

# Moving Beyond Commodity Legal Services

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## The Hyper-Specialization of Law Firms

During the Internet bubble of the late 1990's, a model for organizing law firms emerged in Northern California's Silicon Valley that was based on teams of hyper-competent specialists. The model was designed to serve the fast-paced transactional needs of venture capitalists and venture-backed start-ups, and to deliver the efficiency that clients demanded to meet their tight budgets. In a nutshell, each attorney in this model offers counsel only within his or her single area of narrowly focused expertise, and relies upon teammates to provide advice within other, relatively narrow subsets of legal disciplines. Lawyers perform the same narrow set of functions every day for lots of clients. Those services become routine. I refer to this model as the "commoditization" of legal services.

For example, instead of having corporate/transactional generalists, as once walked the halls of most U.S. business law firms, in a commoditized model law firms offer multiple, specialized corporate practices, like corporate attorneys focused only on venture capital finance, but who rarely advise public companies or handle larger M&A matters, and who rarely really need to know much about a client's day-to-day business.

The value proposition is compelling: On any given day, for any given need, a client works with an attorney who performs the relevant task all day long for lots of clients, and is therefore efficient and expert. If an attorney only works on venture finance transactions every day, he or she gets good at it. So the argument goes, those firms can continue to command very high hourly rates because less time will be required to complete a given project, but, in theory, they aren't really more expensive in the end.

The challenge with the commoditized model is fairly straightforward and easy to understand: It's possible that nobody is keeping an eye on the big picture, because every attorney is focused so narrowly. For example, almost the only substantial interaction between the client and the M&A specialist occurs periodically when an M&A project arises, or potentially at periodic board meetings. In between M&A projects, that attorney might have little visibility into the client's business affairs. Because attorneys are focused in a narrow space, the model also runs a risk that the left hand is unaware what the right hand is doing. Failure to coordinate the specialists may compromise quality and value of service.

Further, to claim expertise, a particular attorney must provide the same kind of counsel over and over to many clients. If he practices in a narrow specialty that requires only episodic interaction with a particular client (e.g., assisting with a financing round once a year), he must deal with many, many clients in order to keep busy. At big law firms, it's not uncommon for attorneys in this position to work with hundreds of clients. If these attorneys are responsible for managing a client relationship, it's easy to imagine how they can quickly become ineffective at steering the ship. They simply don't have time to pay close attention.

## The "Industry Services" Model

Contrast the commoditization model with an alternative that many law firms and their clients have found preferable. In the "Industry Services" model, as I call it, a law firm organizes itself around practice groups that are aggregations of industry-focused attorneys. They build the relationship around the "in-between" periods when clients actually do business, instead of quarterbacking the relationship through attorneys whose interaction is actually designed to be sporadic and whose focus is unrelated to the day-to-day business. For example, instead of managing broad client relationships through IP attorneys with a narrow sub-specialty in a particular science, these firms rely upon attorneys whose "focus" is not the narrow legal *discipline*, but the *industry* of the client. For example, lawyers with broad domain expertise relevant to the software industry

are precisely the attorneys best suited to coordinate the varied legal services provided to software companies by corporate, IP, employment, and other specialists. Because industry attorneys understand the client's business, they anticipate the array of legal services needed by the client and are better suited to ensure that the left and right hands know what one another are doing. And because they know the client's business, they can meaningfully counsel the client on business strategy, unlike narrowly focused specialists who make cameo appearances from time to time.

It is increasingly common to see teams of attorneys spearheaded by experts on the auto industry, agriculture, healthcare or, in my case, the IT market (software, Internet, networking, digital media, etc). Like most industry lawyers, my sphere isn't a legal "discipline" in the traditional sense. As an "IT lawyer" I work at the intersection of a lot of legal fields that impact my clients' businesses. In truth, there is no such thing as "IT law," because at a fundamental level several legal disciplines are relevant to IT companies, like copyright law, patent law, employment law, export regulation, privacy regulation, antitrust, bankruptcy

and general contract law. There are already experts in all of those disciplines, including within the commoditization model, and I turn to them daily as I coordinate services for the needs of my clients. But because "IT lawyers" are industry-focused, they must know the players in the market, the deal conventions, the business models, and the general landscape that only industry lawyers can know. There is real worth in that – better deals are likely to get done, they often get done faster, and both cost and quality are served. By managing client services and relationships with these "industry specialists," law firms can offer both efficiency and value that are custom-made to support a client's business goals.


Clients in today's market need efficient legal services, but they also need their lawyers to provide those services in a manner that provides demonstrable business-facilitating value to their businesses. I expect the market will move business firms past merely commoditizing their services for efficiency's sake, and will increasingly augment the array of narrowly specialized attorneys with the big-picture value that industry-focused attorneys provide.

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