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Area lawyers carve niche as 'outside' general counsel

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Seven lawyers have banded together as Outside GC to serve as outsourced general counselors for growing companies seeking part-time legal help at bargain rates.

The virtual company, which the lawyers operate from their home offices when not on-site at their clients' offices, operated quietly for several months before officially launching earlier this month.

Meanwhile, Outside GC has signed up about 50 clients, according to cofounders and principals William Stone and Jonathan Levitt.

More than a dozen clients were signed up through pitches Outside GC made to venture capital firms, Stone said.

"In almost all cases, they sent messages to their portfolio companies," Stone said.

As veterans of large law firms and former general counselors, Stone and Levitt wanted to offer lower-priced legal services for routine legal matters, particularly in the areas of corporate and employment law. Other services include drafting board resolutions or working with patent lawyers to administer a patent portfolio.

The typical client is a post-first-round, venture capital-backed technology company in the Northeast, but the firm is also willing to serve as overflow legal staff of large public companies, Levitt said.

"We identified a market need," Levitt said. "There's a big period of time, sometimes forever, when a company will go from no lawyer in-house to needing a full-time lawyer."

So Outside GC offers fees of \$175 per hour for on-demand services and \$150 per hour or slightly less for a retainer agreement, depending on the terms, Stone said.

The rate is about "one-half to one-third" of the charge for comparable attorneys at larger firms, he added.

"The cost of law firm lawyers has gotten very high," Stone said. "It doesn't seem so bad for a major transaction or litigation, but for business as usual, it really adds up."

Hiring in-house help can add up as well.

The average total cash compensation last year



TRACY POWELL/BUSINESS JOURNAL

Outside GC co-founders and principals William Stone (left) and Jonathan Levitt use their law firm and in-house counsel experiences to run a company that specializes in providing outsourced general-counsel services.

for in-house counsel ranged from \$68,540 for a legal administrator to \$120,252 for an attorney to \$377,961 for a chief legal officer, according to the 2002 Law Department Compensation Benchmarking Survey compiled by Newtown Square, Pa.-based Altman Weil Inc.

The retainer option could mean better legal advice for some clients because they would be more likely to seek help at an early stage of a legal problem, said legal consultant Jeff Coburn of Boston-based Coburn Consulting.

"Companies need legal advice not just to fix problems, but to prevent problems," Coburn said.

Although it's not uncommon for individual attorneys to act as part-time general counsel to two or three companies, Fred Krebs, president of the Washington, D.C.-based American Corporate Counsel Association, said he hasn't heard of other companies like Outside GC.

"It sounds like a creative way for a group of lawyers to provide services to corporate clients ... using their in-house experience," Krebs said.

One of Outside GC's first customers is Edinburgh, Scotland-based Quadstone, which opened a Boston office in 2000, according to Quadstone president Mark Smith. Levitt worked as the Scottish company's in-house U.S. counsel at the time, but the software industry's troubles eliminated the company's need for full-time legal help, Smith said.

Since Quadstone sells analytic software to banks, brokerages and telephone companies, Outside GC helps them negotiate customer contracts, Smith said.

During the last couple of weeks, business has spiked and Outside GC has been working on five contract negotiations for Quadstone, according to Smith.

"They're like an in-house lawyer, but you don't have to pay the full price of an in-house lawyer," Smith said.

"They understand what we're trying to do as a business. They understand the client needs some protection, and so do we."