Introduction to Proactive Law: A Business Lawyer’s View

Helena Haapio

Legal certainty is one of the basic preconditions of successful business. Sometimes when we look at recent legislation, court cases or regulators’ investigations it seems that business people are ordered to trudge in unknown regions to find out where the safe routes run. It is too late when they hit a mine; it is not in businesses’ interest to develop case law around disputes which should have been avoided.

For a business lawyer, proactive law is about providing legal certainty. It is about localizing and recognizing the “mines” and preventing them from exploding. Businesses do not succeed by winning court cases or examinations, or by looking for parties to blame and claim damages from. Their reputation, their workplaces, and their ability to continue and prosper may have been destroyed long before they collect on any judgment. Disputes and litigation must be prevented, as they consume time and resources which could otherwise be used for productive work.

Proactive law is based on a strong belief that legal knowledge is at its best when applied before things go wrong. In addition to avoiding disputes and litigation, proactive law seeks to promote and strengthen ways to use the law to create value, do what is right, and build a solid foundation for business.

Across the world, in the private and the public sector alike, emphasis has been put lately on the importance of forward planning, dispute avoidance, and dispute management. A number of institutions have developed conflict management procedures and taken advantage of alternative dispute resolution mechanisms when disputes arise. In Australia, a standard concerning the prevention, handling and resolution of legal problems was approved in 1999. In the UK, the Office of Government Commerce (OGC), which supports the public sector in improving procurement and commercial activities, published its

---

1 Guide to the prevention, handling and resolution of disputes 1999, AS 4608-1999. This Standard was revised in 2004 through the approval of AS 4608-2004, Dispute management systems.
Dispute Resolution Guidance in 2002. The Introduction, very much in line with the proactive preventive approach, states:

“Contractual disputes are time consuming, expensive and unpleasant. They can destroy client / supplier relationships painstakingly built up over a period of time and can impact the supply chain. They can add substantially to the cost of the contract, as well as nullifying some or all of its benefits or advantages. They can also impact on the achievement of value for money. It is in everyone’s interest to work at avoiding disputes in the first place ... Inevitably, however, they do occur and when they do the importance of a fast, efficient and cost effective dispute resolution procedure cannot be overstated. …

In general terms the Government’s objective is to ensure that relationships between the client and supplier are non-adversarial, that contracts should contain provision for the resolution of disputes which are appropriate having regard to their nature and substance and that such provision should, so far as possible, ensure that relationships with suppliers are maintained. In particular it is Government policy that litigation should usually be treated as the dispute resolution method of last resort.”

It has been known for years that the earlier a dispute or a potential dispute is addressed, the better the chances of a fair and prompt solution. In the context of practicing law, the idea of prevention was first introduced by Louis M. Brown, a U.S. Law Professor and legal practitioner. In an effort to help people minimize the risk of legal trouble and maximize legal benefits, he published “Preventive Law” in 1950, followed by numerous other books and articles on the topic.

Proactive law practice has its origins in preventive law. Both approaches have many similarities with preventive medicine: a branch of medical science dealing with methods (such as vaccination) of preventing the occurrence of disease. Along the same line, it can be stated that proactive law aims at “vaccinating” business people against the “disease” of legal trouble, disputes, and litigation. The goal is to build a protective system or a defence mechanism that makes the corporate client, its management and personnel, strong and resistant; keeps them in good legal health and “immune” to the legal risks inherent in business.

In Europe, Professor Richard Susskind was among the first legal scholars to pay attention to what he in his book “The Future of Law”, first published in 1996, called “the paradox of reactive legal service”. Throughout the book, the

---

3 See, e.g. Brown 1950, Brown 1955, Brown 1972, and Brown 1986. – Louis M. Brown’s legacy is carried on through the Louis M. Brown Program in Preventive Law and the National Center for Preventive Law (NCPL) at the California Western School of Law in San Diego. The NCPL is dedicated to preventing legal risks from becoming legal problems and acts as a clearinghouse for information and as a network for those interested in the theory of Preventive Law, or how it applies to particular areas of practice or the courts. See “www.preventivelawyer.org”.
4 Merriam-Webster Unabridged Dictionary. See “unabridged.merriam-webster.com”. – Even in other professions, such as quality management, prevention has long been known to be more effective than control and reactive corrective action.
author talks about “the latent legal market”, which calls for embracing techniques of proactivity. In the penultimate paragraph of the book, he states:

“legal systems of the information society will evolve rapidly under the considerable influence of ever more powerful information technologies. … Legal risks will be managed in advance of problems occurring so dispute pre-emption rather than dispute resolution will be the order of the day. Our law will thus become far more fully integrated with our domestic, social and business lives.”

Our law has indeed become far more fully integrated with our business life. The pressures for corporate compliance are growing as regulators set new requirements. It is not enough that lawyers and regulatory experts know the requirements that apply: management and employees need to be aware of and comply with them as well. As a consequence, companies’ own efforts and fee-based compliance-management services seek to keep everybody up-to-date and in compliance. Lately, the emphasis has shifted from compliance to governance and to managing the corporate reputation. Creating a culture that encourages ethical conduct and enables employees to make better informed decisions has become the goal. Achieving business objectives while meeting current and future legal and regulatory demands requires a well-informed workforce and a new approach to practicing business law: a proactive approach.

This Volume of Scandinavian Studies in Law offers several examples of the proactive approach. This Chapter introduces proactive law from the point of view of a business lawyer working with large companies which deal internationally, the author’s primary field of practice. Rather than research, the ideas presented here are based on the author’s experience and on discussions with corporate colleagues and clients in various parts of the world.

1 Proactive Law and Preventive Law: Similar Approach – Different Focus

When doing a legal risk assessment or a cost-benefit analysis, it is helpful to know what legal principles and rules apply in a given situation and what courts and regulators have done in the past. However, in the practice of proactive law in the business arena, this is not enough. If we want to help businesses succeed and avoid legal trouble, we need to be involved with what people have done in the past, and what they will do in the future. Proactive lawyering is not about applying legal rules to facts that happened in the past, but about applying sound legal practices to create future facts and to plan a future course of conduct. In the words of Edward A. Dauer, a pioneer of preventive law: “Litigation law is mostly law. Preventive law is mostly facts. And the critical time for preventive

---

6 Susskind 1998, p. 292. In a later book, the author elaborates on the issues. He anticipates a move in the administration of justice, i.e., from legal problem-solving to legal risk management and from dispute resolution to dispute pre-emption and, along with this move, a paradigm shift in legal service: from restrictive to empowering, from reactive to proactive, and from legal focus to business focus. See Susskind 2000, p. 100–107.
lawyering is when those facts are first being born. As a lawyer speaking to business people, I would have one request of them: Please let us be involved in the making of those facts.”

Preventive law and proactive law are very similar, although the primary target groups and the emphasis differ. While the primary target group of the preventive law message is lawyers – lawyers practicing preventive law – the proactive law message is targeted at both lawyers and clients, and the clients’ buy-in is crucial. In the context of preventive law, promoting “legal health” and preventing legal problems are often seen to be the responsibility of lawyers, the client being a passive source for information. In the practice of proactive law, the emphasis is on the client, who has an active role in the process. The client may be represented by a team of knowledgeable decision-makers, well informed about the business issues involved. Consequently, proactive law stresses the importance of client-lawyer collaboration and of encouraging and supporting clients’ self-care.

Both preventive law and proactive law emphasize the lawyer’s role as a planner helping clients to achieve their objectives. In the practice of preventive law – as well as in the literature dealing with it – risk management and dispute avoidance often come to the fore. While these elements are important, the supporters of proactive law do not want to be associated solely with a message toward problem prevention, dispute avoidance, or risk management. To use the medical analogy, the idea is not only to prevent ill-health but to promote well-being. The goal is to embed legal knowledge and skills in clients’ strategy and everyday actions to actively promote business success, ensure desired outcomes, and balance risk with reward.

---


8 For the Finnish pioneers of the approach, it was not possible to share the proactive law message without Finnish (or Swedish, Finland’s second official language) words. When looking for a name for the approach, the medical analogy suggested words similar to preventive (preventtivinen, ennaltaehkäisevä in Finnish; preventiv, förebyggande in Swedish). These, when tested with a business audience, did not work well and were soon rejected as counter-productive: they resembled deal-prevention or business-prevention, something that lawyers are quite often accused of doing. After trial and error, the pioneers came up with the words meaning proactive (proaktiivinen, ennakoiva; proaktiv). The concept was originally applied to contracting (Proactive Contracting: in Finnish ennakoiva sopiminen, ennakoiva sopimustoiminta; in Swedish proaktiv avtalsverksamhet) and later developed into proactive law (ennakoiva oikeus, ennakoiva juridiikka; proaktiv rätt, proaktiv juridik) and proactive legal thinking (ennakoiva oikeusajattelu; proaktivt rättstänkande). – To brand the approach, the author ‘trialed and erred’ even in the English language: In an attempt to avoid the word ‘preventive’ for new audiences not previously familiar with the concept, ‘value-added lawyering’ was used for a while, until the concept of ‘proactive lawyering’ was established. One of the earlier names used, Safe Sales (and Safe Sales in Cyberspace; see Haapio & Smith 2000) is still quite popular among business people.
The differences between preventive law and proactive law are illustrated in Figure 1, which is adapted from preventive medicine. The pyramid has three levels: primary (causes), secondary (effects), and tertiary (losses and other harmful consequences). Just like preventive medicine, preventive law and proactive law stress the importance of working at all three levels. So far, preventive law has worked predominantly in the domains of secondary and tertiary prevention. Proactive law, again, has focused on the primary and secondary levels and, in particular, on supporting clients’ self-care, which is considered fundamental at all levels.

The three levels of legal care depicted in Figure 1 can be illustrated further through an example used by Edward A. Dauer:

“Work in the primary domain keeps the causes of illness from arising. Mosquitoes carry malaria, so to avoid malaria, we drain swamps to prevent mosquitoes. Work in the secondary domain keeps unavoidable causes from

---

9 The three levels in preventive medicine are: primary (e.g., prevention of coronary heart disease in a healthy person), secondary (e.g., prevention of heart attack in a person with heart disease), and tertiary (e.g., prevention of disability and death after a heart attack). Self-care is not always part of the preventive medicine map. See Preventive medicine 2005.
having effects. We can’t drain every swamp, so we develop netting. And work in the tertiary domain keeps unavoidable consequences from being harmful. We get out the quinine. The beginning of the process is locating the cause. The core of the process is determining how it can be managed. And the objective is not avoiding losses, but avoiding causes first and results second, and losses only third. Applied to what we do, this approach takes lawyers into somewhat unfamiliar terrain. … ‘That’s not the law,’ we might say. ‘That’s the client’s business.’ And therein lies the problem. Trained by our law schools only accidentally if at all in the arts of transactions, and trained nowhere in the systematic application of preventive lawyering, we see the boundary between us and our client right here. The client designs the widgets, the corporate culture, the environmental integrity. We practice the law. That, however, is not a boundary preventive law respects.10

In the corporate arena, legal issues and business issues become intertwined: it is indeed hard to see a boundary between law practice and the client’s business. This may be problematic for some professional associations – for a business lawyer interested in promoting and enhancing the practice of proactive law, it brings along an opportunity to find strong allies among clients’ business managers and personnel.

The differences between proactive law and preventive law may be explained with historical reasons: The early beginnings of preventive law practice focused on the needs of individuals and small businesses in a law-firm setting, where the lawyer was in charge. Along with corporate compliance programs and legal audits, the approach was adopted by the legal departments of large corporations. Proactive law, as the concept is used here, originated in the corporate setting, where business managers, and not lawyers, were in charge. Proactive law grew out of the needs of large, quality-driven business clients who wanted to use quality and risk management principles to improve their contracting processes in cross-border dealings. Their needs were focused predominantly on business and on quality, not on legal issues.11

Proactive law works best with a team approach of self-care joined with professional care. It encourages – even mandates – lawyers to join forces with other professions: people in sales, purchasing, projects, contracts, technology, human resources, finance, quality and risk management. As will be

11 The first publication related to proactive law (as the concept is used in this Chapter) was “Quality Improvement through Pro-Active Contracting: Contracts are too important to be left to lawyers!”, a conference paper the author prepared in 1997 for the Annual Quality Congress of the American Society for Quality held in Philadelphia in 1998 (see Haapio 1997/1998 and Haapio 1998). Together with a group of colleagues and researchers, the author later published a series of articles related to the topic and, in 2002, the first book (see Pohjonen 2002; for an introduction of the Finnish language book in Swedish, see Kavaleff 2003). – The year 2003 saw the first Conference dedicated to proactive law “Future Law, Lawyering, and Language: Helping People and Business Succeed” organized in Helsinki, Finland in May 2003. The first day of the conference was entitled “Proactive Planning – Better Performance” (see “www.ulapland.fi/?deptid=13095”). Along with “Fusing Best Business Practices with Legal Information Management and Technology”, a Conference organized in Stockholm, Sweden in June 2005 (see “www.juridicum.su.se/proactivelaw/”), the approach gained wider recognition and developed into what is now known as the Nordic School of Proactive Law.
demonstrated in the context of corporate contracting, preventing legal problems and promoting clients’ success require that lawyers and clients work seamlessly together. Cross-professional collaboration and communication are required, as well as the ability to combine and co-ordinate business, technical, and legal skills and knowledge.

It needs to be added that Figure 1 represents a broad generalization. It focuses on the differences between preventive law and proactive law: however, there are many more similarities than differences between the two. Both approaches are future-oriented and seek to remove the root causes of problems, rather than being reactive or corrective. Both see the role of the lawyer as that of a planner or “Designer” and “Problem Solver” rather than “Fighter”. Most business lawyers, particularly in-house counsel, have intuitively practiced preventive law or proactive law at various levels for decades, long before they ever heard the name of either approach.


In 1998, a report called “civil.justice: Resolving and Avoiding Disputes in the Information Age” was published in the United Kingdom, followed by a Lord Chancellor’s Department strategy paper in 2000 called “civil.justice.2000 – A Vision of the Civil Justice System in the Information Age”. The strategy paper begins by stating that our current view of the civil justice system is litigation and court based, and then goes on:

“We believe that we should want much more than an effective court system in the future. We should want an integrated civil justice system wherein the courts are a forum of last resort. … In an integrated civil justice system there is considerable scope for new technology to provide very different ways of delivering services, and indeed different services, not merely the automation of current processes. …

And yet we should surely be concerned if citizens (or organisations) are not sufficiently informed to be able to know when the law might apply to them, to find out more about their legal positions should they so wish, to avoid disputes where possible or resolve them using the most appropriate techniques.”

A business organization has sometimes been described as a “small society”. With this analogy in mind, let us look at the vision of a future integrated civil justice system in the Lord Chancellor’s strategy paper – a civil justice system which meets citizens’ needs. The vision presented in the strategy paper is of a civil justice system which:

12 See author’s article Business Success and Problem Prevention through Proactive Contracting, in this Volume of Scandinavian Studies in Law.
13 For a discussion of the roles of lawyer, see Section 3, in connection with Figure 3.
14 See civil.justice: Resolving and Avoiding Disputes in the Information Age 1998.
encourages increased awareness of legal rights and responsibilities as part of lifelong learning in a knowledge-based society; ensures that citizens and organisations can take advantage of the many benefits that the law can confer, and know their legal duties; encourages the avoidance and early resolution of disputes; and helps ensure that the most appropriate form of dispute resolution is selected. The diagram below illustrates the basic components of such a system:

![Diagram of an Integrated Civil Justice System](image)

**Figure 2: An Integrated Civil Justice System**

The vision of a future civil justice system as presented in Figure 2 – a system which meets citizens’ needs – is very close to the vision and goals of proactive law as applied in the corporate setting. When looking at a business as a whole, or at a business process (such as the pre-sales–sales–delivery process, or the solicitation–procurement process), a proactive lawyer can, in the spirit of the views presented in the Lord Chancellor’s strategy paper, start by asking the following questions:

1. Is there a sufficient level of awareness of legal issues within the company such that employees and management know enough to recognize occasions when they are faced with (a) an opportunity to benefit from the law or (b) the possibility of suffering under the law?
2. Even if they have such general awareness, can employees and management gain easy access to affordable information to help them assess (a) how to exploit the opportunity or (b) whether or not they have grounds or reason for considering entering into some kind of dispute resolution process?
3. In relation to potential disputes, once confident of their possible or realistic entitlements, can employees and management gain easy access to affordable information to help them avoid disputes where this is possible and desirable?
4. If the conduct of a dispute is the only reasonable option, can employees and management gain easy access to affordable information to help them identify the best method of securing their entitlements or pursuing their remedies?¹⁷

---

In most large corporations today, irrespective of the number of lawyers they employ, the answers to these questions are likely to be negative. Using the words of Richard Susskind, legal guidance is needed today far more extensively than it can be offered and taken; there is truly a huge untapped market, a latent legal market here. A myriad of opportunities for both businesses and lawyers exist, waiting to be discovered. The Chapters that follow will discuss some of them, together with the challenges that come along with those opportunities.

3 As We Move from Reactive to Proactive Law, Lawyers’ and Clients’ Roles Change

The shift from reactive to proactive legal care has implications for lawyers’ and clients’ work and roles. For many reasons, the shift is not easy to make, and not every lawyer and client will consider it. One major challenge is the image that many clients have of lawyers (and even some lawyers have of themselves). Another is the fact that the concept is not always easy to sell to business management. A further complication is created by the fact that today, the systematic application of the proactive law approach is not taught anywhere.

Traditionally, among the general public, lawyers are best known as “Fighters”, by what movies and television series show: court battles, fighting and winning, defending and prosecuting, interrogating witnesses, arguing questions of law and fact, or seeking relief in an appellate court. The perception of a lawyer as a “Fighter” is so strong that many business people – whether top executives in large corporations, employees, or small business owners – are unaware of the other roles of lawyers. If a business manager has not worked with lawyers or has only worked with “Fighters”, he or she may still see lawyers as a last resort, needed only when a “fire” breaks out. Many people, even though their organization may employ tens of lawyers, may have never worked with a

17 Related to crucial questions that bear on justice more generally, see civil.justice.2000 – A Vision of the Civil Justice System in the Information Age 2000, where the company is the society, and employees and management are its citizens.

18 See Susskind 1998, p. 27 and Susskind 2000, p. 113–114. In the latter book, the author states that the latent legal market and ‘unmet legal need’ are two sides of the same coin. From the lawyers’ perspective, Susskind regards this as a huge untapped market, “happily not an opportunity for exploitation or monopoly but the chance to contribute, at a fair rate of return, to the grave problem of inaccess to justice.”

19 Examples of proactive law applications in the context of corporate contracting and related client care and self-care are provided in Section 4 of author’s article Business Success and Problem Prevention through Proactive Contracting, in this Volume of Scandinavian Studies in Law.

20 The shift of focus from reactive to proactive legal care and clients’ self-care has implications not only for business practice, but also for education. The author strongly believes that there is much to be gained by making the proactive law approach part of legal education and also part of the curricula of Business Schools, Technical Universities, and other institutions which train future business leaders. For a further discussion of this topic, see Section 3.4 of author’s article Business Success and Problem Prevention through Proactive Contracting, in this Volume of Scandinavian Studies in Law.
lawyer and may never intend to do so, based on their assumption of how lawyers and legal departments are and what they do.\textsuperscript{21}

So what does a proactive lawyer do? Is his or her work “proactive lawyering”? There is an old saying suggesting that “a lawyer is an individual whose principal role is to protect his clients from others of his profession”. Some business people actually seem to think of their lawyers only when approached – or threatened – by other lawyers. They want their lawyer to get them out of legal trouble. This kind of “proactive lawyering”, however, is more reactive than proactive work.

Proactive lawyering may involve the representation of clients before administrative or legislative committees, and sometimes even before courts. Still, most of what proactive lawyers do is not work as litigators or “Fighters” but as “Problem Solvers” and as “Designers”, which latter role also includes that of a problem preventer. A proactive lawyer working as a “Designer” can aid in various ways, for example as a business partner, legal architect, trusted counsellor, mentor, and coach. – Figure 3 illustrates the roles of lawyers, with a focus on the role of a business lawyer as a “Designer” in the corporate context.

---

\textsuperscript{21} Stereotypes of lawyers include “necessary evil”, “overhead”, “Dr. No”, and “internal cop”. – See Bagley 2003, p. 1. The author quotes a study where focus groups of business leaders queried in a survey by the Case Western Reserve University Law School associated the word “lawyer” with “authoritative”, “conservative”, “arrogant”, “intimidating”, and “know-it-all”. Yet, the author continues, managers who view counsel as a necessary evil miss opportunities to work with attorneys as partners to increase and capture value and to manage risk.

---

Figure 3: The Roles of Lawyers\textsuperscript{22}
What, then, does it take to be a proactive business lawyer? Some lawyers judge their quality on their legal abilities alone. Business people take lawyers’ legal abilities for granted. What they want is a commercial approach. They do not just want legal problems to be identified; they want solutions and options. They want brief and clear advice, not opinions which are so qualified that they confuse more than they clarify. They want people who take a team attitude rather than lawyers who cloak themselves in professional mystique. On top of legal abilities, success in proactive business lawyering requires the lawyer to be a team player, willing to look beyond the areas typically taught in law school.

Proactive business lawyers work often as transactional lawyers, also known as deal lawyers. They do not just analyze legal problems or expect to be asked solely “legal questions”, but work strategically with the client. A proactive deal lawyer needs to understand what the client wants to achieve and the risk it is willing to take, and then helps structure deals and prepare contracts so that they reflect the client’s goals, minimize risk, and work effectively both as business tools and as proactive law tools. When involved in a buy/sell or licensing transaction, a proactive deal lawyer understands both parties’ perspectives and, based on that understanding, knows what to ask for and what is realistic. He or she can then facilitate the closing of the deal and add real value.

There are many things business people do not ask for, because they do not know they exist. Proactive legal services offer one example. One of the biggest challenges of proactive lawyering is how to help businesses recognize the occasions for the appropriate use of proactive legal help. In the context of contracting, for example, lawyers are known for their ability to predict and plan for problems, contingencies, and risk – none of which is a particularly popular topic for a busy business person. The paradox is that the very decision as to whether and when to contact a lawyer itself requires legal insight and understanding: “you need to be a lawyer to know when best to seek legal guidance.”

Proactive law stresses inter-professional collaboration: merging business and legal foresight is the goal. While business managers need not become lawyers, they do need some basic legal skills. Proactive lawyers can help them in acquiring those skills. In order to be able to do that, it is not enough for the lawyers to understand the law. Understanding business, strategy and people becomes crucial. Equipped with that understanding, proactive lawyers will know

22 The three roles and the idea of them in a triangle have been adapted from the Introduction to Barton & Cooper 2000 at the web page The Multi-Dimensional Lawyer and the Legal System, “www.preventivelawyer.com/main/default.asp?pid=multi-dimensional.htm of the National Center for Preventive Law. The highlight on and the examples of the Designer’s work have been added by the author.


what works for their clients, and how best to help them. Working together, lawyers keep learning from clients, and vice versa. Together, they can develop better ways to work and succeed. At the same time, they can establish a mutually rewarding relationship. The rewards cannot be measured in money alone.

Taking a proactive approach as a “Designer” and team player makes the practice of law in the corporate setting more effective and more satisfying, for both the client and the lawyer. Being a continuous learner, using legal skills to design and implement new creative solutions, and working for the common good give a feeling of being of valuable service to others – of making a difference, and building a better future. At its best, proactive lawyering develops into a calling. Practicing proactive law can be exciting, inspirational, and fun. The power of proactivity can increase the motivation, dedication, and commitment of everybody involved – even reshape business and personal lives.

References


