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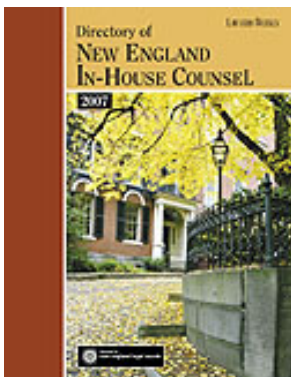
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'On-demand' firms slashing in-house legal bills

By Sylvia Hsieh

A new breed of law firms providing "on-demand" in-house legal services is slashing corporate legal bills by as much as 50 percent in some cases.

These outfits offer an alternative for companies who don't want to hire or add a full-time in-house lawyer. They also help in-house legal teams who have overflow work. These "on demand" firms are typically comprised of lawyers with large-firm and in-house experience.

Because they don't operate as traditional law firms – their attorneys work on-site at the clients' worksite or telecommute from home – they eliminate overhead costs and the higher fees that law firms charge to perform outside counsel services.

"I have cut my legal costs by at least half," said John O'Donnell, CFO of Aveska, a technology automation and information security company in Waltham, Mass.

And he insists he has not sacrificed quality for cost.

"I have no legal expertise in-house, and I actually think I get better legal services than if I had internal counsel who may get pulled in different directions, or a corporate attorney in downtown Boston who doesn't have a software background and might not pick up on our operations as quickly," he said.

A number of these alternative "law firms" have cropped up and are just beginning to gain traction in major cities like Boston, New York and San Francisco.

"Six months ago I would have said they are about to take off. Now, they are taking off," said Mehul Patel of Axiom Legal, the largest of such alternative firms with over 200 lawyers.

While companies still go to traditional law firms for major litigation and specialized expertise in such areas as intellectual property, more and more companies whose budgets are getting squeezed by the rising rates of outside firms are exploring this option.

Jon Levitt, a co-founder of Outside GC in Boston, said the companies that hire his on-demand in-house lawyers range from small start-ups to Fortune 100 corporations.

“We’ve got 250 clients across pretty much every industry – technology, retail, medical device companies, traditional manufacturing and services, and banking,” said Levitt.

On the other side, these new firms are having no trouble attracting highly experienced attorneys looking for greater work-life balance, flexibility and variety in their work.

“I couldn’t imagine working anywhere else,” said Matthew Levine, a New York attorney who has worked for Axiom for two and a half years. “I get to do really interesting work for A-list clients, and at the same time, I’m home for dinner every night. The money is comparable to in-house lawyers and a tad below what I’d be making at a big firm, but the positives so outweigh the negatives.”

On demand

Most of these new firms were started by attorneys trying to figure out a better paradigm for practicing law.

In 2000, Mark Harris, an associate at a large law firm, did the math one day and calculated that one month of billables equaled his entire annual salary.

“Where did the money for the other 11 months go?” he wondered.

Axiom Legal was his answer. He went on to co-found Axiom Legal.

“We went out and talked to general counsel about what was working and not working, and we started hearing there was a gap in the market,” said Patel.

“The options,” said Paul Rimas, assistant general counsel with GPS provider Trimble Navigation Limited, “are typically to bring somebody in-house and increase the head count, or hire more outside law firms and keep running the meter up with billable hours.”

Rimas recently hired an “on demand” firm for an extra attorney to manage a period of extensive acquisition activity, and he did not want to hand-hold a new attorney.

“You’re so overwhelmed with different projects that when you have

something big hit, like multiple acquisitions, you need help managing them and can't wait for someone to get ramped up to speed. You need someone to hit the ground running," he said.

However, he said he would still rely on a traditional outside law firm for "big-ticket, bet-the-company litigation," such as patent, securities or class actions, where he would want more extensive and dedicated resources to assist his in-house legal team of four full-time and two part-time attorneys.

Rimas noted that the hourly rate for alternative firms is about one-third to one-half that of a large outside firm.

Companies are billed at an hourly rate well below the going rate for a large outside firm.

Axiom, for example, bills at an hourly rate between \$150 to \$225 on a weekly block of time.

"Clients sign up for 10-to-50 hours per week because they like the predictability of the expenses and a lawyer is available to them for that time," said Patel.

These firms insist they are not temp agencies.

"We are definitely not staffing paralegals or junior attorneys or doing document production," said Mae O'Malley, a San Francisco attorney who founded Paragon Corporate Counsel On Demand in 2006. "We don't have attorneys below the 10-year level of experience, and they all have a combination of big firm and in-house experience and can integrate with an in-house team."

O'Malley was trying to cut back her own hours as her family grew, moving from a large law firm to in-house to finally working on a contract basis.

"As I had my kids, I needed to find a better way to practice. Coming off my third kid, I got an offer to do work for Google and needed to hire a lawyer to help me, because at that time I had too many clients to handle myself. That was the beginning of Paragon," she said.

Her company has grown to 25 attorneys who provide primarily licensing and transactional work to technology companies.

"A lot of companies have peaks and valleys and the work can get very busy at the end of the quarter. We can put a lawyer or two to work to get the company through the quarter and they don't have to hire a new attorney," explained O'Malley.

Win-win situation

For attorneys looking for the exit sign at a large law firm or more flexibility than an in-house job, these firms have provided a very competitive alternative.

“Some people will make partner, some will become general counsel, and in between are a whole lot of unhappy lawyers,” said Patel.

Lawyers who work for these firms say they love the flexibility in choosing their work assignments.

“For me it was a no-brainer,” said Mary Regan, an attorney in Woburn, Mass., who worked at Digital Corp and then as general counsel at Switchboard before leaving to seek a more balanced work-life schedule. Regan has been an attorney with Outside GC for the past year, working for a small number of clients on a committed basis.

“I spent a lot of years building up what I think is a pretty strong resume and paid a lot of dues on the way,” she said. “This was an opportunity to take advantage of all I had built up in a form that offered flexibility and the chance to work for A-list clients without having to find them myself.” She currently splits her week between two clients where she works on-site, alternating three days and two days.

“Flexibility and variety are the two main draws,” Regan added. “There are times I want to be working 40 hours, and there are times when if a break in the action comes, I’m happy to enjoy that a bit. I feel like I have control over the dials, which I never had in-house. I have the opportunity to accept the next work that comes my way, or pass on it.”

Levine, an attorney with Axiom, said he has gained a sense of freedom and control over his work and life.

“I like the fact that I go to different companies – it keeps the work from getting stale and me from burning out. You get to re-invent yourself and do different types of work for different clients,” said Levine. He did a year and a half stint with the New York Times Corp. and Computer Associates, performing securities filings and corporate governance, and then with Goldman Sachs where he worked on equity derivatives, something he had never done before.

With the flexible schedule, he was able to take three months off between assignments during which he sold his house and bought a new one, giving him time to settle into his new home.

For some lawyers, this work is a transition between jobs.

But the firms say they have more applicants than they can hire and have little turnover.

Are they law firms?

The business form of these “law firms” varies.

Paragon is structured as a law firm whose attorneys are independent contractors and do not receive benefits.

“We are set up as a law firm because in our minds we are functioning as a law firm but offering innovative services. Our lawyers are independent contractors because they have complete freedom to take or refuse the work we offer. Some have their own solo practice that they are building part-time,” said O’Malley.

Outside GC is a law firm registered as an LLC whose attorneys are “of counsel.”

“Our lawyers get paid a percentage of the revenues from our clients. One thing our team members like is they are paid for every hour that they work, unlike being on salary, and we pay our team members a much larger percentage that comes from our clients than if they worked at a law firm,” said Levitt.

Axiom, on the other hand, is organized as a C corp. whose attorneys are salaried employees with benefits. They are paid on a daily rate, prorated according to an annual salary.

“We look at a lawyer’s experience, figure an annualized salary, then work out the daily rate, so they are only paid each day they are working,” said Patel.

Axiom is a venture-backed corporation and plans to go public within four years.

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