

What Ever Happened to ‘Virtual’ Lawyering?

By **Susan Beck**

Kevin Broyles, one of the founders of the law firm Fisher Broyles, makes a bold prediction: “By 2018 I think we’ll be an Am Law 200 firm.” Right now, the 14-year-old firm has roughly 160 lawyers, and its revenue has surged 65-70 percent in each of the last two years, according to the Atlanta-based Broyles. He’s projecting revenue of \$50 million to \$70 million next year, if this trend continues. (The cutoff for making The Am Law 200 this year was \$85 million.)

What’s so remarkable about this claim is that Fisher Broyles has no centralized offices. Its lawyers are spread across 19 areas of the country, working mostly from home, or in some cases, in office space that they pay for out of their own pocket. Still, Fisher Broyles has many of the hallmarks of Big Law: It has recruited lawyers from Alston & Bird, Baker & McKenzie and King & Spalding, and the client roster includes Delta Airlines Inc., McKesson Corp. and Equifax Inc.

With real estate gobbling up more than 5 percent of most law firms’ budgets, the notion of a so-called virtual law firm that dispenses with centralized office space can sound enticing. (For the record, many of the lawyers who run virtual law firms don’t like this term.)



Fisher Broyles and firms like it have eliminated other Big Law inefficiencies, too, such as keeping a stable of inexperienced recent law school graduates on the payroll. The result: Lawyers keep a much higher percentage of their billings and have the opportunity to create a better work-life balance. Client, meanwhile, pay significantly lower rates. It seems like a winning deal for everyone.

But bringing this concept to life isn’t simple. Only a few legal entrepreneurs have managed to create virtual firms of significant size and stay in business. They include Potomac Law Group, Rimon (which has adopted a hybrid virtual model) and VLP Law Group.

The most visible failure has been Clearspire Law Co., a touted pioneer that aspired to compete

with The Am Law 100, but which vanished in 2014. Others, like the 10-lawyer Burton Law Firm, which had a platform on the American Bar Association's website, are winding down.

"Mindsets are slow to change, and law firms are slow to evolve," says Benjamin Lieber, a former Covington & Burling lawyer who in 2011 created Potomac Law Group. The firm has 65 lawyers, who mostly work at home and serve clients such as LG Electronics Inc., Wal-Mart Stores Inc. and Georgetown University. Like Fisher Broyles and Rimon, the firm is expanding at an extraordinary clip, Lieber says. "We have been growing in revenue 60 percent a year for the last five years," he says. "We'll be up to 80 percent this year." Rimon also reports 60 percent annual growth in revenue.

Lest anyone think that building a virtual law firm is easy, Lieber offers some advice. "It's hard, hard," he says. "You have to be patient. Law is a relationship business."

The plusses

For lawyers, the advantages of a virtual firm aren't hard to explain. Not only do lawyers get to work from home or from more exotic locales, but they can make more money. "We let partners keep the vast majority of what they generate," says Broyles, explaining that partners at Fisher Broyles keep 70-80 percent of their billings, a figure that seems fairly standard among virtual firms. (At brick-and-mortar firms, it's far lower.) Without high overhead, Fisher Broyles can also do away with minimum billable hours requirements. "Some partners bill 500 to 600 hours a year," he says.

For clients, the main advantage is price. "Our rates are really low—lower than what associates charge at a big firm," says Potomac Law's Lieber.

Most of his firm's lawyers, who mainly live in the Washington, D.C., area, charge an hourly rate in the high \$300s, although some go up to \$575. Fisher Broyles' rates top out at \$600 an hour for some lawyers in New York and go down to the high \$200s, Broyles says.

Partners can get traditional office space, but they pay for it themselves. A partner who recently joined Fisher Broyles from Lewis Brisbois Bisgaard & Smith in Atlanta is leasing high-end office space that he customized, Broyles says. "But our model doesn't require other partners to subsidize that," he adds. Most use daily or short-term rentals at office centers if they need a conference room or other business space.

Broyles says he spends less than 0.5 percent of his earnings on office space. "Maybe three or four times in the 14 years since I started the firm have I had to use an office," he says. "Clients are happy to meet you at a restaurant or their office."

Steve Carlson, the CEO of Ascend Consumer Finance Inc., has used VLP Law for three years for a range of matters, including equity fundraising, corporate formation, employment matters and contracts. "We are incredibly pleased with VLP," he says. "If we do need to meet, they typically come to me." He likes not having to pay for law offices when he's managing on a budget: VLP Law's rates are 25-40 percent lower than those of conventional firms, he says. "You're getting high-quality work for Midwest rates in San Francisco."

Stacy Papadopoulos, the general counsel of the American Gaming Association and a former Potomac Law partner, says that the casino industry lobbying and trade group uses Potomac for many matters including corporate, trademark, employment and tax. "They're much lower-cost"

than traditional firms, she says. “I wouldn’t quite say they’re half the price, but it’s a significant discount.”

Two stories

Silicon Valley, with its disdain for old business models, would appear to be the perfect place to start a virtual law firm. The late Craig Johnson did that in 2008, when he founded VLP Law Group with the vision that he could build “a truly global virtual top-tier law firm without bricks and mortar,” as he said at the time. (Johnson’s earlier law firm, Venture Law Group, was acquired in 2004 by Heller, Ehrman, White & McAuliffe, which collapsed in 2008.)

A year after forming VLP, when the firm had about 40 lawyers, Johnson died of a stroke at age 62. Virtual Law Partners lives on, but hasn’t turned into the global force that Johnson likely imagined. Seven years after his death, the firm is only slightly bigger, with 55 lawyers.

“It’s going very well,” says David Goldenberg, a VLP founding partner, who started his career as a lawyer at Morrison & Foerster. He says hiring the best lawyers is key. “Craig said, ‘Résumé, résumé, résumé,’” Goldenberg recalls. While the firm doesn’t aim to get tapped for big M&A deals, it’s competing for many matters with firms such as Cooley, he says. VLP lawyers handle patent work for Stanford University, lending work for Bank of America Corp., and advising startups and venture capitalists. Lawyers keep 75 percent of their billings if they originate work, he says, and VLP’s rates are 30-50 percent less than big firms’ rates.

VLP lawyers are in 13 states. To promote camaraderie, a committee plans outings and events states—and lawyers meet by teleconference every

week. “You have to work at the culture piece,” he says. “When things get tough or hard decisions need to be made, you need some bond with partners.”

Rimon, which also began in the Bay Area, started with the virtual law firm model, but decided that it needed office space. Michael Moradzadeh, a founding partner and the CEO of Rimon, estimates that 70 percent of the work is still done remotely. But the firm wanted space for conferences and for lawyers who want to meet, among other things. “An office is a great tool, like many other tools,” he says.

The 66-lawyer firm now has offices in Seattle, San Francisco, San Diego, Chicago, Boston and Palo Alto, and is looking at offices in New York and Los Angeles. These offices are modest, allowing Rimon to spend no more than 5 percent of its budget on real estate. The firm’s eclectic client roster includes Samsung, Duke University, BNY Mellon and the Foo Fighters. Revenue has been growing 60 percent year-over-year, says Moradzadeh.

Technology plays a crucial role at his firm, although Rimon hasn’t splurged on custom-made platforms. “The technology is basic, but it’s institutionalizing it that matters,” he says. All the lawyers meet by videoconference twice a month, and they use a social network called Yammer to communicate daily. Three times a year, they get together in person. “All of these little things matter a lot,” Moradzadeh says.

“I think the problem when you go purely virtual is that it’s very hard to do sophisticated work as a team,” Moradzadeh observes. “I anticipate we’ll see big and midsize firms evolve more to this hybrid model.”

Lessons from Clearspire

Mark Cohen, one of the founders of Clearspire, talks candidly about the seven years he spent trying to create a new breed of law firm. Before Clearspire, Cohen was a partner at Finley, Kumble, Wagner, Underberg, Manley, Myerson & Casey (which crashed in 1987) and then ran his own Miami litigation boutique for 14 years. He says he lost more than \$1 million of his own money in Clearspire. “No one is more disappointed than me,” he says.

Created in 2008, Clearspire was ambitious. It hired more than 90 people to build a technology platform that cost more than \$5 million. In an April 2013 article in the ABA Journal, Cohen projected that the firm would add 50 to 100 former Big Law lawyers each year for the next five years. It went out of business in May 2014, never having more than 35 lawyers on its roster.

Cohen says that he and co-founder Bryce Arrowood thought that their model was so appealing that clients would flock to the firm. They didn’t. Cohen says that he met with more than 300 top legal officers of Fortune 500 companies who claimed that they loved his model, but weren’t willing to give the firm significant work.

The main problem, Cohen says, was that the firm wasn’t big enough. “Several GCs candidly told me, ‘Mark, we think this is great and the wave of the future, but you won’t move the needle enough for me if you have 50 to 65 lawyers. Once you can scale, you will have a viable alternative.’”

But others who worked with Clearspire say that the firm focused too much on technology and not enough on their lawyers. “With some exceptions, they were hiring very solid attorneys, but they didn’t have rainmakers,” says Fred Krebs, a former president of the Association of Corporate Counsel and a strategic adviser at Clearspire.

“They tried to build the firm around technology,” says Richard Perez, who was Clearspire’s chief client officer and is now a senior vice-president at Business Talent Group. “Mark and Bryce wanted the technology to be front and center of marketing and sales. At the end of the day, what these GCs cared about is, do you have good lawyers?”

Cohen agrees that the firm should have had more rainmakers, and says that he would do other things differently, including focusing more on the middle market for legal services. He also would have operated Clearspire as a legal service provider, like Axiom Law, and not as a law firm.

But he doesn’t think the virtual law model is inherently flawed. “I think the model is really poised to take root,” Cohen predicts. He foresees a “diaspora” of partners with \$1 million to \$2 million of business looking for new platforms as firms adjust to a shrinking or flat market for Big Law services.

Broyles of Fisher Broyles advises newcomers to virtual lawyering to dig in. “It’s taken us 14 years to get to where we are,” he says. “It’s not something you can do overnight.”

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