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## Business of Law

### Virtual Firm, Real Future?

July 17, 2008

By: Zusha Elinson

**C**raig Johnson, the Silicon Valley lawyer-entrepreneur who brought you the Venture Law Group, is onto his next big thing: a virtual law firm.

Johnson and 14 other lawyers unveiled the new firm, called Virtual Law Partners, on Friday. The idea is to have more work-life balance, work from home, save on overhead, charge clients less, and forge a new model for the legal industry.

"It just seems like an idea whose time has come," Johnson said by phone on Monday, sitting outside his Portola Valley home. "Billing rates at large law firms have just gone up and up — it's not unusual to find partners in the Bay Area billing \$600, \$700 or \$800 an hour ... They have to pay high salaries for associates, high profits per partner, and they feel they have to have prestigious offices — it's just a situation that can't continue."

Johnson, 61, co-founded Venture Law Group, or VLG, in 1993. After a strong run representing startups like Yahoo and Hotmail, often in exchange for equity, the firm struggled after the dot-com bust and merged with Heller Ehrman in 2003.

The new firm, VLP, will target all types of companies for all types of legal work aside from litigation. Although working remotely isn't new for lawyers, Johnson said VLP is different because it aims to be like the other top firms in the country, with hundreds of lawyers, just without offices.

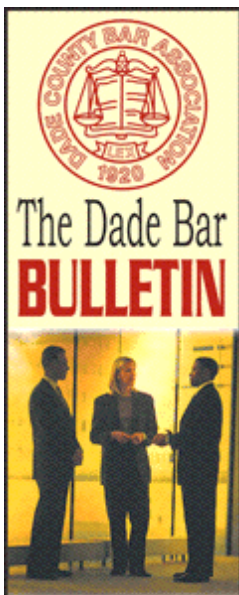


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Peter Zeughauer, a law firm consultant and founder of the Zeughauer Group, said the VLP model may have a place, but it won't be the next big thing.

"I think Craig is brilliant," Zeughauer said. "But I think if you look at VLG, it wasn't the next big idea — nor is this."

Zeughauer said that while the office-less model works for smaller matters and small groups of lawyers, heavier infrastructure is necessary for the type of work done by big law firms.

But at least one general counsel was intrigued by the idea, especially the lower rates. "It's very rare that you go to a law firm these days and have face-to-face meetings," said Alastair Short, general counsel of 3Par, a Fremont-based computer storage company. "If what a virtual law firm means is that there's no central office and the lawyers work from home and that would save me money, I would be happy to use them."

#### NEW MATH

VLP was founded after two lawyers running their own small virtual law firms — RoseAnn Rotandaro of Armor Legal Counsel and Andrea Chavez of Lion Tech Law — came to Johnson for advice.

Rotandaro and Chavez — president and executive partner, respectively, of VLP — decided to combine forces with the financial backing of Johnson, who is CEO of the new firm. They've recruited other lawyers from law firms and in-house departments.

"The people that we've targeted are people that want a work-life balance," said Rotandaro. "They don't have to make a million dollars a year to make them happy."

Johnson and Rotandaro said they're eschewing the normal math that's used by large law firms where one-third of the revenue goes to salaries, one-third goes to overhead, and one-third goes to profits. They're also getting rid of minimum billable hour requirements and high-priced associates.

Instead, attorneys will get 85 percent of what they bill. And without having to pay for offices and associates — the firm will instead employ a few specialized paralegal types with all attorneys being partners — those billing rates will be about half of what big-firm lawyers bill, Johnson said.

Although VLP lawyers can set their own rates, he estimates that an average billing rate might be about \$400 an hour.

"The thing that makes it almost a slam dunk is the incredible price umbrella from the big firms," Johnson said. "When you charge \$400 an hour and have clients think it's a bargain, how could you not succeed?"

The lawyers who've joined the firm have their own clients. Rotandaro is bringing client PLX Technology, while Chavez does work for patent stockpiler Intellectual Ventures.

As for Johnson, he won't be practicing law. For the past couple of years he's been working at his own venture capital firm, Concept2Company Ventures. But he's excited to be back in the legal mix, having retired from Heller Ehrman in 2005, though he continues as the chairman of the Venture Law Group board of advisers.

Johnson insists VLP is the wave of the future. But even if it's not, it at least might make Big Law squirm a little.

"It's a bit fun for me to tweak the tail of the American legal industry," he said.

Zusha Elinson reports for the Recorder, an affiliate of the Daily Business Review.

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