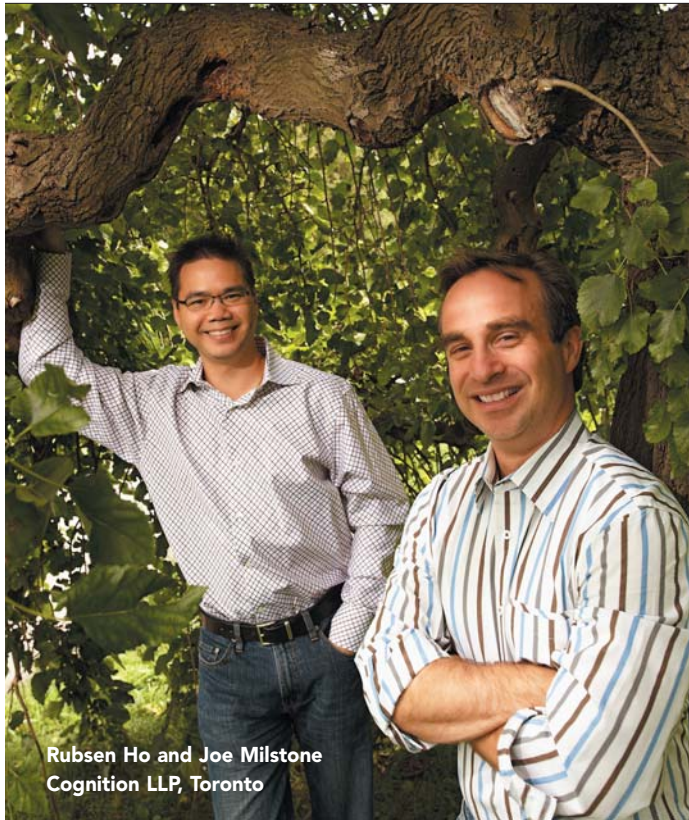


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PAUL ECKHOFF

Rubsen Ho and Joe Milstone
Cognition LLP, Toronto

The virtual law firm

Corporate clients are looking for better alternatives than costly outside counsel and full-time staff commitments. Two innovative law firms think they have the answer.

By Yves Faguy

A rising chorus among clients of major law firms concerns the ever-increasing cost of legal services. While a growing number of firms have taken steps to curtail costs — adopting alternative forms of billing, reducing support staff, implementing new management habits — lawyers' fees still seem to rise relentlessly.

Overhead certainly plays a part. In major cities, large law firms pay downtown rental rates for big office premises, and there are a lot of lawyers in those offices. The traditional law firm model — centralizing employees in one building, with huge conference rooms containing mahogany tables — is an expensive beast whose costs invariably are passed onto the client.

Corporate clients looking to keep legal costs in line are often stymied, however, especially when a major project is underway. After all, the work needs to get done, and the only two options available are to hire more people in-house, or retain the services of fully staffed yet expensive outside counsel.

Now, however, two new enterprises are trying to add a third, cost-effective alternative to that list. Cognition LLP, based in Toronto, and Delegatus, based in Montreal, are both considered law firms in the eyes of their respective law societies. Yet they have a novel business plan: they farm out lawyers on an as-needed basis to work for in-house law departments — whether for a specified period of time, on an ongoing basis, or for a specific project — no strings attached.

A new kind of firm

“We offer in-house legal services on an outsourced basis,” says Joe Milstone, who co-founded Cognition. It's a model, adds Rubsen Ho, Cognition's other co-founder, tailor-made to the client's cyclical needs. “It fits all kinds of different companies, because it's very flexible, adaptable and scalable,” he says.

Cognition does not work out of a typical office structure. Most of its lawyers either visit clients on-site or work from home. Unburdened by the costs associated with a traditional law firm, they can charge a fraction of the going rate for lawyers' fees. Typically, Cognition bills a daily rate between \$1,000 and \$1,400 for a lawyer with ten years at the bar — less than a quarter of what major firms charge, says Ho.

"We typically don't ask for a retainer," he adds. "They can try us out, see how it goes and walk out without paying any kind of penalty." Also, Cognition doesn't charge for travel time and refuses to bill other ancillary costs such as long-distance calls, photocopies and faxes. "It's a write-off for us," says Milstone. "But the goodwill it carries with the clients goes such a long way. It's the easy thing for us to do."

Like Cognition, Delegatus provides a range of specialized legal services, from commercial litigation to midsize corporate transactions. Rates vary between \$125 and \$150 an hour, less than what articling students charge in some major firms. Interestingly, however, although law firms might be tempted to see Delegatus as a threat, about 40 percent of Delegatus' book of business comes from those very firms.

"Some files don't justify the rates charged by outside counsel," says Delegatus founder Pascale Pageau. So in an effort to keep their corporate clients happy, these firms outsource smaller files to Delegatus. As a mark of her appreciation, Pageau pledges to respect the relationship between the outsourcing law firm and its client. "We don't want to be viewed by law firms as competitors, but as allies," she says.

Business partners

Both firms firmly reject any suggestion that they are "temp agencies." Their focus is on engagements where lawyers are actively involved in the day-to-day operations of its clients, albeit on a fractional basis. "Ideally, we want the relationship to be an ongoing one," says Pageau.

Take, for example, a company that needs the services provided by a general counsel, but is unwilling or unable to hire a full-time person to fill that role. Delegatus or Cognition can provide that company with a skilled lawyer who knows the business well. Should a client require the depth of a corporate transaction team, Delegatus or Cognition can work with outside counsel and manage the process from



Pascale Pageau
Delegatus, Montreal

the client's perspective. "That way, it keeps them a little more honest," says Ho.

That interaction with clients is what attracted securities expert Cynthia Seifrid to Cognition. Seifrid had previously worked at Blake, Cassels & Graydon LLP in Toronto and as in-house counsel at Bruce Power. "In a traditional Bay Street law firm, you could bill ten hours without ever talking to the client," she says. "If you go spend a week at the client's business, you really get a good feel for what's going on."

Cognition was launched in 2005 after Ho and Milstone left their own respective in-house counsel jobs. Looking for a new career path, the two friends were reluctant to return to their earlier occupations as associates in Bay Street law firms. Being familiar with the tech industry, they quickly picked up contracts for legal services from software and telecom companies.

"We both had low expectations when we started," says Ho. "We were looking at working a few hours and making a decent living, but taking it easy." Before long, however, their dockets filled up and work came pouring in through referrals. Working either from home or on-site at their clients'

offices, they joined forces but resisted the temptation of renting office space.

Instead, they created their "virtual firm" by recruiting lawyers away from the best firms and in-house departments. Hired as independent contractors, the lawyers would enjoy more flexible hours and choose the assignments on which to work. "They aren't really associates, in that they don't have fixed salaries," says Milstone.

"We don't have that incentive to squeeze them for all that they're worth. They benefit from the work that we find, and they're completely flexible in terms of the quantity and quality of work that they take on." Cognition now draws upon the talent of a team of seven lawyers and expects three new members to join shortly.

A better balance

One of them, Nina Moritsugu, joined Cognition in 2005 as an IT lawyer, looking for flexibility to manage her family obligations. She had previously worked in-house at Soma Networks, a provider of mobile technology, and as an associate at Gowling Lafleur Henderson LLP in Toronto. After a two-year hiatus taking care of her young child, Moritsugu wanted to return to work, but had no client base to speak of, in spite of having been called to the Bar ten years earlier.

Cognition seemed like the perfect fit. "They could provide me with an instant stable of clients in an area in which I already had expertise," she explains. "Then I found that we were getting really high-quality and exciting work." Moritsugu, working from home or on-site, now splits her time between servicing a communications management software company and five other clients for whom she works on a project basis.

Work-life balance is also what inspired Pageau to start her own business in 2005. The idea behind Delegatus came to her during her second maternity leave. "I wanted to build a firm that was different

from others,” she says, “one that would strike a better balance between the professional and personal lives of its members.”

Pageau had noticed that, increasingly, corporate legal departments were running into temporary shortages in qualified expertise. Many lawyers working in-house today love what they do, she says, but want to do less of it. “There are plenty of excellent lawyers out there who are no longer prepared to work as hard as before, even in-house.” All four lawyers at Delegatus have at least five years’ experience working in-house or for a major firm. “They’re familiar with the needs and philosophy of big companies,” says Pageau.

Litigator Marie-Josée Robert joined Delegatus in June because she saw an

opportunity to keep her professional life on track while caring for her young family. “As a parent, it’s still important for me to be stimulated at work,” she says. “But I want to be around my children until they’re old enough to go to school.”

She makes a point of working mornings, for an average total of 10 to 15 hours a week. Though she can’t necessarily manage an entire litigation file on that schedule, she’s available for research, drafting and motions, which allows her to keep abreast of developments until she’s ready to return to the practice on a full-time basis. “Down the road, the opportunity will be there for me to work longer hours and bring in new clients,” says Robert.

There is something very 21st-century

about a virtual law firm that puts a premium on variety and flexibility. But will it sound the death knell of the change-resistant traditional law firm? Unlikely, says Ho. “The big law firms will always service the companies that can afford them, and the small to medium-sized businesses will find unique and innovative ways to address their legal needs.”

That said, the virtual model works — and that only means one thing, says Ho. “We expect competition.”

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Hire-wire act

You’ve made the lateral jump from one firm to another. Now it’s time to make sure you get off to a great start in your new location.



You spent hours planning your job search with your recruiter, picking the right firms and researching them. You interviewed like crazy for months, while staying up late at night trying to hold down your current job. You spent countless hours nervously awaiting word on your interviews. But it’s all been worth it — you finally got the perfect job offer at the firm of your dreams.

Congratulations! Time to take a deep breath, relax and enjoy the new change in your career. But don’t get too comfortable — you still have a lot of important challenges ahead of you if you’re going to make this new job a success. Make the most of it by preparing yourself to adapt and succeed at the new firm. Here are some tips for doing just that.

1. What went wrong before?

Chances are, there are many things you could have done at your

old firm to make your time there more successful and fulfilling. Before you start this new job, take the time to reflect on what you could have done to better your performance. If you don’t learn from your past mistakes, you’re probably doomed to repeat them at your new job.

Sit down with senior lawyers at your old firm and ask them candid questions about your job performance and how you might improve. Many firms are reticent to give young lawyers detailed evaluations of their performance during the course of their time at the firm, rather than risk alienating the associate. Now that you’re gone, those lawyers who worked closely with you may be more willing to give you specific feedback.

2. Expect the unexpected

As much as you feel like you know your new firm, there’s much more that you still don’t know. Unless you have close friends on