named him one of the 100 most influential lawyers in the State of California.

Education
J.D., University of Texas School of Law, 1979

Order of the Coif, Order of Barristers, Texas Law Review

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Affiliations
American Bar Association, San Francisco Bar Association

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Pillsbury Winthrop Shaw Pittman LLP

Pillsbury is a full-service law firm with particular strengths in the energy, financial services, real estate and technology sectors, as attested many times by industry surveys, rankings and awards. The firm has helped create some of the world's most successful companies in these and other industries, and has guided them along the way through landmark transactions, "bet-the-company" litigation and changing economic and regulatory conditions. The firm and its lawyers also have a long record of public service, and continue to help the disadvantaged obtain justice. Among the firm's alumni are two Secretaries of State, two Secretaries of War, a Secretary of Defense, a Supreme Court Justice, and a Nobel Laureate, and over 100 current firm lawyers have been in government service. Recent accomplishments include: assisting in the sale of the largest ever portfolio of affordable housing in the United States; becoming the first law firm to receive a business method patent for a "visual" approach to complex sourcing solutions; and successfully defending habeas corpus rights for detainees at Guantanamo Bay. For more information, please visit the firm's web site, http://www.pillsburylaw.com.