Alternative Fee Arrangements

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"An attorney's stock in trade is his time."
-Abraham Lincoln

Times have Changed. So Have We.

Attorneys traditionally value their services based on their time invested. This "pay-for-time" paradigm is as old as the legal professional itself. Yet it remains the subject of widespread criticism for its failure to adequately align the interests of the client with those of the attorney. Hourly billing incentivizes inefficiency and rewards attorneys regardless of the result.

At Praxidice, our clients pay for results, not time. We offer our clients a wide range of creative fee structures as alternatives to straight hourly billing. Our fee options are designed to allocate some portion of the risks to us, with our fee tied directly to our performance and results obtained.

No longer must the client be the sole party to suffer cost overruns or a "bad" result. Alternative billing forces the law firm to share the risks of both the fee and the outcome in some manner, while at the same time sharing the potential rewards for attaining clearly defined objectives or outcomes.

Alternative billing arrangements result in a win-win scenario for both the client and law firm: if there is an unfavorable result, the law firm suffers some of that loss; in contrast, if a client achieves a desired result in a timely and cost-efficient manner, the law firm might receive a multiple of the fees it has at risk. The client and the attorney thereby share the same objectives and motivations. We are continually redefining attorney-client relationships by making your risk our risk, and our success your success.

PARTNERING WITH CLIENTS THROUGH ALTERNATIVE FEE AGREEMENTS

CONTINGENT FEE

A pure contingent fee arrangement is the most traditional form of alternative fee in which our firm receives a fixed or scaled percentage of any recovery we obtain for the client. Typically, the client pays the expenses of litigation, however we are willing to discuss sharing some of those expenses in certain cases. Standard contingency fees range from 30 to 45 percent. Contingency fees allow those with limited resources to pursue litigation that may otherwise be cost prohibitive while providing protection against a bad result for clients who are willing to forgo a large portion of a positive result.

DEFENSE (OR REVERSE) CONTINGENCY FEE

A reverse contingency fee can be utilized where a client is a defendant in litigation. The client's potential liability sets the benchmark exposure, with our fee calculated as a portion or percentage of the savings we achieve for the client. Because our fee is tied directly to the client's ultimate success, the client can remain confident that it has a diligent and zealous advocate on its team.

FIXED FEE

Fixed fees or flat fee arrangements are where we agree to handle a matter or a discrete amount of work for a set sum or for a certain rate of payment per month. Fixed fees can be subject to an overall cap paid up front, or they can be for a fixed amount per month without a cap. Clients who desire budgeting certainty often find fixed fee arrangements attractive.

PHASED FEES

Phased fee arrangements allow the client and firm to enter separate fee arrangements for each discrete phase of a lawsuit. Different types of fee arrangements can be negotiated for each phase of the case. Large or complex litigation, or matters in which the potential course of a lawsuit is difficult to anticipate, often benefit from unbundling by giving the client better predictability of the cost for each component part of a case.

FLAT FEE WITH SHARED SAVINGS

A flat fee with shared savings, also known as a risk collar, provides for the sharing of cost savings and cost overruns with clients. Typically, a litigation budget is established with the client's participation. If the budget is exceeded, the client might pay only half of the excess fees, with the firm absorbing half of any overage. Similarly, any savings under budget that we achieve for the client are shared equally. Because we assume financial risk and losses associated with any cost overruns, we are incentivized to work efficiently while the client enjoys the predictability of cost containment.

PERFORMANCE (OR SUCCESS) FEE

Success fees establish a performance bonus that the firm receives in addition to its base fee if the result meets agreed-upon criteria, thereby incentivizing the firm to obtain a positive result for our client. The performance award can be defined in any number of ways, such as a percentage of the fees saved below budget, a multiple of the discounted fees, or a specified dollar amount. Success similarly can be defined in various ways, such as time of disposition (for example, dismissal or settlement by a specified date), type of disposition (summary judgment, voluntary dismissal), a settlement or award obtained above/below pre-defined sums, disposition before fees and costs reach a specified level, and the like.

RESERVE FEE (OR HOLDBACK)

A reserve fee, used in conjunction with hourly or other billing methods, is a form of performance fee used to incentivize a certain outcome. An agreed percentage (often 20%) of the total fee is paid by the client but held back from the firm in the client's trust account. If a successful outcome is achieved, we receive a multiple of the holdback or an agreed upon success fee; otherwise, the holdback monies are released to the client. This fee structure is often used in defense cases, or where the result sought is not monetary.

CAPPED FEE

Capped fees limit the total cost of an agreed-upon amount of work. It is often used in conjunction with an hourly rate arrangement. By example, we may agree that our fee for the initial phase of a matter will not exceed $50,000. Thereafter, client and law firm agree to additional "not-to-exceed" fees for each subsequent phase of work. This fee model helps clients predict maximum costs and shifts financial risks to us. It provides a degree of predictability for clients who prefer hourly billing.

BLENDED FEE

A blended fee sets an agreed upon hourly rate that applies to all lawyers working on a matter, regardless of seniority. It is often the average rate of all persons assigned to a case. For clients who prefer hourly billing, blended fee arrangements provide assurance to a client that the firm and its staff are incentivized to work more efficiently.