



Rubsun Ho
Co-founder
Cognition LLP
Toronto

Outsourcing in-house counsel

For the past five years, three trailblazing law firms — Cognition LLP, Delegatus Legal Services Inc., and LexLocom, which specialize in providing in-house counsel on an as-needed basis — have been leading the way in a growing niche market for legal services in Canada.

At Cognition's fifth anniversary party last May at The Fifth Grill in Toronto, co-founders Joe Milstone and Rubsun Ho had plenty to celebrate. In a few short years, the firm has grown from 2 to 24 lawyers, serving businesses in Toronto, Ottawa and Waterloo. Still in expansion mode, they have explored both the Calgary and Vancouver legal markets.

Milstone and Ho were neighbors in the Annex, who both spent several years working as in-house counsel, before deciding to join forces and co-found Cognition in April of 2005.

"On a steady basis a company may have sufficient legal needs for four and a half lawyers; we can provide that extra half," Milstone explains. "Our model is to provide companies with 'bandwidth on demand' so that businesses only pay for its in-house legal services as it is used. We can place an experienced lawyer in-house on an as-needed basis,

ALENA GEDENOVA



Joe Milstone
Co-founder
Cognition LLP
Toronto

For legal departments that are understaffed and overworked, and for businesses that have no company lawyer on staff, outsourcing in-house counsel may be the solution.

by Michael Rappaport

whether part-time or full-time for a period of weeks or months or an ongoing relationship."

Cognition serves both smaller businesses that do not have a full-time in-house counsel and larger businesses with cyclical legal needs, spikes in their workload, or temporary gaps in their legal departments.

Ian Collins, president of Clickfree Inc., a tech start-up in Toronto that makes data backup devices, has over a hundred employees, about half in Toronto and half in Beijing, and revenues in the tens of millions. Nonetheless, he has no full-time counsel on staff. Instead he uses Cognition to provide him with part-time general counsel services, to oversee corporate housekeeping, do deal-specific work and review financing matters.

"Our legal needs are really lumpy: one month we'll have a pile of work, the next month very little," Collins says. He doesn't anticipate hiring full-time in-house counsel until his revenues top the \$200- to \$300-million mark.

"The days when all in-house counsel did was direct outside counsel are long gone," Ho says. Cognition tends to focus on corporate/commercial law, regulatory compliance, employment and staffing issues. However, the firm does not engage in highly specialized areas, such as patent

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Joe Milstone, Co-founder, Cognition LLP, Toronto

applications, tax law, competition law, and litigation.

Pascale Pageau founded Delegatus Legal Services five years ago, but she did not start offering services to corporate counsel directly until early in 2006. Her firm continues to subcontract lawyers to both private sector law firms and corporate legal departments. Currently, she has 15 lawyers on her roster, but she expects to add five more by the end of 2010.

Nadia Jubinville, senior director of legal affairs at Banque Nationale Groupe Financier, has used Delegatus's in-house service to cover for a sick leave replacement. The Yellow Pages Group, which has a medium size in-house legal team, has subcontracted a lawyer from Delegatus for two to three days a week for the past two years. Vantrix, a multimedia company in Montreal has used

Delegatus as their general counsel on a part-time basis.

Last January, ZSA Legal Recruitment, one of Canada's largest national legal placement firms, rolled out LexLocom in Toronto, with ambitious plans to provide services nationally.

Scott Ewart, the firm's CEO says that LexLocom can access the pool of talent from ZSA's database of 15,000 professionals of which 9,000 are lawyers. "We can provide 'just-in-time' lawyers to come in and complete a project," Ewart says. As a 30-year veteran of the legal profession with 15 years spent in-house at Nortel Networks, Coca-Cola Canada and Allstream (formerly AT&T Canada), Ewart says he has developed the expertise to identify the right level of lawyer for any assignment.

Ewart says that LexLocom offers three core services. First, they



Scott Ewart
CEO
LexLocom
Toronto

provide project counsel, experienced in-house counsel, on a part-time or temporary basis for corporate legal departments. Second, they provide associates on demand, assembling and overseeing teams of contract lawyers for document review in litigation and due diligence in transactions. Finally, LexLocom specializes in cost and resource management consulting, to assist law firms and legal departments deliver high quality legal services at lower costs.

Beyond saving the cost and avoiding the liability of hiring a full-time in-house counsel, outsourcing is an appealing option since the rates are substantially lower.

Milstone says that Cognition's rates are about one-third to one-half the rates of the large national Bay Street firms. "If we charged too much, we would very quickly tip the point where it would make more sense for our clients to hire a full-time in-house counsel."

Typically, Cognition charges \$200 to \$250 per hour, depending on the complexity of the work. They offer daily rates for more regular engagements around \$1,200 to \$1,400 per day. They are also willing to negotiate reduced flat fee rates for projects.

Cognition, Delegatus and LexLocom are able to offer competitive

De l'aide de l'extérieur

Pour les départements juridiques qui sont débordés de travail, mais qui manquent de main-d'œuvre, la solution pourrait passer par l'externalisation.

Depuis cinq ans, trois firmes canadiennes d'avant-garde, Cognition LLP, Delegatus Legal Services Inc. et LexLocom, ouvrent la voie dans le marché grandissant qu'est le placement temporaire de juristes.

Joe Milstone et Rubson Ho étaient voisins dans le quartier de l'Annexe, à

Toronto, lorsqu'ils ont décidé de bâtir sur leur expérience de conseillers juridiques d'entreprise pour fonder Cognition, en avril 2005. Cinq ans plus tard, la firme est passée de deux à 24 avocats, et dessert des clients à Toronto, Ottawa et Waterloo.

« En temps normal, une compagnie peut

avoir du travail légal pour quatre avocats et demi; nous fournissons le demi », illustre M^c Milstone.

Ian Collins, président de Clickfree inc., une compagnie de Toronto qui œuvre dans le domaine de la sauvegarde de données, emploie plus de 100 personnes, dont la



Pascale Pageau
Founder and president
Delegatus Legal Services Inc.
Montreal

SPYROS BOURBOULIS

MARK STEGEL

rates because they operate as virtual law firms. All three firms subcontract lawyers who either work from home or on site at the client's office.

"We don't occupy class A office space with three support staff for every lawyer. We have no fancy furniture or expensive art collection," Cognition's co-founder Ho says. "Our litmus test for incurring expenses is: Will it help us deliver services more effectively for clients?"

Virtual law firms are not a new development in Canada. Taran Virtual Associates, headquartered in London, Ont., was founded by Stephen Taran in 1997 and now boasts 75 independent contract lawyers across Ontario. Taran Virtual Associates primarily focuses on serving private practice law firms who outsource their court appearances, discoveries, drafting and research. About 20 per cent of the work Taran currently receives is from corporate counsel clients who outsource their drafting, due diligence and litigation as the need arises.

Internationally, virtual law firms that serve in-house counsel have also been catching on. South of the border, Mark Harris, a former associate at the white-shoe Manhattan firm Davis Polk & Wardwell founded Axiom Law in 2000 in New York City as a law firm without bricks-and-mortar. Today, the firm has over 280 lawyers, who either work from home or on site, with six offices in the U.S. and an office in Hong Kong. In the U.K., Simon Harper, a

moitié en Chine, et ses revenus se comptent dans les dizaines de millions de dollars. Malgré tout, l'entreprise utilise les services de Cognition pour ses besoins juridiques : que ce soit pour de la simple maintenance corporative, du travail spécifique relié à une transaction ou la révision de dossiers financiers.

« Nos besoins juridiques ne sont pas stables. Un mois, nous aurons une tonne de travail et le mois suivant, presque rien » explique Ian Collins.

Pascale Pageau a elle aussi fondé sa firme, Delegatus services juridiques inc., il y a cinq ans. Elle n'a toutefois commencé le placement de juristes qu'en 2006, tant auprès des firmes privées que dans les contentieux d'entreprise. Banque Nationale Groupe Financier est l'un des clients du groupe qui compte jusqu'ici 15 professionnels, et qui devrait en avoir 5 de plus d'ici la fin de 2010. Le Groupe Pages Jaunes, qui a un département juridique de taille moyenne, sous-contracte aussi un avocat de chez Delegatus depuis deux ans, de deux à trois jours par semaine.

partner at Berwin Leighton Paisner, and Jonathan Brenner, then the firm's Head of Recruitment, founded Lawyers on Demand (LoD), to subcontract lawyers to in-house legal teams on an as-needed basis.

As corporate legal departments are pressured to cut costs, it's a safe bet more businesses will turn to these types of offerings.

According to Charles Volkert, executive director of Robert Half Legal, the largest legal placement agency in North America, the economic downturn has legal departments "searching for ways to streamline legal work." He added, "Outsourcing is a cost-effective strategy for supplementing legal staff."

A recent report commissioned by Robert Half Legal found that a quarter of corporate law departments surveyed in Canada and the U.S. plan to reduce its use of outside counsel in the next 12 months. The survey also found that 38 per cent of respondents planned to increase staff level either part or full-time

Puis, en janvier dernier, l'agence de recrutement juridique ZSA, l'une des plus grandes au Canada, a fait le lancement de LexLocom à Toronto, avec un plan ambitieux de fournir des services à l'échelle nationale. Le PDG Scott Ewart indique que LexLocom peut compter sur une banque de 15 000 professionnels, dont 9 000 sont avocats. « Nous pouvons fournir des avocats à la dernière minute pour terminer un projet », donne-t-il comme exemple.

Une récente étude de Robert Half Legal, un compétiteur de ZSA, a découvert que le quart des départements juridiques au Canada et aux États-Unis planifiait déduire son recours aux conseillers juridiques externes dans les 12 prochains mois. De plus, 38 % d'entre elles prévoient augmenter le nombre de leurs employés, que ce soit à temps plein ou à temps partiel.

Avec leurs services à court et à long terme, ainsi que les coûts avantageux qu'elles cherchent à offrir, l'avenir des firmes comme Cognition, Delegatus ou LexLocom semble donc prometteur. ■

in 2010. Basically, to cut costs corporate legal departments are slashing outside legal spending and bringing more work in house.

Given this dynamic the future of law firms that specialize in outsourcing in-house counsel appears bright. At Cognition's 10th anniversary, there's a good chance they will have even more to celebrate. ■

Michael Rappaport is the managing editor of CCCA Magazine.

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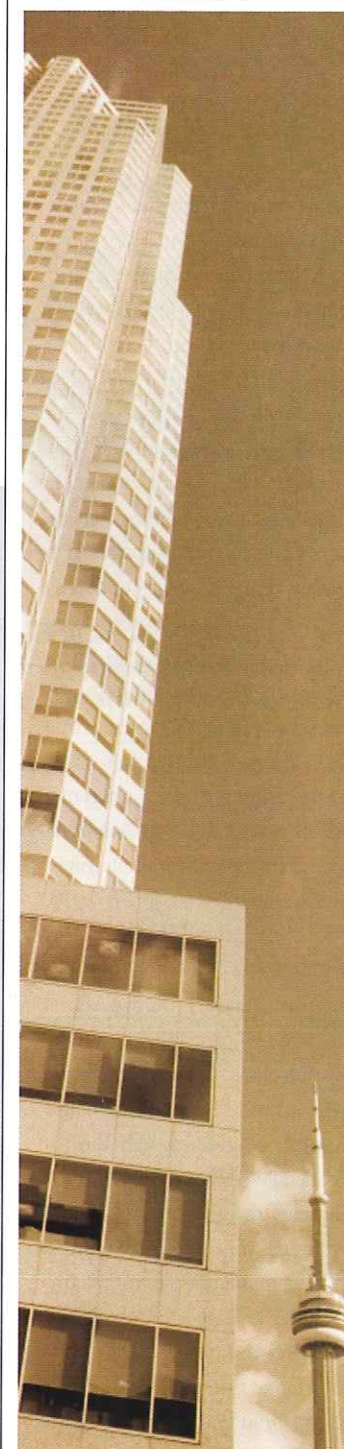
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