

magazine

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# The outsourced inside counsel

**Managing talent and getting good work done while controlling costs**

Five days a week, Montreal lawyer Anik Fontaine goes into the offices of the Yellow Pages Group (YPG) to review leases, software licences, and general purchase agreements. But Fontaine isn't a YPG employee. She's actually vice-president of Delegatus, a Montreal-based firm offering companies such as YPG legal services on contract, both in-house counsel and litigation work.

Essentially, YPG is outsourcing its in-house work to an independent lawyer who works in house. Sound complicated? It's actually a reflection of the rising trend towards finding the most cost-effective way to manage talent and get work done in an era of tight budgets and a highly mobile workforce.

"One of the advantages for us is that outsourcing allows us to control the organizational costs of having employees," says Marie-Josée Lapierre, director of legal affairs at YPG. "For us, it's important to have a lean structure and to control costs. Delegatus is an alternative to big firms."

YPG's legal department consists of five lawyers, but workload can become extremely heavy at times. Rather than hire another lawyer, or send more work to an expensive outside law firm, YPG brought in Fontaine during a period when there was a high volume of work. The arrangement works very well for the company.

"There are hidden costs to having employees," says Lapierre. "It makes sense

economically, in periods when we need more help, to go to companies such as Delegatus." She stresses, however, that YPG still uses the services of bigger law firms when needed. "It depends on the type of mandate," she says. "A way for us to balance costs is to have the best people do the work [at hand]."

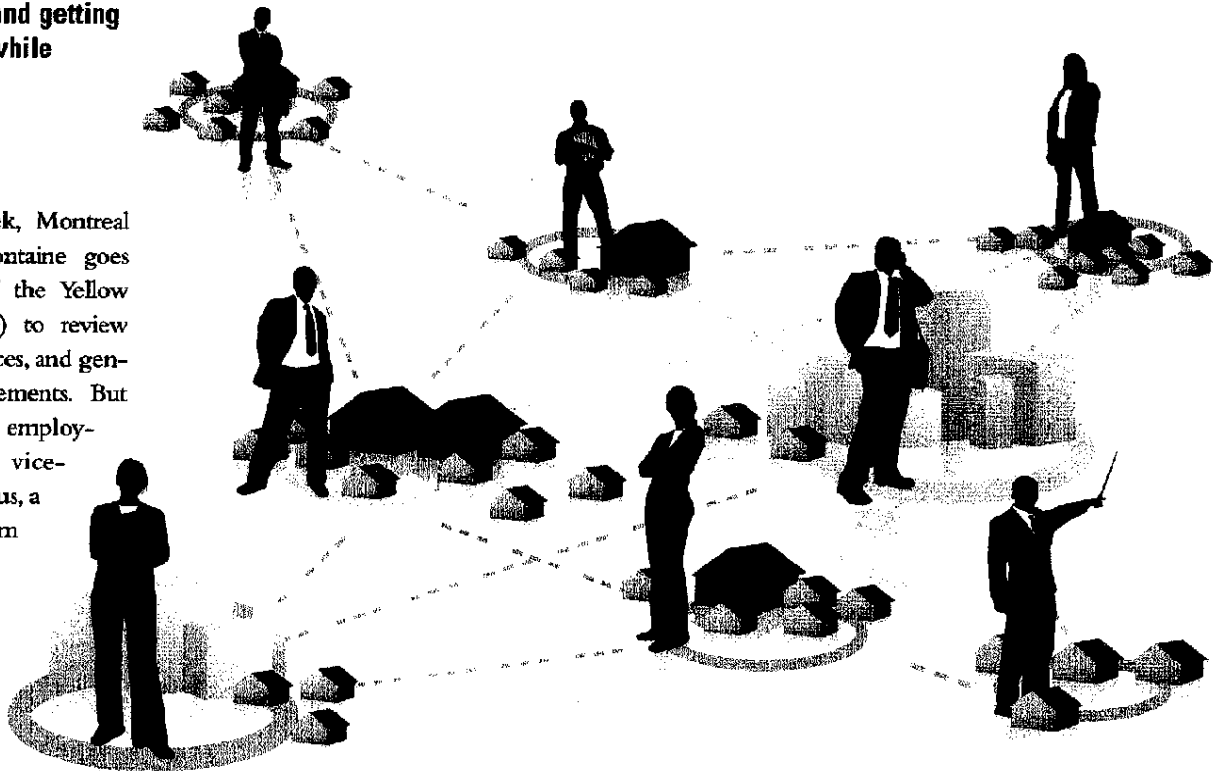
Delegatus is a team of six lawyers, each with five to ten years' experience at major law firms or in large companies. "Our objective is to become a partner with in-house counsel or companies that require legal services but don't have any in-house counsel," says Fontaine. "We provide top-quality legal services at fees that are significantly lower than those at a large law firm with lawyers of comparable expertise."

Its streamlined business structure and relatively low operational costs allow Delegatus to pass savings on to its clients. It doesn't have the luxury office space or teams of support staff that large firms do.

"We retain support staff on an as-needed basis," Fontaine says. "And for our lawyers who work in-house at our client's premises, that is usually not needed at all."

Delegatus was founded in 2005 by lawyer Pascale Pageau, who was looking for a better work/life balance during her second maternity leave. "I had worked for seven years in big law firms in litigation, and my work hours were really, really long," she says.

Initially, the main idea behind Delegatus was to provide litigation support to companies that can't justify the cost of hiring a large firm for a file that doesn't involve a lot of money. But Delegatus grew and Pageau began to hire employees with in-house experience. Delegatus now serves its clients in three different ways: it has an office in downtown Montreal, two of its lawyers work from home, and three are currently working at clients' offices.



## Outside Counsel

### Growing business model

Toronto-based firm Cognition has also been providing in-house counsel services on contract since 2005. With 15 lawyers on call, the bulk of whom are in Toronto, the company's focus is to provide outsourced in-house counsel to primarily two types of clients: small or medium-size clients who do not have in-house counsel, or as a supplement to large corporations who want to bring in resources as needed, says Rubsun Ho, a founder and partner at Cognition.

"Our model is flexible; but whether it's a project that requires extra help, or ongoing part-time work one or two days a week, we try to keep the same lawyer with the same company. This allows the lawyer to really understand the business, the company's risk profile and the internal processes. If things slow down, the lawyer can step out, and then, when it heats up again, they can step back in with no learning curve."

In the U.S., Bill Stone of Outside GC in Boston, Massachusetts, started his contract in-house counsel firm in 2002. Outside GC now has 15 lawyers, each with extensive experience as corporate counsel.

"The benefits to [our clients] are not only financial, but also in areas of expertise," says Stone. "They're getting highly skilled people." Lawyers with in-house counsel experience have a better understanding of business needs than a lawyer at a large firm would, he adds.

Michael Prescott, one of Outside GC's first clients, agrees. Prescott is senior vice-president and general counsel at GTech Corporation, a gaming technology and services company based in Providence, Rhode Island. When asked what the advantages of hiring Outside GC are, he says. "They are business savvy, well-trained, great technical lawyers of a calibre you would expect from a large city commercial law firm, at significantly reduced fees."

GTech first hired Outside GC to help train junior lawyers, but has since gradually increased the use of its services. Prescott says he could add more lawyers to his 11-member legal department, but to get the level of expertise that Outside GC provides would be difficult. "[It] would cost us more money than the company would be willing to pay," he says, adding, "Whether there's sufficient work to hire one or two more people is difficult

to determine. So to have them sitting on the benches is helpful for us."

### Wave of the future?

Looking ahead, is bringing in outsourced lawyers the wave of the future in terms of the way in-house legal services are offered?

"I think the trend [toward outsourced lawyers] will keep growing for two reasons," says Cognition's Ho. "On the demand side, general counsel consistently cite the pressure to control expenses, including their outside legal spend, as one of their main challenges, and outsourcing allows them to access skilled legal counsel at reasonable rates to relieve their overburdened departments. On the supply side, we see more and more smart and experienced lawyers seeking out this type of arrangement as an ideal way to maintain a challenging career while addressing that elusive work/life balance," he says.

"Throw in the fact that technology is a great facilitator to this type of work," adds Ho, "and you've got a perfect storm for more corporations engaging the services of outsourced in-house counsel." ■

*Alison Arnot is a writer based in Ottawa.*

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