

THE WALL STREET JOURNAL.

WEDNESDAY, JULY 2, 2008

© 2008 Dow Jones & Company, Inc. All Rights Reserved.

Newcomer Law Firms Are Creating Niches With Blue-Chip Clients

THE LEGAL INDUSTRY isn't known for innovation. But a few upstarts have come up with a business model that challenges the tight grip big law firms hold on corporate business. This new breed of firms is landing blue-chip clients and, in the process, making money.



By Ashby Jones

The newcomers aim to provide highly qualified lawyers, often working on site, for a good deal less than traditional law firms. They are nowhere near to replacing their more-conventional competition: companies still turn to brand-name law firms for the vast majority of the legal work they farm out. And it isn't easy to recruit talented attorneys willing to give up the prestige, colleagues and career-track of a large law firm.

But for certain work, the new outfits offer businesses a welcome alternative to in-house lawyers or outside law firms.

Kirk Wickman, general counsel of Morgan Stanley's global wealth-management arm, is a client. A few years ago when he had a knotty securities-law issue to solve, the right in-house lawyer didn't immediately spring to mind. He says he feared the bill a law firm would submit for the lengthy project.

Instead, he tried New York-based Axiom Global Inc., which provided a lawyer who had spent several years at the elite New York-based firm Cravath, Swaine & Moore LLP. Mr. Wickman says the lawyer did "fantastic" work, and he estimates he saved about 40% of what he would have paid a lawyer at a large New York law firm.

Axiom, with some 220 lawyers on staff, and a host of smaller counterparts, like Outside GC LLC in Boston and Phillips & Reiter PLLC in Houston, offer experienced and often-pedigreed attorneys to companies as needed, frequently at discounts to

law-firm rates. Some of them cater to small businesses that don't have large in-house legal departments. They can charge less because they aren't compensating scores of highly paid partners, and their lawyers often work from home or at a client's offices, keeping real-estate overhead to a minimum.

Mark Harris, a 38-year-old law-firm veteran who co-founded Axiom, says the seed of the idea hit him one day in 1998 when, as a young associate at Davis Polk & Wardwell in New York, he glimpsed a client bill for a case he was working on. "It was only February, and already we'd billed an amount equal to my salary for the year," he says. He soon realized that every dollar that he billed for the rest of the year would, in effect, either go to defray overhead expenses or into the pockets of the law firm's partners.

"The model seemed broken to me," Mr. Harris says.

So he set out to attract lawyers trained on the dime of large firms to come work for him, taking temporary assignments with corporate clients. The lawyers are employed full-time by Axiom and receive benefits—but no pay—between assignments. He says clients can save more than 50% compared with a law firm.

Lawyers join Axiom for a range of reasons. Some want to carve out time to try their hands at making films or writing novels. Robyn Rahbar, who left New York-based Simpson Thacher & Bartlett LLP last year after eight years at the firm, most recently part time, chose Axiom because she wanted to spend more time with her children. Since January, Ms. Rebhar has worked about 20 hours a week through Axiom at Virgin Mobile USA Inc.

Another lawyer, Joe Risico, joined Axiom because he just needed a break. "I'd had my nose to the grindstone at Cravath for about five years," says Mr.



Mark Harris, left, and Alec Guettel founded Axiom, a new breed of law firm.

Risico, who recently finished his first engagement at Axiom, a nine-month stint doing transactional work at Goldman Sachs Group Inc. "I wanted to chill out and try something different."

Mr. Risico says it took him a while to get used to the prestige disparity between his old and new employers. "You say 'Cravath' and everyone immediately knows what you're talking about," he says. But he says he is "getting a range of great experience" at Axiom. This week, he is slated to start a new assignment at Credit Suisse Group.

"The money is very good," he adds, saying it is comparable to what a sixth- or seventh-year attorney makes at Cravath—minus the hefty annual bonus: about \$250,000.

In the seven-plus years since Mr. Harris and a friend, Alec Guettel, launched Axiom, they have succeeded in attracting a host of Fortune 500 clients, including Cisco Systems Inc., General Electric Co., Google Inc. and a handful of investment banks. Last year, Axiom brought in gross revenues of \$39 million. Mr. Harris says it is on pace to bring in more than \$66 million this year.

"The model makes a lot of sense," says Don Liu, general counsel at Xerox Corp., who has used Axiom lawyers on several occasions. Mr. Liu recently hired an Axiom attorney to handle legal work during the company's proxy season, from December

through May. He says the lawyer did an outstanding job and was "at least 25% cheaper" than a law firm would have been.

Axiom's ambitions are large—Mr. Harris hopes to employ 1,000 lawyers "within the not-so-distant future." But from another perspective, its goals are modest. Mr. Harris doesn't expect his company to displace the demand for top law firms to handle high-end, high-margin work, such as bet-the-company litigation or a major merger. "That isn't Axiom," says Mark Chandler, Cisco's general counsel.

And Axiom will have to continue to persuade the change-resistant legal world that its lawyers are good. "I was skeptical at first," says Xerox's Mr. Liu. "I had to get over a fear that they weren't going to be as committed to the job or to the work as a permanent person."

Perhaps the biggest obstacle to Axiom's growth plans: a lack of lawyers who fit its bill: pedigreed and law-firm-trained lawyers ready to jump off the traditional track. "It's our biggest hurdle right now," says Mr. Harris, who adds that for every 100 lawyers who apply for employment at Axiom, the company hires one.

That said, it isn't a problem that seems to be causing Mr. Harris sleepless nights. "Law firms are likely to continue making lawyers unhappy for years to come," he says.