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TELLING THE STORY ON YOUR TIMESHEETS:
A FEE EXAMINER’S TIPS FOR CREDITORS’ LAWYERS AND BANKRUPTCY ESTATE PROFESSIONALS

Nancy B. Rapoport*

There’s a Dilbert comic strip that has resonated with me over the years: in that strip, the pointy-haired boss told Dilbert to charge 100% of his time to project codes, and Dilbert responded by pointing out that charging 100% of his time that way would lead to overbilling the firm’s clients. What’s the punchline of the strip, a copy of which hangs in my home office? Dilbert asks, “Did you learn that in ‘flaw’ school?” That’s actually a darn good question.

Most of the time, a law student can make it all the way through law school without understanding how to bill time. Moreover, it’s likely that no law student truly understands how the accurate recording of time eventually translates into an associate’s paycheck. Maybe the student learns about billing time as a summer associate, but even then, it’s quite possible that no one is teaching the summer associate exactly what should get billed, what shouldn’t, and—for the time that should get billed—how to describe the billed time in order to justify the fee. Let’s assume that a newly minted law graduate gets to her first private-law job, which requires her to keep track of her time in tenths of an hour. Who trains her on when to start the clock, when to stop it, and how to explain to the client what she’s accomplished? Moreover, who pulls back the client-curtain for her to show her how clients react to the bills that they get?

When clients are paying the legal bills out of their own operating accounts, those clients often have rules about what they will and won’t accept in terms of legal work. For example, the client won’t pay for summer associates (or for first- or second-year lawyers’ work); it won’t pay for tasks that are more appropriately attributable to overhead, such as data entry and

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1. Want to see the strip for yourself? You can find it at https://dilbert.com/strip/2016-01-12.
2. There’s a whole other can of worms to open when law firms are asking clients to pay for summer associate time.
3. For that matter, what about the recent grad who hangs out her own shingle? Who teaches her about how to bill?
filing;\(^5\) it won’t pay for professionals of the same firm to meet on a regular basis to discuss how to allocate the workflow; it won’t pay for block-billed time, or vague entries, or hours that always manage to end in .0 or .5; it won’t pay for inefficient work or for work that isn’t reasonably likely to benefit the client.\(^6\) These rules aren’t just whimsical client preferences or tacit idiosyncrasies; they’re typically memorialized in outside counsel billing guidelines.\(^7\) But in bankruptcy, the bankruptcy estate is footing the bill for those professionals whose employment must first pass muster with the bankruptcy court and whose fee applications the court must approve. I’ve\(^8\) gone on \textit{ad nauseam} about the disconnect between the professionals performing the work and the review of the bills by the clients, none of whom is paying directly for that work.\(^9\) That disconnect means that—except in exceptionally acrimonious cases—the only people reading the fee

\(^5\) I’ve been an administrative assistant myself, and the work is often difficult, requiring judgment and skill, but it’s still overhead.


\(^7\) Until recently, these outside counsel billing guidelines often have remained in the metaphorical “bottom drawer” of the desk, rarely dusted off and enforced. In discussions with my in-house counsel friends, I’ve learned that cost constraints on legal departments caused by COVID-19’s economic turmoil have, quite understandably, prompted a greater enforcement of outside counsel’s billing guidelines.

\(^8\) Often with co-authors, thank goodness.

applications and forming opinions on the reasonableness of the fees and expenses are, first and foremost, the bankruptcy judge (who must determine reasonableness, per section 330, when ruling on fee applications), someone in the Office of the United States Trustee, and, sometimes, a fee examiner, if the court appoints one.

We fee examiners are a nerdy lot. We enjoy sifting through timesheets, arranging them and then rearranging them to try to make sense of the basic question undergirding section 330: were the right professionals doing the right things for the right amount of time? While we’re answering that question, we’re also forming our own opinions of the professionals’ judgment reflected in those timesheets: was the professional treating the engagement in the same way that she would if she were submitting the bills to the general counsel of a company that wasn’t involved in a bankruptcy case, or was the professional spending time recklessly, because there was no one to provide a check on the line-by-line choices that the professional was making?

It’s probably no secret that the impressions that fee examiners form about specific professionals in one case will carry over to future cases with the same professionals. If, in one case, I see a professional use three associates simply to “take notes” in all-hands meetings, you can bet that I’ll look for that wasteful behavior in future cases. Or, to use some other drawn-from-my-real-fee-reviews examples, if I see a professional charge a $140 shirt (!) to the estate, or charge liquor (including mini-bar booze) or fancy dinners (e.g., Del Frisco’s, especially when the dinner’s sole purpose is to celebrate a victory) or swanky hotels (such as the Four Seasons or the Ritz-Carlton) to the estate, will I have someone comb through every single expense and time entry looking for similar judgment missteps in future cases? Will I look even harder for overstaffing, over-researching, or the misallocation of task to a professional’s skill level? You’re darn right I will. Alternatively, if I see a professional cap the cost of his own meals at the government’s per diem rate, will I form an opinion that the professional is also likely to make judicious use of his time when determining what actions he’ll take on behalf of his client? Yep. And I’d be willing to bet you that the judges are forming their own opinions, too. Those time entries and expense files are telling us a lot about the ways in which the professionals see

11. For my friends Brady Williamson and Bob Keach: I mean that in the nicest possible way.
themselves and their roles in various cases. They tell us if the professional believes that leaving any stone unturned makes him a bad lawyer (or a lawyer who could get sued for breach of fiduciary duty), rather than a lawyer who uses a more finely honed cost-benefit analysis. Those time entries are telling us if a lawyer feels entitled ("I worked eighteen hours a day for the past three days, so the client should buy me a brandy"). And those time entries are telling us if there are lawyers at competing law firms who are engaging in a Hatfield-and-McCoy war because they just don’t trust (or like) each other.13 In other words, not only are time entries telling us what the professionals did, but they’re telling us about the professionals’ psyches, too.

A lot of what fee examiners do wouldn’t be necessary if clients knew what to look for, and where to look, in fee applications—and if the details in the appendices of the fee applications themselves were presented in a searchable format. If clients set out the parameters of the engagement in more detail than “please just get me through this bet-the-company event,” then some of the stories that fee examiners tell would disappear. I’ve set out a number of suggestions in a piece that came out earlier last year.14 Among those suggestions are the following:

- Think hard about which professionals to hire.15
- Create the ground rules for billing.16
- Pay attention to staffing and workflow issues.17
- Monitor the budget.18
- Set the ground rules about which expenses are reasonable and which ones aren’t.19
- Consider suggesting that counsel use artificial intelligence for those tasks that don’t need a human touch (not just in discovery, but also, perhaps, in automating some of the easier drafting tasks).20
- And use legal analytics to create a dashboard that helps you see where you’re efficient and where you need to buff up your efficiencies.21

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13. For that last example, see, e.g., Management of Expectations for Legal Fees, supra note 9, at 47 n. 33.
14. Id. at 72.
15. Id. at 72.
16. Id. at 77.
17. Id. at 78.
18. Id. at 81. And asking for a budget, even a bare-bones one, is important as well. It boggles my mind that a firm that touts its extensive expertise is flat-out stymied when a client wants to know the likely range of any impending professional fees.
19. Id. at 83.
20. Id. at 88.
21. Id. at 85.
Telling the Story on Your Timesheets

That’s good advice for clients—and for “clients,” think “the debtor’s general counsel” and “the members of the creditors’ committee.” But it’s also helpful for the professionals themselves, because it’s never pleasant when a court reduces a fee application due to a failure to demonstrate reasonableness. The professional can’t go back in time and use the disallowed time on another, more remunerative task. Once billed time is spent, it’s gone forever.

Some of the most telling mistakes on a fee application fall into these four categories: (1) Goldilocks errors, (2) pervasive sloppiness, (3) reckless overworking, and (4) the indulgence of quirky preferences (the professional’s or the client’s).

GOLDILOCKS: NOT ENOUGH, TOO MUCH, OR JUST RIGHT.

Remember, fee applications are publicly filed documents, so the time descriptions represent the choices that the professionals made, both in terms of what they did and how they chose to describe what they did. Sometimes, professionals obfuscate in order to mask their strategy in a case, such as a time entry like “correspond with multiple parties re restructuring strategy and tactics.” Such a description obviously doesn’t reveal too much in terms of strategy—which is probably good for ongoing litigation—but it’s significantly less useful to the court, which has to review that description for reasonableness.22 Think of that kind of a description as the bankruptcy version of Goldilocks’s “this bed is too hard.”23 It’s all edges and no middle, so the client can’t possibly pinpoint just what its professional did during the time described by that entry.

There’s also the over-description phenomenon, which Legal Decoder has described in one of its webinars.24

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22. And it’s not necessary to hide the ball after all of the strategic activities in question have been completed. See also Rapoport & Tiano, supra note 12.


24. Graphic courtesy of Legal Decoder, Inc. and the garrulous lawyer who authored the non-anonymized, original version.
More work on the employee benefits aspects of the proposed acquisition, with special emphasis on those issues arising from the involvement of the ABC Employee Stock Ownership Plan, including: work on e-mail message to Rhonda Jones concerning conference call with Nathan Kersey and Nick Krantz on 3/17/14, with special emphasis on the special right that ABC has granted the ESOP for a special "restorative payment" for certain participants, receipt and review of e-mail message from Nathan Kersey regarding the Agreement Relating to Covenants After the Merger, Amendment Number 1 to the ESOP and the disclosure Schedule Insert for Section 5.01(r) of the Stock Purchase Agreement; receipt and review of e-mail message from Annie Cruise at Barber and Hay along with an updated version of the draft Merger Agreement; prepare for and participate in conference call with legal counsel for ABC and the ESOP Trustee and discussion of possible technical problems with the proposed special "Restorative Payment" to the ESOP and alternative language for the proposed description of the proposed special "Restorative Payment" in the Merger Agreement; receipt and review of e-mail messages from Nathan Kersey regarding proposed changes to the Post-Closing Agreement regarding the ESOP, the Merger Agreement and the disclosure concerning the proposed "restorative payment" in the ESOP; additional telephone conferences with Rhonda Jones regarding all of the above.

To carry on with the Goldilocks theme, "this [description] is too soft." It's easy to get lost in the fluffy word morass. Other than computers—which never get bored or zone out—anyone reading more than a few time entries like this would have a MEGO response (my eyes glaze over). So what would constitute a "just right" description? Here are two suggestions, both from a publication of the Oregon Bar:

1. Include Subject Matter. Always include the content of your phone call, conference, letter, legal research, etc. Don't stop at "Telephone conference with Bob Smith;" continue to write "regarding..." and include the subject of the conversation. Carry this over to letters, meetings, and so on.

2. Use Verbs to Convey Action. The services you provide are the actions you perform on your clients' cases. Let them know what you are doing by using action-oriented words like prepare, develop, create, edit, organize, negotiate, summarize, and analyze.

What you want to be able to describe in a time entry is what you did, with whom, and the context (the why of the work). I'm not asking you to break down "prepare for hearing": we've all prepared for those, and we know what generally goes into that prep time. But if you have a time entry that just reads "respond to email," I can't tell to whom you're responding or the general subject. There's a world of difference between "respond to email from X about rescheduling Y's deposition" and "[I did stuff but

you’re going to have to guess what it was].” Don’t leave me hanging, George Carlin-style, with the legal equivalent of “here’s a partial score: Notre Dame, 6.”

It’s not just time entries that need to pass the Goldilocks test. When professionals overstaff matters, that’s also a Goldilocks failure. Sometimes, only one person needs to be at a hearing or meeting; sometimes, two or three people need to attend; sometimes, ten people do. But when meeting after meeting or hearing after hearing shows the same people each time, with few of them having specific reasons to attend, overstaffing (as judged by timesheets and the answers to follow-up questions) tells me that the professional isn’t taking the time to think about who needs to be where.

ATTENTION TO DETAIL MATTERS—A LOT.

Think back to those people who don’t tuck in their shirts when they’re at the podium in court, or the ones who perpetually have food stains on their jackets. It’s probably not fair to judge them, but our natural instinct when we see sloppiness in professionals is to wonder where else in that professional’s life the sloppiness manifests itself. So, when fee applications contain vague entries like “attention to file,” or have numerous block-

26. King Kaufman, Partial Score, George Carlin, 71, SALON (June 23, 2008, 2:30 PM), available at https://www.salon.com/2008/06/23/carlin_3/ (“[Carlin would] do characters in the ‘60s and ‘70s, when he was a frequent guest on network variety and talk shows. Al Sleet, the Hippie-Dippie Weatherman, was the most memorable, but he also did a sportscaster who’d say, ‘Here’s a partial score: Notre Dame 6.’”).

27. Maybe the professional isn’t thinking about the staffing issues because he or she is too busy to slow down and think strategically during certain stages of a case. But try using that excuse when you’re metaphorically pushing your bill across the table to the general counsel whose company actually is paying the fees out of its operating account:

The bankruptcy court has oversight of the payment of professional fees, but the review of those fees can be incredibly time-consuming and is highly detail-driven. Those professionals who submit their bills for court review represent real clients, but those real clients aren’t writing the ultimate checks. In most non-bankruptcy settings, there’s a metaphorical moment when the professional pushes a bill across the table to the client and waits for the client to react. If the client questions a bill, the professional may well end up lowering it.

When it comes to estate-paid Chapter 11 fees, the professionals are pushing their bills across the table, but on the other side of the table, the client charged with evaluating the reasonableness of the bill may have no meaningful way to put the bill into context. Moreover, because no single client is charged with footing the professionals’ entire bill, it’s possible that none of the clients really cares how much these professionals are charging. In essence, the client sitting at the table is a stand-in for entities with little voice (and little individual stake) in determining how the professional makes his billable decisions. And sitting at another table, far away, is the bankruptcy court.

Rethinking Fees, supra note 9, at 265 (footnotes omitted).

28. That, of course, has never stopped me.

29. See, e.g., Reimagining “Legal Spend” Decisions, supra note 6 (“Far too often, invoices for legal services rendered contain line-item entries that run the gamut from being vague and cryptic
billing entries, or list entries that virtually always end in .0 or .5, Joe Tiano and I call that “bad billing hygiene.” Let’s take the statistically improbable recording of time entries that end in .5 or .0:

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research caselaw on X</td>
<td>3.5</td>
</tr>
<tr>
<td>Draft memo on X</td>
<td>4.5</td>
</tr>
<tr>
<td>Telephone call with client on Y</td>
<td>1.0</td>
</tr>
<tr>
<td>Meet with [colleagues] about X</td>
<td>1.0</td>
</tr>
<tr>
<td>Attending hearing on Z</td>
<td>4.0</td>
</tr>
<tr>
<td>Travel to hearing on Z</td>
<td>.5</td>
</tr>
<tr>
<td>Travel back to office after hearing on Z</td>
<td>.5</td>
</tr>
</tbody>
</table>

Sure, those time entries are all theoretically possible, but it’s awfully convenient that they round to the hour or half-hour so neatly. Once we exit the world of the “likely,” in which some tasks really do take a full hour or a full half-hour, and we cross over into the world of the statistically unlikely time entries, the first thought that I have involves how contemporaneously the professional recorded her time. When rushing to complete timesheets at the end of the day or week, or (ahem...) month, the arithmetic is surely easier when computing zeros and fives. The second thought calculates the odds that the professional was constantly rounding her time entries down to save the client some money. The final thought that I have is that, if the professional isn’t meticulous here, where else is the professional not being meticulous?

Like bad hygiene in real life, bad billing hygiene tells you that (1) the person with the bad hygiene isn’t aware of it, or (2) the person is aware of it but has no idea how to fix it, or (3) the person doesn’t care about fixing it. It’s impossible not to form a bad impression stemming from bad billing hygiene if, once the problems are called to the professional’s attention, nothing changes.

*IT’S NOT ABOUT YOU. REALLY, IT ISN’T.*

Professionals sometimes tell me that the reason that they gave an assignment to a partner instead of an associate was that “the only people in this branch office happen to be partners” or “no one else was around, and I needed it done immediately.” I completely understand that, sometimes, the

(e.g., ‘review file,’ ‘attention to tax issue,’ ‘consider negotiation strategy,’ and the like) to being so over-descriptive that the line-item entry doesn’t provide easily discernable value. Good billing hygiene means recording clear, concise, informative narrative entries linked to the time to complete an individual task. Neither law firms nor clients benefit from bad billing hygiene.”; see id. at n. 68 (“As one of us has said before (and as we both have thought, repeatedly), ‘attention to file’ has never told a single client what the biller actually did.”) (citing “Nudging” Better Lawyer Behavior, supra note 9, at 86.)
right person for the task isn’t anywhere to be found. What I don’t understand is why the professional didn’t take the step of adjusting the fee to a reasonable amount before filing the fee application. Not to sound like a broken record, but I’m pretty sure that a general counsel whose company is footing the tab would ask for discounts in that situation. Other indicators that the professional isn’t putting the client’s interests first include expensing meals at high-priced restaurants, flying first-class, and sleeping at extra-pricey hotels. Nothing captures a reporter’s attention better than the occasional story about lawyers billing for underwear and shoes or for putting “churn that bill” in an email. Once we cross over the line into billing for overhead, we’ve lost sight of our fiduciary duty to our clients.

30. I do remember a partner at my old law firm calling around on a Sunday to find an associate to staff a matter that was urgent. I don’t remember which associate got called last, but I do remember hearing the partner’s side of the phone conversation, where he asked, “well, is it elective surgery?”

31. In fact, sometimes it’s exactly the opposite: the professional might start with an inflated hourly rate, knowing full well that she or her firm will have to offer a discount. In other words, sometimes, the billing is the work. Or in the situation in which “this partner just really likes doing legal research.”

32. Or in the situation in which “this partner just really likes doing legal research.”

33. See, e.g., Dionne Searcey, From Behind Bars, Joe Nacchio Sues His Lawyer for Malpractice, WALL ST. J. (Mar. 23, 2011), available at https://www.wsj.com/articles/BL-LB-39662 (“Some of their costs, Nacchio’s filing said, included attorney underwear, staff breakfasts and hotel-room movies during the six-week trial in Denver.”).

34. See, e.g., Amy Stevens, Ten Ways (Some) Lawyers (Sometimes) Fudge Bills, AP NEWS (Jan. 13, 1995), available at https://apnews.com/dd2c954e21c64c5b6d0fe85b422405 (“Mr. Marquess of Legalgard says a few months ago he questioned a Houston lawyer’s $165 charge for ‘ground transportation.’ It turned out to be a pair of shoes.”).


36. See, e.g., Amy Stevens, supra note 33 (discussing adding a pro-rata charge for “HVAC” to a client’s bill).

37. One of my own pet peeves as a fee examiner involves a certain type of rare response to my questions about time entries. 99.9% of the time, the professionals understand that I’m just doing my job—helping a court to determine reasonableness—and that job requires me to do a deep dive into not just what each professional did but also how he or she described each task. I know that asking professionals to go back and re-explain (and re-justify) their time is unpleasant. The professionals know that I know that it’s unpleasant. Most professionals take a deep breath, possibly also silently cursing me for a bit, and then respond with tact and with additional supporting data. Occasionally, though, a relatively junior person (it always seems to be a junior person) will provide snarky responses, along the lines of “don’t you understand how BigLaw works?” Well, yes; yes, I do. (I’m from BigLaw, too.) That’s why I get appointed as a fee examiner. In these rare cases, the pattern is (1) insufficient description in time entry + (2) snarky response. Just as the $140 shirt expense item (see Management of Expectations for Legal Fees, supra note 9, at n. 116) caused me to crawl through that particular professional’s fee application with a fine-toothed comb, snarky responses to a fee examiner’s questions will lead to the conclusion that the professional has an entitled attitude that might signal that the person is neither especially careful nor especially efficient in his work.
WHEN A CLIENT WANTS THE LAWYER TO LET THE CLIENT RUN THE SHOW.

I've seen two instances in which the client basically bossed the lawyer around, resulting in amped-up fees. In one case, the client would read the lawyer's draft and rewrite it, leaving the lawyer stuck with the unenviable task of reviewing the client's rewrites, fixing the problems, and sending the new draft back to the client, only to have the process repeat itself. In the other case, the client wanted two partners at a single firm to replicate each other's work, even though the law firm knew that the estate was being asked to pay for that duplication of effort. In the world outside bankruptcy, clients can tell their lawyers to do unnecessary work and, subject to the ethics rule regarding the reasonableness of fees (and the client's knowing acceptance that extra work means higher bills), there's no problem with the client who wants to tell the lawyer both what to do and how to do it. That's not the case with estate-paid professionals, though. That same pesky disconnect between who's doing the work and who's ultimately stuck with the bill means that the professionals need to push back on client demands for which the client isn't paying.

WHAT SHOULD WE DO?

We (meaning "lawyers") can talk until we're blue in the face about "exercising billing judgment," and Joe Tiano and I will be writing a few

38. Occasionally, I've discovered internal actions (actions only between the client and her lawyer) that have also seemed odd. These internal actions might never trigger reactions from the opposing party, because they might never see the light of day; nonetheless, those actions generated unnecessary legal work. The best examples come from my review of bills that reflected a significant amount of activity by the client in editing the lawyer's work product. Those edits, in turn, required a lot of client-lawyer discussions and re-edits, and the legal fees increased exponentially. The entries looked something like this:

Day 1 Send draft to client 0.1
Day 2 Telephone conference with client re draft 1.0
Day 3 Review and revise client's revised draft 2.0
Day 4 Discuss revised draft with client; resend draft 0.5
Day 5 Telephone conference with client re draft 1.5

You get the point. The client was rewriting the lawyer's draft—and not because the draft was wrong as to any of the facts. The client was rewriting the draft because she didn't like some of the words that the lawyer used in the draft. The lawyer spent unnecessary time dealing with a client who wanted to play both roles (client and lawyer). In part, the client might just have been persnickety. In part, though, the client knew that the legal bills were going to come out of someone else's pocket. My guess is that the diffusion of responsibility for those legal fees contributed to the client's willingness to do a line-by-line edit of her lawyer's work.

There has to be a way of drawing a line between normal client-lawyer interactions and those that unnecessarily drive up the fees in a case. When the client is paying those fees herself, of course, it is her choice as to how much extra work she wants to ask her lawyer to do. But in situations in which someone other than the lawyer is paying the client's fees, the question of when a client should "help" the lawyer do the lawyer's job—or urge the lawyer to do more on a case than the lawyer thinks is reasonable—should not be based solely on the client's own preferences. The Client Who Did Too Much, supra note 9, at 125-26 (footnotes omitted).

39. Analysis and observations were drawn from author's professional experience.
articles to describe what the data show us about lawyers and their billing. But, as far as I can tell, we haven’t talked much about what time entries tell us about the lawyers themselves. I doubt that most lawyers ever really think about what it says about them when they overwork a case or bill champagne to their clients. Maybe that’s the way in to get lawyers to think about true billing judgment. After all, if we could see ourselves as others see us, perhaps we’d want to change.

40. As the poet Robert Burns observed in the last stanza of To a Louse:

O wad some Power the giftie gie us
To see ourseels as ithers see us!
It was frae mony a blunder free us,
An’ foolish notion:
What airs in dress an’ gait was lea’e us,
An’ ev’n devotion!


41. Maybe not, though. It’s a bit like the old joke about how many psychologists it takes to change a light bulb: One, but the light bulb has to want to change.