

COVER STORY

LIVING LARGE

Big Business

Whether they've got one hefty office, have gone bicoastal, or are aiming for global domination, large firms today face problems beyond the weirdest dreams of past centuries' lawyers. As our "State of the Law" panelists told us, there's a trick to managing California's legal leviathans.

**T**rust us, we've heard the arguments that bigger is not better.

We've listened to the patient reminders from small and mid-size firms that their lawyers are just as effective as their large-firm counterparts, and their clients just as important.

And we believe them. We would never contest that many of the states smaller firms are sparkling gems in the legal scene, snagging headlines and victories as they cultivate a work environment where everyone knows your name.

For our latest State of the Law panel, Daily Journal EXTRA focused on large firms, not because we the behemoths have broken so much ground in the legal world.

Set aside the fact that the rise and fall of a big firm has the potential to create economic ripples. Large firms are the ones who bought us new elements like the CEO management structure, far-flung offices,

bicoastal mergers and the wholesale acquisition of entire practice groups.

Our panelists represented the variety of the large-firm world, from Greg Lindstrom, managing partner of the San Francisco office of Los Angeles-based global giant Latham & Watkins, to Donna Petkanics, managing director of operations for Silicon Valley powerhouse Wilson Sonsini Goodrich & Rosati. Stuart Lipton, managing partner of San Francisco's Howard Rice Nemerovski Canady Falk & Rabkin, shared the perspective of a one-office firm. Henry Bunsow, managing partner of Northern California offices for Washington D.C.-based Howrey Simon Arnold & White, and Joseph Burton, managing partner of the San Francisco office of Philadelphia-based Duane Morris, also gave us their thoughts. So did Robert Bell, managing partner of San Diego's Luce Forward Hamilton & Scripps; Greg

Nitzkowski, managing partner of Los Angeles Paul, Hastings, Janofsky & Walker; and Marina Park, managing partner of San Francisco-based Pillsbury Winthrop.

From our kind participants, we learned more about what's on the horizon. For the thousands of attorneys at large firms in California, the practice of law looks little like it did for their grandfathers and, in a few cases, grandmothers.

Instead, the business looks more like it does for their Fortune 500 clients. From developments in firmwide diversity efforts to steps toward outsourcing, large law firms continue to cut some new and sometimes startling paths.

Their size makes them hard to miss. Which is good, because we'd better keep an eye on them.

— Katherine Gaidos  
Editor

**KATHERINE GAIDOS:** To get started today, we were hoping to take a step back and look at some of the changes that have been happening in the big-law-firm business, and ask specifically, What are some of the big challenges that you think face large law firms today?

**ERIK CUMMINS:** Stuart, do you want to start? We said large, but how would you describe —

**STUART LIPTON:** She was saying large. We're not large.

**CUMMINS:** Let's talk your size.

**LIPTON:** We're midsize. Compared to Latham, a very small firm. Every year, we've got lots of challenges. The ones today are just a bit different than they were five years ago and 10 years ago, but I think it's an evolution that law firms are seeing. Primarily, it's a personal-service business. The key is to provide the highest quality services to people and in a responsive and efficient manner: how to deliver those services to your clients in the way that they perceive the value, are happy with the services and then return. So that's primary.

Beyond that, every law firm, I would think, has a different plan in terms of where they want to focus their services and what types of clients they want, their perception of the market as to whether it's regional, national or international. We don't really have to concern ourselves with international issues because we're just a one-office firm and are probably one of the very few firms going in a very different direction than probably everybody else at the table. I shouldn't speak too quickly, but I think that's the case.

**CUMMINS:** Why one office?

**LIPTON:** Because we like one office. We like our size. We like knowing everybody in the office. Everybody knows everybody by name; everybody knows them by face. You know the people that you're working with in your firm.

In terms of a preference for the folks that want to come to our firm, they like that. So the question is, Can a firm that size still do high-quality work, exciting client matters, attract first-class attorneys? Our success has been there on all fronts, and as long as we can keep doing that, our partners prefer a smaller environment, which was more like

most people thought about law firms 15, 20, 30 years ago. Thirty years ago, we're huge. But today, we're very different.

**DONNA PETKANICS:** I could pick up on that theme that Stuart is starting here, which is one of the biggest challenges that law firms are facing in evolution is switching from the model of being a small club, young professional club, to being run as businesses. There is a lot of tension between running an organization like ours that's built on a partnership model as a business, just like a lot of corporations where you're focused on profitability; you're focused on service to the client. You've got a lot of different egos, a lot of different personalities that are providing those services who have different motivations. Keeping all those people in sync and marching to the same strategic plan is a big challenge.

**HENRY BUNSOW:** It all depends on what your practice focus is. Every practice area has challenges from time to time because, at least in my experience, every area of the law is cyclical somewhat. Certainly it is in litigation. As the verdicts get higher and higher, the law gets tougher and tougher. Eventually, the defense bar will kill it, as they did with the antitrust cases of the '70s and '80s.

One challenge for law firms is, Do you try to be all things to all people and attract all segments of the business? Or do you try to look in your crystal ball and figure out we're just going to try to be the best in this particular area? A lot of smaller law firms strive to gain that reputation, but it's also achievable in the larger-law-firm context, as well. That's fundamentally what we do.

That is a challenge that every law firm looks at. You can have the best securities group, but if you've got a real estate group that's not profitable, what are you going to do about it? That's where the hard decisions come from.

**GREG NITZKOWSKI:** Regardless of the size of firm or its strategy, going back to this challenges notion again, locating, finding talent, attracting talent and securing that talent, no matter what your size is, that is the single biggest challenge.



**Donna Petkanics** is managing director of operations for Palo Alto-based Wilson Sonsini Goodrich & Rosati.

**BUNSOW:** Everybody slowed down at the same time, and everybody is heating up at the same time. Everyone is so busy, it's very, very competitive for lawyers out there.

**GAIDOS:** We have firms here that are based inside of California and from outside, and I'm curious if hometown firms still have any kind of advantage. Do out-of-state firms? Is it a level playing field?

**LIPTON:** We would never reveal the true answer... In the Bay Area, San Francisco probably — and I can't speak to Silicon Valley as much — there is a natural advantage to having been in the area for 50 years and having all of your people live in the area. The law practice is a professional-services business. So to the extent you have contacts and people like you and they know you and trust you, which is paramount among your clients — if they don't like you and trust you, they are going to find somebody else. For the people that are located here, that are driving the legal business, there has to be — there better be — some advantage to the folks that are around them that have also made a commitment to the community for a bunch of years.

On the other hand, clients are also driven by quality. A lot of quality lawyers in law firms from out of state come in. They are good lawyers, they will find clients, and they will do fine, especially in particular areas where you may not find a level of expertise because there are certain experiences and expertise that some firms have that there is probably not a whole host of it in San Francisco historically. So those firms will do fine.

But, yes, there has to be a home-field

advantage to people. Maybe Latham is one of the exceptions; it's harder to do a good job in New York. The hometown firms there have succeeded because they have got hundreds of years of tradition. It's hard to go into another area right off the bat without some indigenous folks.

**CUMMINS:** We have two down here that have a little bit of both. You have a little hometown feel to both of your firms, but you have New York. So tell me about that experience.

**MARINA PARK:** I think we've done New York differently, so it's an interesting conversation. We did it by merger. We came in and merged to get the home-field advantage. They were successful but small. In New York, a 175 lawyer firm, that's a relatively small firm. That was how we moved in New York.

Same way, we have a very small office in Los Angeles. That's how we did Los Angeles. San Diego was through merger as well. It's how we brought in our intellectual property practice, through merger.

We've definitely seen the home-field advantage. How you build on that obviously is the key. The other thing that we've seen change over the last decade that's made a difference with the home-field advantage is that our clients are being bought and sold and moving around. Our clients look so different. Where you may have had a San Francisco-based client, let's say Pacific Telesis for example, now their headquarters is in San Antonio, Texas. They still have California needs, but how is that relationship with Texas going to impact their choices about California firms they want to work with? ... So many of them have national operations; there are huge benefits to them in having opportunities to work with firms who understand them and can serve them in a variety of practice areas and geography.

That ties in with some of the conversation earlier about practice areas that we see. We really look, as well, at the industries where we see changes and try to bring in some of those practice areas that are going to support the need of an industry. While there may not be a huge strategic profit driver to having privacy experts within the firm, when you have a very large banking practice, it's very important to those clients that you have people who understand European and U.S. privacy issues that are facing them, as an example.

**CUMMINS:** That's a good example. Greg, do you want to jump in and talk about your experience.

**GREG LINDSTROM:** New York is a challenge; there is no question in a legal market like that. We've been there now almost 20 years. We went to New York before we came to San Francisco, which, when you consider we started in Los Angeles, is sort of not exactly a straight line up the coast.

What we tried to do there was to take a core nucleus of Latham people we moved from other offices, predominantly from Southern California at that time, who had ties to key clients in the New York area, principally IPO firms and investment bankers, and establish what we perceived to be a Latham beachhead there, then try and attract some top lateral candidates from other firms.

Predictably, we did much better, faster, on the corporate transactional side than the litigation side. Litigation, breaking into it in New York is really a tough challenge. We ultimately managed to do that. When the fall class comes in, we'll be 275 lawyers in New York.

Like Marina says, if you can succeed and do well in New York, it's fabulous because it spins off benefits for the whole rest of the firm, particularly when you start to look out into Europe. You get these synergies between New York and London. But it's a very tough legal market.

We have a similar experience in San Francisco, actually, going to this hometown-advantage point. Again, a very mature legal market; I'm talking now about in the city more so than in the [Silicon] valley. Of course, we were perceived as an L.A. law firm, which might as well have been out of state. Maybe it was more of a disadvantage to breaking into this market from Los Angeles than from, say, New York, Chicago or D.C. In any event, we waited and waited a long time.

We've only been in the Bay Area 12 years, and we had opened in D.C., Chicago and New York all before San Francisco because we didn't see the ability to put it together the way we wanted to do it in San Francisco.

Ultimately, we did the same things as in New York. Here, we had two key partners that joined us on the first day, Paul Dawes and Kit Kaufman. We built a nucleus of some really top partners from other firms, and we have systematically built this office with transfers from other Latham offices.

Eight years into it, we decided to open in Silicon Valley, very late in the game there. Of course, we did it with people primarily from San Francisco, so we had to backfill into San Francisco again, mostly from other offices of the firm. Today, when the new classes arrive, we'll be 125 in San Francisco and 75 in the valley, for 200 lawyers in the Bay Area. It's really only been in the last few years that we have started to get any kind of marketplace recognition as being a Bay Area firm.

It's gratifying that we're finally climbing up that steep hill, but I can tell you there is an advantage to being an indigenous Bay Area firm in terms of marketing and sales and just the firms like yours, who have been here for years and years and years, have established reputations. Particularly for the high-profile bet-your-company type of litigation, people want a name that they know and trust.

**NITZKOWSKI:** Interestingly, although we have long historical roots in Los Angeles, New York is our largest office. Our experience is a little bit of a hybrid between Latham and Pillsbury in that we moved people, we've hired person by person laterally, but we also combined with a rare animal now, which is a midsize New York firm, three, four years ago. In that context, though, most of that talent has, I guess, geographic ties elsewhere around. It's hard.

We consider that the people we hire there are indigenous. They have their contacts, their professional relationships there in that market.

I don't see a particular hometown advantage at all, especially as we kind of focus on clients, as Marina pointed out, that have operations around the globe. They may have a headquarters someplace in California. They've just focused on Beijing as they [have] on the valley.

**PETKANICS:** In terms of the hometown advantage, a lot of it depends on the practice. If you took an intellectual property practice, most of those are national in scope. They are looking for the best hitter. They don't really necessarily care if you're in San Francisco, Silicon Valley, New York or D.C.

In a transactional practice, in the type of practice that we've built our firm on in the Silicon valley, the relationships that we have with our clients — we primarily represent companies, so we're in the board room, we're working very closely with the

entrepreneurs, working with them from the day they are two people in a garage with an idea, guru founders, to the day they take their company public. We know the board members; there is a lot of interlock and overlap between the boards, the venture capitalists, the relationships with the investment bankers.

There is definitely a hometown advantage that we enjoy by having developed those relationships over the last 50 years, sitting in the Silicon Valley. It's an advantage that doesn't export as you go out and build other offices in other places.

That's where we're looking for the more national practices or looking to start and build them from the same way, ground up, and build those relationships in the Austins or Seattles where there are other high-tech communities.

**BUNSOW:** It does make a difference in what practice area you're talking about, clearly.

Particularly if you look at high-end litigation, be it commercial antitrust or intellectual property. Every firm in this room has the critical mass to present a credible force that can handle any of those cases. My experience, particularly over the last five to 10 years, is that the in-house counsel or the businessmen that make those decisions don't hire law firms; they hire individuals. Any individual who is at the top of the game has the critical mass underneath him or her to execute on whatever case it is. Most of those cases are not really geographically specific.

My own personal practice is 20 percent Northern California and 80 percent everywhere else, mainly Texas these days. Three years ago, it was the Eastern District of Virginia. So it changes.

The key there is that the client relies on you to hire the local lawyer, to the extent that there is local influence or local knowledge required. That's a very important decision. As the lead trial lawyer, it's very important to make sure that you do have a local guy that knows where the courthouse is and where the drop box is and how to file a complaint at 11:59 p.m. so it gets that date, those sorts of things.

At least from the litigation standpoint, for important cases, most major clients are doing nationwide searches. They are hiring the lawyer that they think is best-suited to try their case, if they think there is any chance at all that it's going to trial. They pretty much assume that the firm that he or

she is associated with will be able to provide the support they need.

**JOSEPH BURTON:** Just a little variation from that. I agree with Bob and Donna. It's practice-oriented. Litigation, it almost doesn't matter. Transactional, it does.

To some degree, we're talking about Fortune 500 companies. There is a lot of business for companies that aren't Fortune 500. If you take the Fortune 1,000, a little different equation applies. There is a hometown advantage. Being a Philadelphia firm coming into California, you see some of the things that you see in the transactional side for some of the smaller companies. They are essentially local. If they have grown up with certain names that they know, they have grown up with relationships. It can be difficult, not impossible, to overcome that.

I've seen that. I've sometimes wished that Duane Morris had been in California for 100 years. It would make life easier. But we haven't.

**ROBERT BELL:** I think that's right. We've been in San Diego for 130 years, so we have a lot of goodwill down there. A lot of those businesses have grown up with us. There were two firms in town for many, many years. Our big mistake was letting these out-of-towners come in the early '80s. Latham was one of the first ones. When they come in and they establish and they are playing at the level they are playing at, it's very competitive. They are just as competitive as anybody else, and we have to compete with them at that level, as well.

For the hometown people that we've been around — not all of us 130 years. As a firm, they know us pretty well down there.

**GAIDOS:** Speaking about competition, let's talk about partner movement. As the editor of EXTRA, I'm pretty much under the impression that partners are constantly leaving firms and joining new firms and no one works anywhere longer than two weeks.

**LIPTON:** It's longer than two weeks.

**CUMMINS:** Two weeks and two days.

**GAIDOS:** There does seem to be a little more movement in the past few years than in the past. I'm curious as to the effect of that on law firms and on clients?

**BELL:** We've just had one. Joe's firm just

stole a good partner from us.

**CUMMINS:** He didn't, did he?

**LINDSTROM:** This could get ugly.

**BELL:** We'll figure a way to get him back.

**LIPTON:** He just borrowed him.

**BELL:** We stole him from Gray Cary 10 years ago.

**BURTON:** Three-way deal.

**BELL:** There is a lot of movement especially for the midsize firm. We've got to compete with salaries which are astronomical in the big firms, and we're trying to do that with associates, to be sure we keep up. Then you get squeezed in the middle. We need to be more aggressive in other ways. We've got to give challenging practices to our attorneys. We've got to give them life-style benefits that we can say they have the opportunity here more than maybe other places, and give them a competitive compensation, as well.

Just like in sports, people are moving around a lot more. We've lost some attorneys, but we've hired 25 since the beginning of the year. There is just a lot more movement than when I, certainly, started.

**CUMMINS:** Bob, do you feel like you need to get bigger, and do you need to get a lot bigger?

**BELL:** We want to get bigger, especially in Los Angeles and San Francisco. I want to talk to Stuart about that after today.

**CUMMINS:** You'll have to have a little caucus afterward.

**BELL:** But our focus is really on solidifying California. A lot of large regional firms outside of California are looking for a presence here. We get a lot of inquiries about that, as well, which is nice.

**CUMMINS:** What do you mean by "a lot"?

**BELL:** We've talked with a number of firms that would like to have a California presence. We're in four places here. A lot of them would love to come in here and have an immediate mass of attorneys here. That's something that makes us attractive but not

necessarily to the firms that are already here in California. If the right opportunity came along, we would certainly consider it. Some of the firms we're talking to would just change our culture so drastically, we wouldn't be interested.

**BUNSOW:** With a few rare exceptions, the legal market over the last 10 years has been very strong. Every firm in this room has grown dramatically in the last 10 years, and that necessarily raises the level of competition. It allows platforms to develop that can support practices of upcoming lawyers that they might not necessarily have where they are. The result is that the opportunities sort of become a self-effecting result.

The firms see the market. There is business. They come in. The opportunities are there. They need somebody to head it. They go looking for somebody who is around.

The local person who was at perhaps a smaller firm or a firm that didn't quite have the advantage of a national presence or an international presence sees a lot of benefits. It's rare that a lateral move doesn't result in benefits to both.

Every firm that somebody goes to has certain advantages over the one you left. Most of the clients follow the lawyer, unless they are institutional transaction clients. Certainly in the litigation side, I think most of the clients follow the lawyer that the client sought out and hired. You keep the same business you have, but you become exposed to a larger universe and a larger platform and other clients. You are perceived, when you enter laterally, as somebody special, and that doesn't hurt.

That experience started happening seven or eight years ago and has snowballed. You're right; today, lateral moves are very, very common.

**GAIDOS:** We see a fair amount of movement of partners from national-platform to national-platform firms. That's certainly not unheard of, either. I'm wondering if this mobility is changing the way firms make management decisions. Is it changing how you structure things?

**LIPTON:** Law firms, by necessity, have become businesses, and they have to run like businesses.

You're right: The competition is fierce, from everywhere. You have to run your law firm as a business. You have to be viable; you have to be profitable. That makes you make certain decisions: When you identify

that you need a particular resource to add to your team, you go out and look for it in other firms.

Other firms do it. Everybody in this room is looking for the people they need and trying to identify the people to come in. The other thing that's happened is it's become acceptable that people change firms and they go from one to the other. Lawyers are hard people to make happy.

It is a difficult profession, and many of us always think, Geez, if I just did something else, maybe it would be a little better. It's greener on the other side. The truth of the matter is sometimes it is, and it's a good move for people. Sometimes they just are not happy where they are. Somebody is in their way. They go to another firm, it opens up and they blossom.

The other thing is many of the firms that, 15 years ago, were our size when the people came there, 15 years later, they are international firms with 13 or 14 offices. In fairness, some of those say, "I kind of liked it when we had 100 to 150 lawyers." Some of them say, "If Howard Rice is that type of firm, and quality people and I like them, they will come here." We see a lot of that. We get a lot of people from very large firms that like the smaller environment, that like our leverage ratio, where we have just a little bit over one to one, which is very different. They enjoy it better because they don't feel like they are sacrificing anything in their particular practice.

You're going to see more of it. That's not going to change. But your point of it, which is it's extraordinarily competitive —

**BELL:** There is a growth industry in head hunting out there. It's unbelievable now. That's a huge industry. We get calls all the time.

**LIPTON:** There are thousands and thousands of lawyers. People are looking for different things in their career. Nobody can sit here and say when they started their career, they could map out every day into the future and what they thought it would be like. The firms change, the profession changes, people change, geographies change. Many times, people need a change, and sometimes, the change they need is to go to another firm.

I know, because I was in New York when Latham was coming into New York, and I got a call. It was very flattering, "Come talk to us. This is what we're trying to do, and

we've identified you as somebody we think would be great to come in." They had the wrong number. ... It makes you feel good. If you're having a really bad day, you might go talk to that person that you otherwise wouldn't talk to and say, "Geez, I like this person," or "Tis is a personality fit here that I really like." People will move. Because Henry is right, clients go with people, many times they will go.

We have a lot of clients that we've picked up over the years that were at smaller firms that merged with bigger firms, and they are not happy with that. It's the firms you were talking about, not the Fortune 500, not the Fortune 1,000 firms, but the mid-market firms that are private or very small public. They just think the large megafirms don't care enough about them to give them the responsiveness. Sometimes, there is a fall-out when the lawyer goes to the bigger firm. Sometimes, they fall behind, and somebody else picks them up.

**CUMMINS:** Marina, you've hired lots of lawyers in the past year and seen some leave. How do you deal with that culturally, when you've got an influx and people leaving?

**PARK:** It's harder than it was when I came to the firm 21 years ago. Not quite 25, but ... It's a challenge to make sure that everyone is sort of on the same page. Keeping everybody on the same page is one of the other drivers for some of the lateral mobility.

Certainly at my firm — I don't think we're unique, but people didn't really understand what the strategy was 10 years ago, eight years ago. It was do good work for clients, come in to work, work with people you like, and everyone just assumed it was the same at every other firm. Now, because firms are becoming more like businesses, most top firms have very clear strategies. We all know what Howrey represents and what Latham represents. People understand those strategies now. You put the firms side by side and say, "Does this one make sense for my practice, where I want to go, where my client is?" Really understand what some of the differences are, the platforms the different firms offer or what you would be part of helping to accomplish.

Some of it is that partners might make changes because, as a business, you have to make some decisions. You have to be able to communicate to your partners, "This who we are. This is where we're focusing. This is what we're doing." If someone feels like they are left to the sidelines because

they are not in part of the mainstream, that may drive them to make a choice to do something different.

At the same time, by communicating that clear strategy, having the partners understand it, that's a big important piece of how you incorporate new folks into the firm and have them be part of what you're trying to do. It goes both ways. You might not lose some of the people you lose if you just tried to put a big bear hug around the whole happy family and make everybody feel that their practice is as important as everyone else's. That's not how most successful law firms these days are operating.

**GAIDOS:** What's been the legacy of Brobeck [Phleger & Harrison]? Is it still too soon to tell, or have there been any specific lessons learned from that firm?

**CUMMINS:** Donna, do you want to jump in?

**PETKANICS:** In terms of lessons learned, there is a lot we could comment on. In terms of running the business conservatively, that's something that we've always done and we'll always continue to do. Having seen the amount of debt the firm took on, I think that was a big lesson. Just making sure that people understand and are on the same page strategically with where they want the firm to go. Clearly, there was a disconnect in that firm with the way that some of the partners thought the firm should go and the way others did. They didn't have a consensus there.

The lesson there is to make sure that you're communicating and that you are building a consensus, which goes back to the issue that we've raised about the difficulty in managing a large dispersed business enterprise that used to be run more like a club.

We would like to run our law firms like businesses, like a Fortune 500 company. You really can't do that when you've got a group of professionals that every day walks out the door, and those are your assets. They go home every night and can decide to go to another law firm the next day. It's really important to make sure you're staying close to the partners in your firm that are bringing in the business, that are managing the business, that are managing the practices, and that you're communicating what your strategy is and making sure you have a

consensus on it.

**CUMMINS:** Talking about that, how do you deal with or how do you prevent fiefdoms from being created by particular partners who happen to be very vocal or happen to generate a lot of business? Anyone can jump in on that. How do you deal with that or avoid it?

**LINDSTROM:** Historically, what we have tried to do is bring in people from the outside in onesies and twosies and avoid bringing in a large group that stays together and you have this "we" mentality that you're at risk of having set in. We tried to bring people in and assimilate them into our culture so that you avoid that.

We've had some situations, particularly in Europe, where we've brought in whole groups, whole firms. It's much more challenging than assimilating people on a one-to-two basis. To go back to this last point about Brobeck, from our perspective, Arthur Andersen is much more frightening than Brobeck because we would like to presume that we could manage our affairs in a way that we would be able to survive even difficult times, but you look at what happened to Andersen, many times the size of any of these firms in this room, an institution, worldwide institution, and it's just gone in a very, very short time. We spend a lot of time and effort trying to look at quality control, checks and balances in other things that are really much more protecting the firm, internal methods of trying to make sure something like that could not happen.

It could happen to any of us. You could have one big client, one high-profile matter, one set of people who are maybe a rogue group of attorneys, and all of a sudden, the whole firm is facing jeopardy.

**BURTON:** Greg, don't you think Andersen is much more of an aberration? What happened there was really, in a lot of ways, external to them.

**LINDSTROM:** True.

**BURTON:** Whereas Brobeck is the kind of thing, one could argue, that's the kind of seduction that's always present in a law firm. You really have to be careful not to sort of succumb to it, to mind your p's and q's and profitability and those kinds of things.

I'm not saying one shouldn't do what you said. My reaction is that Andersen is

the comet that comes and hits the earth every X number of years. With Brobeck, you hope not to see it, but at least I could see that happening again. It happened also at the cusp of the go-go period, where the money was on the table and everybody wanted to get their bit. They were shoveling it in. It did happen at the end of that period. That's the kind of thing that's more likely to occur.

**LINDSTROM:** You have to watch them both is the point. You're absolutely right; it was external to Andersen. It is really frightening to see a household word like "Andersen" disappear overnight.

**PARK:** It was external to Andersen, but there have been very interesting books written by people inside Andersen who left Andersen, went into academia or to study business management, about the Andersen culture that set up the situation that allowed that external comet to have the impact that it did. About the checks and balances, or lack thereof, there are really some great books for anyone involved in running a law firm to read. That sort of goes to what Latham's been doing.

Those comets are going to hit from time to time. You need to put everything in place in your firm to make sure that people aren't afraid to go up the ladder and let management know when something is going on or a rotten apple is somewhere in the firm. You need to make sure there aren't protective fiefdoms. If the books are to be believed that have been written on Andersen, that is a lesson to be learned for anyone managing a professional-service firm.

**CUMMINS:** One of the things that I thought about that's changed the business or changed it into a business more is this whole per-partner profits issue created by some publishing outfit a few years back. What can you do about that? Is that really what's driving some of this? Is it causing some tension like this idea of de-equitizing partners? That's sort of a controversy these days. What do you think of this PPP issue?

**BELL:** We see it, especially competing with large firms for students coming out of law school. They now look at the profits per partner, and they say, "Luce Forward, yours is only 465; and Latham, they are over a million." It puts a lot of pressure on narrowing the equity partners.

People have a lot of different ways of calculating it, too. We're not sure what other firms do, but there is a lot of different ways. We try to fend that off.

We have a very liberal partnership in a lot of ways. We have a lot of practices some of the other large firms would not have, like trust and estates, which, for us, is very profitable. And real estate, local real estate. Things which, for us, are very profitable.

There is this constant awareness that, when your numbers come out, it reflects not so much on how happy the partners are — they get their check and are happy — but what the outside world, especially the attorneys we're trying to hire, think about the firm. We are constantly trying to improve that.

**CUMMINS:** How do you improve it without jimmying up the numbers?

**LIPTON:** Work more, work harder, collect better.

**PARK:** Revenue rates, leverage expenses. It's pretty easy business.

**NITZKOWSKI:** That touches on a very interesting point, something that our industry is going to continue to grapple with: the American Lawyer, its marketing information. We don't have a choice; it's just part of the market now. The market will interpret it how it wants.

We can all attribute the same level of veracity and honesty to everybody else around this table, but it certainly has become a marker that people look to as a convenient way to express certain things about firms.

As firms focus on that, it's interesting the things that we can do to make ourselves more profitable. We have rates; we have our hours. Rates kind of move with the market. So much market information is out there now about rates, with the studies that we all look at. You can't really advantage yourself that much in the market by increasing rates. They will just go up in the market. Hours, great information on hours that all of us get from our bankers and everybody else. We really can't expect the lawyers are going to work that much harder.

Realization: That may be an issue for some firms, maybe not for others. That's something where you can't really get a lot of market information on. The last is leverage, which is one of the things you really start to see, at least with firms that are

focused on global aspirations. If you ask leaders of most firms of global aspirations, they believe that firms are going to get a lot more leverage. Not like accounting firms; there are many reasons that that's not going to happen. Look at the "Magic Circle" firms ... look at their size and leverage. If you believe that becoming more profitable is an important part of your ability to compete for clients and for talent, it's inevitable that firms will continue to focus on that. Leverage is certainly one which may predict a future that looks a little bit different than where we are right now.

**CUMMINS:** Nobody did touch on this equity partner situation.

**PARK:** Leverage is a big piece of that. Leverage is how you define who is a partner.

**LIPTON:** We don't have these definitional fights, but the American Lawyer has its own definition of what a partner is. It's their definition, so you're better off putting the question to them. The question about profits per partner is market information. Everything is market information. If you're running a law firm, you have to know what the market is. If someone is making \$200,000 a year and can go across the street and make a million, you've got to ask the question, "Why is that person staying?" You need to know what the market information is.

We don't personally look at our competitors and say, "How do we get our profits per partner up to their level." We don't rely on leverage, if that's your final thing. We would ask ourselves what are the advantages of more leverage? How would it enhance our profitability, but then what would it do to the law firm?

Our answer is, yes, we like some leverage, but we do not want to be super-leveraged. That's not the environment that our attorneys want to work in. It limits how many people we can make partner; it limits our ability in terms of how we like staffing deals and how we like working with people.

The question becomes — I think this goes back to the Brobeck issue — what's the nature of the fabric that keeps your key partners together? What's your common goal? What are your aspirations? It's just easier for us, having 30 or 40 really key partners, for me to know what they're thinking and how we're moving forward to make sure that, if we have a comet — it's in

bad times that you've got to really worry. Will the people around the table stick together and get you from the bad time you're having today until things improve? If you've got that trust in one another, then you're going to withstand that type of situation.

Brobeck didn't have that, obviously. There are 100 reasons why Brobeck didn't have it. They didn't build a model that was based on that as the fundamental aspect. If you do, your lawyers need to know where you're going. Every time a law firm says "I think we want to merge," every lawyer in that firm is saying, "Well, with whom?" Why force somebody to go to a firm? Just about everybody that's working in any law firm that is sitting at this table could probably work in any law firm sitting at this table, along with 100 other law firms. We're individuals. A lot of people don't want to be told where they are going to go. They'll say, "If the firm is going to merge with them, well, that's great. I like Latham better than Cravath, thank you very much; I'll go there." So they go on their own.

Uncertainty about where you're going or what may happen increases anxiety and, therefore, eats at the fabric. To the extent you keep your fabric together, you'll withstand the bombs. You'll withstand the meteors coming in. You'll withstand the bad times and get through it. These numbers are one-year snapshots. Last year is done. Now what are you going to do this year? When this year is done, what are you going to do next year? It's a helpful piece of information, but it is not something that's going to keep people at a firm if they don't like where the firm is going and the firm doesn't meet their individual needs.

We don't sit around figuring out, How do we increase our number? Everybody sits around asking, How can you get more work? How can you be more efficient? What should your billing rates be? How much should you expect your people to work? Are people managing the resources so that, if the realization is bad and they're not managing properly, if you do those things, you're going to have a pretty good profits per partner. If your only concern is profit per partner, the easiest thing is to meet the definition of American Lawyer and jigger people's compensation in a way that doesn't change their compensation but changes what the report is. You haven't changed anything at the law firm; you've just changed what's in the report. Does that matter? I don't know.

**LINDSTROM:** We don't manage the firm according to profits per partner. We believe in running it as a business, and we want it to be profitable. I echo everything Greg said and Marina said about how to do that. That statistic is kind of a divide-the-pie statistic. What we tend to look at more is revenues per lawyer and costs per lawyer. Obviously, you can figure out what the profits per partner are in each participant in the firm, what share they're pulling out. We're trying to manage the overall profitability of the firm.

It's clear to the outside world that it's a really important measuring stick for the reasons that Bob articulated. It's difficult to attract people if you don't have what they perceive to be competitive profits per partner. They don't understand how they are calculated, and it's a very good proxy for making what they think are apples-to-apples comparisons with the various firms that people are looking at. It's important for that reason, but you wouldn't really want to run the firm based on that.

**BUNSOW:** Greg's exactly right. A lot of things go into the practice of law other than profits per partner, but there has to be sort of a median level. If you're a successful lawyer that's been in this business for 20 or 25 years, just as a matter of your own personal honor, you expect to be making something comparable to what other people are making. The problem is the newspapers publish these figures, and nobody knows really where they came from. If you talk to managing partners, they come from different sources in different ways.

For example, are first-year fixed-income partners included or not included? Sometimes they are, sometimes not. Who is your audience, for example? Publishing large per-partner profits to an audience of clients is not the smartest thing in the world to do. Publishing it to the guy across the street that you would like to attract over might be a smart thing to do. But that guy is also going to want to know, What is the leverage of the firm? Is this a firm where my associates can make partner? Or is it a ponzi scheme where one out of 10 might make partner, a la some of our East Coast brethren? And all these factor into it.

Particularly on the West Coast, there is sort of a median where you want to be, you feel you have to be, you strive to be as a practicing lawyer. Beyond that, it's all the other intangible things of, Who are you practicing with, What kind of support are

you getting, What kind of authority are you getting? If you're a lateral partner or lateral group, what's the opportunity to become involved in the management of the firm, for example? One way to integrate people is to make them your compatriot and put them in the management of the firm and let them feel invested. All those things, once you reach a certain per-partner income level, become more important.

**PETKANICS:** On the equity/nonequity piece of it, we don't have nonequity partners, but it's something that we've discussed on and off for years. It goes back to this whole issue of change in the nature of practicing law and the way that law firms are run and creating alternative career paths for people. We have associates and partners, there is one promotion, and it's made after seven or eight years of practicing law. It used to be after six years. Maybe before that, it was after five. That track is lengthening out as deals are getting more complex, litigation is getting more complex, and you feel like you need a longer period of time to evaluate people.

It's really hard to retain top talent. These are all A personalities, who are stars in their law schools and stars in their colleges. To tell them, "You're going to have to wait eight years and then maybe you're in and maybe you're not, and maybe there is a 20 or 30 percent chance you're going to make partner," there needs to be other alternatives to retain this talent that we've invested a lot of time in and developed relationships with clients. That's why we see the trend of a lot of firms not just doing the calculations that the American Lawyer has been, but coming up with alternative career paths. That's a huge challenge for the legal industry now.

**GAIDOS:** How much is associate retention on everybody's mind?

**LINDSTROM:** Very important.

**NITZKOWSKI:** Very much.

**BUNSOW:** Very important.

**PETKANICS:** Huge.

**PARK:** Top of the list.

**LIPTON:** In today's law firm, staff retention.

**PARK:** Talent retention.

**GAIDOS:** What are you doing to keep people?

**LIPTON:** Well, a couple things. Probably everybody does a lot of the same. One is you have to provide a competitive compensation package. That's very important. You have to provide people with an opportunity to feel that they are — at least at ours — part of what's going on at the firm and that they are a very useful and viable part of the firm and that people care about them. One of the good things about our firm is everybody is on a first-name basis, so everybody is part of a team. Secretaries, paralegals, attorneys, partners, everybody, they all know each other. You're trying to give people a sense that they are playing an important role. In fact, you need to give them opportunities so they do play an important role. They have a voice. Those people tend to be happier employees, and those people tend not to move on to other opportunities.

**GAIDOS:** Has the incidence of law-firm layoffs in the past few years decreased loyalty of associates and staff?

**BUNSOW:** That was a real aberration of the market, personally.

**GAIDOS:** Are associates now thinking back to what they read when they were in law school and wondering, "Well ..."

**BUNSOW:** Associates have a bit of the same perspective as partners. As long as they are making what they personally perceive as the market rate in terms of compensation and benefits and the like, it turns to other things. For example: What am I going to be doing in five years? Will I have a trial under my belt? Will I have consummated some large transaction? Is this the place where I'm going to get the experience that puts me in a position to be a partner in five, six, seven years down the road, or is this a place I'm still going to be writing briefs and never have been at a trial or haven't argued the important motions?

My personal approach to incoming associates is not on the compensation side at all. It's on the practice side. I can promise them a high level of experience, trial work within their first couple of years. I like to give them as much experience — I'll give them enough rope to hang themselves. Just

call me before you do.

That's what attracts the people who want to excel in this business. It's far less the dollars, once you reach what the market rate is, than what's out there in the future, what I'm going to be doing, and is this firm really going to train me and teach me and give me the opportunities to be a good lawyer, a partner-level lawyer in a reasonable period of time? If you can convince them they are going to get those opportunities and show them other people that have had those opportunities, second-years who have interrogated witnesses at trials, then you'll persuade them if that's what they want to do.

**CUMMINS:** Going back to layoffs, the firms that made the layoffs, do they have a stigma? The law students, they talk about it and say, "Well, Brobeck laid off all these people (we're talking when Brobeck existed). I don't know if that's a safe place to go. What if the market does a dive again?"

**PARK:** One of the lessons learned out of Brobeck was by the associates. It was a wake-up call. The laws of business. You want to be part a law firm that's managing resources prudently. If a law firm, because of the economy, sees a drop-off in an area and does what they need to do to keep the firm strong for the others there, I don't think it's perceived as the same negative as it might have been pre-Brobeck.

The other thing we've seen in our associates, coming out of it, is not so much blaming a firm that had to do a reduction in associate staffing during the downturn but a greater fear factor in the associates about their need to take charge of their careers and not wait to have opportunity handed to them. We have more insistence from our associates on investing in training in business development, much greater awareness that they need to take charge of their career much earlier and make sure that they are going to be equipped if something else happens again. It certainly wasn't anything I ever thought about as an associate.

I see a shift in what the loyalty from the associates comes from: Are you helping me be positioned, whether I'm at this firm or somewhere else, to move forward in my career? It used to be associates wouldn't necessarily show up for training unless they had time. It's now become a priority for a lot of them.

**LINDSTROM:** I completely agree with Marina. Once you get to that threshold level of compensation — Henry has described it — what are you doing about my career? How am I going to be a better lawyer for having been here? They're not fearing layoffs, but they are much more mobile. They may be gone, in-house or at a smaller firm. They may not want to make partner, but they want to know in five years they are a better lawyer and they can put this on their résumé and move on, if need be.

**BELL:** The other thing we're trying to do a lot more now is share a lot more information with associates than we used to. Especially the financial information, because they need to know what's going on with the firm financially. I spend a lot of time in lunches, in small groups, "What are your questions? Let's talk about how we did last month. What does our balance sheet look like?"

They need to know that, and it makes them feel a lot more comfortable when they know the stats on the firms. That's important, for them to have information. Hopefully, they will be owners soon, and they need to know that and how the business works.

**PARK:** The other thing that we've done that Latham has done for many years is upward reviews. We just started them on a formal basis, with associates reviewing the partners. I'm sure we'll continue.

**CUMMINS:** Anonymously, I suppose.

**PARK:** It's their choice. It's anonymous, but a few wanted their names known.

**LIPTON:** That's interesting. I agree with both. In today's world, a lot of associates come in and they are very interested in the firm helping them develop their career. They want more opportunities; they want more experience. But it's a double-edged sword. A lot of them haven't worked at a private law firm before, and you have to spend years in a private law firm to understand, as you said, "Is this what I want to do, five, 10 years from now?"

The common thing among all of them, at least in the short term, in the midterm, is they want to get as much experience as possible. They love to get trials. They want to learn how to deal with clients. They want to get access to the tools to be a successful attorney but not necessarily, at the end of the day, a partner in a private law firm. A lot

of them are looking to expand the number of opportunities. One of the things that happens is, as you develop people greatly, you have to accept the fact that you're going to have some attrition. Some of them want to go into government. Some want to be judges. Some want to work for the city. Some want to work for the state. Some want to work in various things. Some want to go write a book about what it was like —

**BUNSOW:** And really make some money.

**LIPTON:** — or go into business. They are A personalities; they are used to success. They are used to always being at the top and always succeeding. They want to have as many opportunities so that, in the event they are at a firm that dissipates or dissolves or something, they have got opportunities.

Our job, and it's in our best interest, is to train them as best as possible and give them those opportunities. You're also creating more mobility for them.

**CUMMINS:** I want to switch gears a bit, if you don't mind. I'm interested in diversity. I write about that quite a bit. Do we see general counsel, when you go to beauty contests, asking about diversity? Do they say, "I want to see your numbers"?

**PARK:** Some are asking for numbers on a quarterly basis.

**NITZKOWSKI:** Not just a firmwide number but numbers related specifically to matters for those clients, as well.

**CUMMINS:** So what are you doing about it?

**PARK:** Obviously, recruiting is a piece of it. But the bigger challenge is retention, for us. We're really trying to focus on retention through investing dollars in — we refer to them as affinity groups. For the first time, for example, this fall we're having all African-American attorneys fly to the New York office and spend three days together. We've never invested in doing that before. We have a lot of regional programs, the Northern California African-American or Asian or gay and lesbian attorneys get together; but we've never invested on a national basis.

We're asking two things of them. One,

just to help figure out how to support each other better, and two, to spend time with each other, come back to those of us in management and tell us what we should be doing differently.

**LINDSTROM:** Retention is really the most difficult issue for us. We're doing pretty well on recruiting, particularly in San Francisco. This summer, 65 percent of our summer clerks met the definition of minority. The problem is in retention. We're experimenting with things like Marina describes. It's really challenging. Most of us around this room have participated in the Bar Association's diversity initiative challenge. Those goals, particularly at the partner level, are going to be very challenging.

**PETKANICS:** Very hard.

**PARK:** We do well in our partner rankings in minority attorneys, but we've had a harder time in retention at the associate level of the firm. We've got partners scattered around 16 office locations, so we decided we need to invest in bringing people together. If you have associates in an office where there is not a minority partner who can work with them and connect with them, they develop those mentoring relationships across office. You can only do that through in-person time. We haven't had that first meeting yet. I don't know how it will go, but people are really excited about it and looking forward to it.

**NITZKOWSKI:** This relates more to firms that are focused on growing overseas, as well. The whole notion of diversity is that we have our conventional notion of diversity within the United States. I'm not sure how it plays out in Tokyo, when 75 percent of your partners are Japanese. What does that mean in terms of the diversity of the firm?

It's certainly reflective of the openness of the firm to anybody who can make a contribution to what our business and professional enterprise is. But it's certainly something that's not reflected in any way in ... Almost all statistics are only domestic United States statistics.

**CUMMINS:** That's a good point.

**BURTON:** It's an important point. You can color the statistics by including statistics from offices that are overseas. One

could put that out as sort of a badge of accomplishment, but I don't really think that's the case.

As a profession, we're starting from zero again. We sort of got off the train during the go-go period. During that period, the focus was on other things. The focus was really on revenue. Now you are in a period where a number of general counsel are interested in what you're doing. The only way we're going to do better is retention. The only way you're going to do that is you need to have more partners of color and in positions of authority in firms. If that doesn't happen, then you're not going to have retention of other partners, and you're certainly not going to have retention of the associates and may not even attract them. That's a tall order.

As a profession, we were on a good track for a while, then kind of fell off. And "it's not that important," and that was the 1970s. "We don't have to worry about it," and we're kind of having to start over. But retention is absolutely the key.

**PETKANICS:** We have very strong diversity numbers. Our numbers look really good. A large part of that population is an Asian component and not as much on the African-American side as we would like, but a lot is critical mass. Once you get a certain critical mass, it's really easy to attract and retain other associates from that minority group. Then we don't have any problems in elevating them into the partnership.

We also are fortunate in that one of the founding partners of the firm was an African-American. He's very active in our efforts in maintaining diversity and keeping it at a high level of awareness in our firm. We did have a very high critical mass of African-American partners, as well. Some of them have gone off to be general counsel of our clients and are now our bosses. We struggle in that area as well.

It's definitely keeping the high level of awareness. If you have a critical mass, once you attain that, it's easier to maintain. Well, partly because what Marina is saying, people feel affinity and they feel more comfortable when there is a critical mass.

**CUMMINS:** I want to ask you, and maybe Joe, how important is it to have a woman be, say, managing partner or a person of color to be the leader of the office? Why does it matter so much?

**BURTON:** It matters just for the things

we're saying. It also says, rightly or wrongly, something about the firm and what the firm is thinking. It's not even so much what the priorities are; it's maybe not necessarily a priority, but is the issue on the radar screen at all? There are a lot of firms where it's not even on the radar screen.

When it happens, when it's a woman, when it's a minority, that says, "hey," to somebody looking at it. From my experience in talking to potential minority recruits, everybody at this table would probably know that's an issue for them. That's something that they want to know about. If it's manifest, it's sort of answered. It might not even come up in a discussion, or it comes up in a different way in discussion. If you really are serious about it, it helps you to attract those individuals and to retain them. It's absolutely important, in my view.

**PETKANICS:** It's the old creed "actions speak louder than words." You can have all the written policies that you want, but if you have a person of color and have a woman in a leadership role, then everyone else can look at them as role models and say, "Yes, I can succeed here."

**BURTON:** "I have a chance," you know.

**NITZKOWSKI:** The whole notion of globalization is much more of a fact for firms that are focused on our strategy. Not everyone is focused on that strategy. We, as a firm, would be tremendously proud if one of our future managing partners is a lawyer partner of Tokyo, for example. I don't think it's irrelevant. It does say something about the front. Certainly, there are issues specific to the United States domestic market. We have the same challenges and the same focus, and it's important to clients.

It's important socially; it's important. All of those things obviously drive us in the diversity area domestically. It's just getting much more complicated, as we've added offices in so many different jurisdictions.

**BURTON:** Let's assume you had a 500-lawyer firm, 100 of those lawyers were overseas, 50 of your minority partners were the overseas partners, and you had none in the United States. That says something different than if I had 20 partners in the United States and 10 overseas that were minority. The overseas components can be used in a way to hide the reality of the situation.

**CUMMINS:** Let's talk a little bit about corporate citizenship as far as pro bono. Do general counsel also look at those numbers? Do they care about pro bono? Do they say, "What's your commitment to pro bono"?"

**BUNSOW:** Well, we think they do. We have consistently, year after year, been the recipient of pro bono awards.

**CUMMINS:** General counsel care about that?

**BUNSOW:** We think they do. It's something we put out when we make presentations to general counsel as something we do. It's also very important to the training program for young lawyers. It opens up opportunities for young lawyers to take on a case, to have a major role, to be responsible for aspects of a piece of litigation or a piece of work that they might not otherwise be able to do because of financial considerations or other considerations.

There is a real benefit to it interfirm, and there is a tremendous goodwill created extrafirm, outside the firm, by using the firm's assets to further those pro bono goals. Every firm in this room is very committed to that. It's something that has been characteristic of the legal profession for a long, long time and something that gets precious little play in your newspapers, unfortunately.

As opposed to all the lawyer jokes out there, it would be nice for the public to know that these high-priced, very busy, highly educated people are out there on the streets trying to do something good for people. They do a hell of a lot of good that nobody ever hears about, unfortunately. Except we give awards to each other about it so we feel good for an evening. Other than that, nobody ever hears about it.

**GAIDOS:** I think I've been called out.

**NITZKOWSKI:** People don't recognize how unique it really is in the overall worldwide profession. It isn't the same in England. It really is pretty extraordinary when you look at the level of commitment.

**BUNSOW:** It's not the same in any other business.

**PETKANICS:** That's true.

**LIPTON:** General counsel are people, and

some people who are general counsel where diversity is absolutely No. 1 on their list of things to do. Pro bono is very important. Some general counsel care less about whether your law firm does pro bono. It's not their issue. They figure that's your issue.

You have to be careful to generalize all general counsel as a group any more than you can generalize about anybody.

**PARK:** A lot of diversity comes from the very top of the corporate structure, and they want to know that all their vendors are meeting certain diversity objectives. It's very rare that a Fortune 500 company would set a pro bono objective for all of their vendors, for example. It does become unique to general counsel.

**LIPTON:** But it's not critical to general counsel. It's a lot more for folks coming out of law school and for lawyers. It gives younger people an opportunity to play a larger role, gives them more experience. They feel good about it. It gets in the press. I can't quite say we've had a lot of pro bono, but we're all over the press with our pro bono matters and heavily invested in a lot of pro bono matters that people at the firm feel very strongly about. They give a lot of time to it. The firm benefits and they benefit. Even more than that, the client really benefits.

**BELL:** All the firms here had a strong pro bono practice before any general counsel came up with a criteria, and would do it whether or not that was a criteria. Younger attorneys really demand it, and we give credited firm time to do it and win awards. It's just something you have to do to be a fulfilled lawyer in your practice. It's important.

**CUMMINS:** Looking at the future just a bit, I went to a law firm leaders forum this spring and listened to a presentation by a fellow who was talking about outsourcing. We know about Wheeling, West Virginia, but we're talking about outsourcing to India. We're talking about staff. Have any of you thought about that? Have you talked to these people? Even Hildebrandt has become involved in this outsourcing game.

What about Greg? Have you talked about sending some of your staff to India?

**LINDSTROM:** Well, not specifically. We have a pretty good-sized outsourcing practice. We had some of our partners who

specialize in that area come and talk with management group about trends and what's happening in India and other places. It's pretty amazing. I would not be surprised if, in five years, you didn't have significant infrastructure in a location like that. When you go out and talk to clients about what they are doing, they share service centers. They are not even outsourcing but building them and staffing them there, which is another form of outsourcing. It's really big, and it's grown very fast.

**CUMMINS:** So you see that happening with law firms, too?

**LINDSTROM:** It's inevitable that you're going to have some major law firms — I'm not saying Latham or that we've even considered it. When you look at these as businesses and you look at the reasons that businesses are doing this stuff overseas and with the Internet, they can turn the stuff around immediately, the labor costs are so much lower, the quality of personnel is very high and well educated. That's why these businesses are doing this. If you look at law firms and this highly competitive environment, it wouldn't surprise me if somebody said, "One way I can earn a cost advantage vis-a-vis my competitors is to take certain back-office functions and put them in some other location."

**PARK:** The client is doing it, too. We're working with clients in the IP area. I don't know if you're seeing it in prosecution practice, but clients are outsourcing the back-end of patent work to India now. Companies are starting up in India that are selling that service. Those of you in litigation are starting to see pressure in outsourcing, whether it's domestically or overseas, some of the litigation work.

I met with an Indian firm a couple days ago to hear what they had to say. They are selling to Fortune 500 clients in the U.S. The clients will start bringing increasing pressure on the law firms to work with outsource service providers. As we have experienced doing that on behalf of our clients, at some point we'll sort of say, "This is working. Why aren't we doing it for ourselves?"

The margin pressures, the competition on profitability and otherwise, will move some firms in that direction. It's not something that our firm is exploring on any immediate basis. But I see the world heading in that direction with our clients.



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