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A man in a dark suit and striped tie stands in front of a building entrance. The man is smiling slightly and has his left hand in his pocket. The background shows a building with large windows and some greenery.

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SPECIAL REPORT

HOW DEEP IS THE VALLEY?

Tech's top firms plot a comeback from the dot-com doldrums. As Wilson Sonsini stays the course, Cooley takes aim at the Old Economy.

**Wilson Sonsini chairman
Larry Sonsini**

Life Beyond Larry

As they chart their post-tech bust comeback, partners at Wilson Sonsini ponder a delicate question: What happens if their top rainmaker ever quits?

BY VIVIA CHEN

ON A QUIET FRIDAY IN JULY, LARRY SONSINI, the best-known lawyer in Silicon Valley, dropped a bomb on his partners at Wilson Sonsini Goodrich & Rosati: He was preparing to join Silver Lake Partners, a private equity firm with billions invested in tech companies like Ameritrade, Seagate Technology, and Thomson, as chairman. As one lawyer tells it: “On July 29 he decided he was leaving, and a press release was drafted.”

Almost immediately, Sonsini’s partners went to work. “There was,” says the lawyer, “an intense lobbying effort from Friday until Sunday to get him to change his mind.” Says another: “It was a very emotional weekend.”

Who could fault them? There are other successful rainmakers at the firm, but none of them have Sonsini’s ties to the technology chiefs and venture capitalists who control Silicon Valley. And Wilson is a firm built, in large part, on Sonsini’s personality and business acumen: He joined the firm fresh from law school in 1966, when it was just a four-person shop, and helped build it into the largest and most influential law firm in the Valley. Even though the firm has a talented bench, Sonsini’s departure would have been perceived by competitors and clients as a body blow. “There’s depth at the firm, but Larry is one cut above the others. His stature and demeanor in the boardroom are hard for other lawyers to achieve,” says client Eric Benhamou, himself a Valley titan who chairs

WILSON SONSINI FY 2004

Gross Revenue	\$377,500,000
Revenue per Lawyer	\$700,000
Profits per Partner	\$865,000
Number of Attorneys	540

SOURCE: AM LAW 200

3Com Corporation and palmOne, Inc., and runs his own venture capital firm.

It was a close call, but the lobbying effort paid off. Sonsini stayed, and weeks later, as he recounted the tale from the firm’s Palo Alto headquarters, he tried hard to downplay its significance: He says he wasn’t really “that close” to taking the job. Rather, he envisioned trying to carve out a dual role at Wilson and Silver Lake. “There’s no way I would leave this firm; it’s my alter ego,” he says. “In the end, I thought it would be difficult to do both. My heart is very much in this place. The thought of not being an adviser to Steve Jobs or Google is not part of my makeup.” And though Sonsini says he felt no pressure from partners to turn down the job, he acknowledges, “I think my partners like me a lot, and they didn’t want me to leave.”

“Like” might be an understatement. “We love Larry,” says litigation partner Boris Feldman, a member of the management team. “We all hope and pray that we’ll get



FROM LEFT: JOHN ROOS, LARRY SONSINI,
JEFFREY SAPER, AND BORIS FELDMAN

another 15 years out of him.”

Of course, there's no guarantee that Sonsini won't be tempted again—though he now says Silver Lake is his last flirtation with venturing outside of the firm. (“I got a glimpse of the other side of the fence,” he says.) But the whole episode left Wilson partners to ponder a question they are clearly loathe to face: What happens after Larry?

IT'S BREAKFAST TIME AT PALO ALTO'S Il Fornaio Cucina Italiana, one of the smarter restaurants in town, and it's busy again. Young technology turks in polo shirts are chattering in Silicon Valley—speak: “I have VCs who are already on board,” says one. “Our business model is truly unique,” chimes in another. The Valley is returning to life after years of post-dot-com-bust malaise.

Deal flow has picked up significantly: This year Wilson alone has advised Google Inc. on its \$4 billion secondary offering (it

also did its initial public offering the year before), Dolby Laboratories Inc. on its \$500 million IPO, and Infosys Technologies Limited on its \$1 billion secondary offering. Profits per partner, which have been flat for years, are expected to top \$1 million in 2005, says John Roos, a partner and Wilson's chief executive officer. “We went through the biggest boom in the country in the late nineties, then the worst downturn of any sector,” says Roos. “Despite that, we've emerged strong, profitable, and debt-free.”

But not competition-free. Where once Wilson was the undisputed king of the Valley deal, other players now sit at the table. These days it's just as likely that Latham & Watkins or a New York firm like Davis Polk & Wardwell will be handling a Valley IPO or merger and acquisition deal as well. “We are direct competitors with Wilson,” says Latham partner Christopher “Kit” Kaufman, one of the Valley's top rainmakers.

“No other major firm has had the kind of impact on the Valley that we've had, and that vexes Wilson,” adds Latham partner Alan Mendelson. “We have the skills and the global footprint, and we are uniquely suited to intrude on all of Larry's circles.”

“Larry's circles” are part of the legal business lore in the Valley. Sonsini's business strategy has been to grow the firm by serving the three phases (or “circles,” as Sonsini refers to it) of a technology company: start-up, IPO, maturity. Of course, many companies never make it past the start-up phase, but that's fine under the Sonsini concept as long as there are future Googles to nurture.

The Wall Street firms in the Valley never really bought into the three-circle idea. The reason is simple: Fledgling companies can't pay their rates; the big bucks are made on IPOs and other more sophisticated transactions. “We focus on corporate clients that are already public,” says Alan Denenberg, a partner at Davis Polk in Menlo Park. “We don't pursue early company work; we focus on New York-type of work,” says Richard Capelouto, a partner at Simpson Thacher & Bartlett in Palo Alto.

But Latham is one powerhouse firm that doesn't mind servicing newbies. “We do start-ups and hostile M&As,” says Kaufman, adding that Latham is “in tune with Silicon Valley's [entrepreneurial] ethos” but also has “New York capability.” Wilson Sonsini is also getting heat from O'Melveny & Myers, where four of its partners moved this past year (corporate lawyer Kurt Berney, who's now at O'Melveny's Shanghai office; and M&A lawyers Michael Kennedy, Michael Dorf, and Steve Camahort, all based in San Francisco). Says O'Melveny partner Howard Chao: “Wilson is a very large force here, but we intend to take market share from them.”

Clearly, that will take a while. Kaufman concedes that “Wilson Sonsini is our

AFTER THE BOOM

In the years since the rise and fall of the technology market, Wilson Sonsini has continued to grab its share of high-profile work.



PROXY FIGHT In spring 2002 Larry Sonsini coached Hewlett-Packard Co. and then-chairman and CEO **Carleton “Carly” Fiorina** through a fierce shareholder fight over its acquisition of Compaq Computer Corp. Walter Hewlett, son of an HP founder, sued HP, claiming it improperly pressured large shareholders to vote for the merger and that the company had issued misleading information about the negotiations. A Delaware judge ruled that the vote was valid, and allowed the merger to move forward.



GOOGLE'S DEBUT The firm added to its roster of historic IPOs when it ushered Google Inc. to market in August 2004. Wilson was an obvious choice to handle the work: Larry Sonsini incorporated the company in 1998, and Wilson alum David Drummond is Google's general counsel.



JOB OFFER The New York Stock Exchange asked Larry Sonsini in September 2004 to take over as interim chairman of the Big Board after **Richard Grasso** resigned the top post amid a firestorm over his \$139 million pay package. Sonsini, a member of the NYSE board, turned it down.



OUTSOURCED In May 2005 Wilson Sonsini helped Indian outsourcing giant Infosys Technologies Limited raise \$1 billion in a secondary stock offering. The transaction boosted the company's market cap to \$19.9 billion. Wilson Sonsini also handled Infosys's IPO in 1999, when it became the first Indian company to go public in the United States.

biggest competitor, so, by definition, they are strong.” And client Sayed Darwish, general counsel of Polycom, Inc., raves that Wilson is “the go-to firm in the Valley.” One reason Wilson Sonsini remains so formidable is sheer size: At 600 lawyers, 448 of whom are in Palo Alto, it eclipses all other firms in the vicinity. (Latham has about 80 lawyers in the Valley, and O’Melveny has 60, while most Wall Street firms have far fewer lawyers.) Another reason is that the other firms don’t have Larry Sonsini.

TRIM AND NATTILY TURNED OUT IN one of his Italian suits, Sonsini is very much in his prime. He is still a trusted adviser to the Valley royals, like Apple Computer Inc.’s Steve Jobs; still a sought-after corporate board director (he’s a director of Echelon Corporation, LSI Logic Corporation, PIXAR Animation Studios, and SVB Financial Group); and still the rainmaker’s rainmaker.

But he’s also getting older. And that has triggered some reflection about the future of his firm. At 64, Sonsini “finally realizes

he’s mortal, and he wants his legacy,” says one of his partners.

Earlier this year, Sonsini—a well-known control freak—surprised many in the Valley when he ceded his role as chief executive officer at Wilson to corporate partner Roos. Sonsini remains the firm’s chairman; Jeffrey Saper, the firm’s managing director of business development, is the vice-chair.

Both youthful-looking, Roos, 50, and Saper, 57, form the core of the firm’s succession plan. As Sonsini slips into the role of senior statesman, they are picking up much of the day-to-day. Sonsini says he’s sharing more in the way of his business and client relationships as well: “For every account I have, there are two partners on it,” he explains. “I don’t send out bills under my name.”

These days, Sonsini says, “I am involved in strategy, going after clients, advising on difficult corporate governance issues and high-end mergers.” But clearly, he hasn’t let go completely. He admits that he’s still involved in “compensation—but not about where associates salaries will be next year—

new members, and laterals.” All in all, he gives himself good marks for the transition: “Stepping away as CEO and chair was healthy. I like the way I’ve responded.”

Implementing a succession plan has long been a touchy subject at Wilson. The firm has a reputation for infighting among powerful rainmakers. Without Sonsini, some worried that the firm could be torn apart.

So far, the transition has been sticking. “People thought partners would go behind John Roos’s back to get to Larry, but that didn’t happen,” says Feldman. And while former lawyers say partners with big books of business still run their own silos (Wilson Sonsini speak for rainmakers who control practices and resources at the firm), and partners occasionally pitch the same clients for business, the most destructive infighting over clients and money has ended. “It’s not a Brobeck [Phleger & Harrison], where there was so much dissension,” says Avis Caravello, a San Francisco recruiter. “I don’t see them cannibalizing themselves.”

A key reason is the economic downturn. Wilson partners seem to have learned a lesson about group survival: “What doesn’t kill you will make you stronger,” says Saper of the down years. “The only way for us to survive is to demonstrate we’re one firm.”

The message the partners want to convey is that succession is already under way. “Larry is an important symbol for the firm. But the glue is the other people,” says Roos. “We’re already in the institutional stage.”

DESPITE THE TECH DOWNTURN, which some partners seem to regard as a sort of purgatory, the firm is more committed than ever to the technology sector. “We have the best brand in the tech sector in the country,” says Sonsini. “Building out this brand on a global basis is essential.” Adds Roos: “We’re not interested in a diversified model, because we believe it dilutes the brand.” Transforming the firm into a

THE COMPETITION

Firms based outside the Bay Area are making inroads on Silicon Valley deals, even if they can’t match the size of the homegrown firms’ local offices.

FIRM	LOCATION	HEAD COUNT*
Latham & Watkins	Menlo Park	78
Weil, Gotshal & Manges	Redwood Shores	62
McDermott Will & Emery	Palo Alto	61
Davis Polk & Wardwell	Menlo Park	49
Simpson Thacher & Bartlett	Palo Alto	47
Bingham McCutchen	East Palo Alto	46
Skadden, Arps, Slate, Meagher & Flom	Palo Alto	42
Baker & McKenzie	Palo Alto	38
Greenberg Traurig	East Palo Alto	35
Fish & Richardson	Redwood City	34
Morgan, Lewis & Bockius	Palo Alto	34
O’Melveny & Myers	Menlo Park	34

Source: NLJ 250
*Figures as of 9/30/05.

“global technology law firm,” says Roos, is the “challenge of our generation”—a goal he intends to achieve in “this decade.”

Wilson Sonsini’s lofty stature in tech is hard to dispute, but trading that up for national, much less international, recognition is a long shot. So far, the firm has had limited success in venturing beyond the Valley. Though it has offices around the country (Austin; New York; Reston, Virginia; Salt Lake City; San Diego; San Francisco; and Seattle), most of them are tiny (20–30 lawyers) compared to Palo Alto, and none of them, aside from New York, is in a major financial center.

Launched in 2000, in the waning days of the tech boom, the New York office had been Wilson Sonsini’s most ambitious foray—and its most conspicuous failure. “We got hit when Silicon Alley went away,” says Roos about the firm’s quixotic pursuit of venture-backed tech business in New York. Managed originally by two former Brobeck partners, now long gone, the New York office languished for years without a resident partner. (Last year the office only had five lawyers.) Recently, the home office finally decided to beef up the office by focusing on securities and white-collar litigation and hiring laterals. (This year, the firm brought on antitrust partners Jonathan Jacobson and Charles Biggio from Akin Gump Strauss Hauer & Feld, and litigator Gideon Schor, litigation director for the Americas of Credit Suisse First Boston.) Roos says that the office has about 25 lawyers and is profitable, though the firm would not provide numbers.

But being in the black doesn’t mean that it’s yet a credible New York office. Conspicuous by absence are laterals with major Wall Street experience. “It will be slow, and it will continue to be a work in progress,” sums up Sonsini about the buildup. As another Wilson Sonsini partner puts it: “Why would you go here when you can go

to one of the big Wall Street firms?”

Not having the New York chip in play, say its competitors, is one reason Wilson Sonsini will have a hard time in the national and international arena. “Having a New York and D.C. office is important for a global firm,” says Latham’s Mendelson. “New York is the center of the financial world, and D.C. is the center of the regulatory world.” Increasingly, he adds, New York banks are calling the shots on deals in the Valley.

Though the China market is even riskier than New York, Wilson Sonsini’s Shanghai effort might be a better bet, say competitors. The reason is that Wilson’s China practice is being spearheaded by Carmen Chang, a rainmaker so prolific that Sonsini gave her carte blanche to hire her own associates when she was just a third-year associate herself. She’s got “great connections and a proven track record,” says O’Melveny & Myers partner Howard Chao. But the notion that Wilson Sonsini’s brand will carry in China might be wishful thinking: “People didn’t know O’Melveny until we got there,” says Chao, who arrived in China in 1994. “I don’t want to sound arrogant, but we have *the* China practice. [Wilson] is just applying for their license there.”

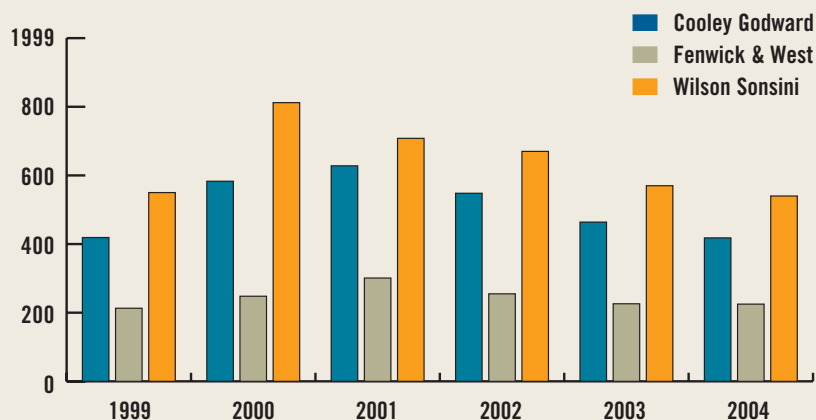
In fact, Wilson Sonsini could have easily gone to China years ago. In 2003 Carmen Chang left to go to Shearman & Sterling’s Menlo Park office precisely because Wilson Sonsini wouldn’t open a China office. It wasn’t until this summer, after losing Berney, a Palo Alto–based lawyer who was heading up Wilson’s effort to break into China, to O’Melveny, and promptings by clients with China business, that Wilson lured Chang back by promising her a China office [Bar Talk, “Homecoming Queen,” September].

So why did Wilson Sonsini let Chang go in the first place? The irony is that the firm, which prides itself on its willingness to gamble on start-ups, is extremely risk-averse. “We have been conservative because I have been conservative,” says Sonsini. “I don’t like opportunistic moves. We’re going to China because we have so much business there.” Adds litigation partner Feldman: “This is the most client-driven firm in America. We didn’t go into China until clients demanded it . . . they were pushing us to get Carmen [Chang] back.”

For all its reach and ambition, Wilson came of age as a provincial powerhouse, and that mind-set can be hard to shake. Especially when the province that Wilson

BACK WHERE THEY STARTED

During the technology bubble, head count at Silicon Valley’s leading firms grew exponentially. Now, however, the lawyer ranks are back to their preboom levels.



helped build seemed destined to be the center of the new world. “If you live and work here, and you’re doing well, why mess with it?” asks headhunter Carl Baier, a former Wilson Sonsini associate.

THE PROVINCIALISM CONTINUES. While Sonsini is a figure in boardrooms coast-to-coast, some of his partners like to stick closer to home. Until just a few years ago, none of the management committee members had been to Asia. And while Roos says there’s “overwhelming buy-in” for the firm’s New York office, the firm doesn’t have targets for growth there.

“There was a battle over New York. People wanted to close it,” says litigation partner Bruce Vanyo, who pushed to strengthen the office. “Lots of partners wanted a regional firm.” Vanyo, who almost bolted a year and a half ago for Weil, Gotshal & Manges, says he stayed only after “multiple partners on the senior team” assured him that the firm would expand beyond the Valley. So does he feel the firm is now moving in the right direction? He demurs, “There’s disagreement about how quickly it’s moving.”

There’s also some confusion about how “New Yorky” the office should be. Though partners such as Steven Bochner and Chang say it’s essential to build the capital market practice and relationships with investment banks in New York, others like Feldman seem dismissive about that need. “I relish not having New York investment banks as clients; it’s more satisfying working with companies,” says Feldman.

Part of that is just defensiveness, of course. It also hints at Wilson Sonsini’s self-perception as the outsider, the overnight sensation that’s never been quite accepted by the establishment (read: New York firms). “Their line is, ‘You guys are cattle ranchers,’” says Bochner about the attitude of Wall Street firms. Despite Sonsini’s board membership on the New York Stock Exchange (2001–03), and the firm’s long list

of headline deals, Bochner says the New York establishment is a “club” that’s hard to break into.

That prejudice is real, say a number of the firm’s former lawyers, clients, and headhunters. “People love to hate Wilson,” says Baier. “But I think it’s an impressive place.” Even for hostile takeovers, “I think it’s just as good as Wachtell,” says Nektar Therapeutics general counsel Nevan Elam, who says he went toe-to-toe against the legendary M&A firm when he was a Wilson partner. Elam adds that New York firms frequently have the edge with clients, because board members insist on using established names.

While Wilson Sonsini—the firm—may be cast as a second-bit player, Sonsini the man is one of a handful of lawyers with rock star status. He’s a boldface name, along with Martin Lipton, Joseph Flom, and David Boies. Which brings us back to the wild card in the firm’s future: the cult of Larry.

“When you think of Wilson Sonsini, you think of Larry,” says Davis Polk’s Alan Denenberg. “He has an extraordinary ability to make clients feel they’re his only clients.”

Indeed, though the firm boasts it now has 20–25 partners who have developed at least \$5 million of business of their own, it’s hard to escape Sonsini’s shadow. Sonsini still has a book of business estimated at \$50–75 million and a brand name that attracts even more.

By now, Sonsini is getting weary of all the questions and fuss over the Silver Lake opportunity. But he says Silver Lake provides a lesson that “there’s the reality that this might happen one day”—meaning that he won’t be at the firm forever. And here Sonsini sounds a bit like the loving but tough parent who tosses his child into the deep waters to force him to swim.

Indeed, some partners believe that Sonsini made noises about joining Silver Lake just to scare them. It was the same scenario when he toyed with the idea of heading up the New York Stock Exchange two years ago (he declined the post and left

the board with several other members after the scandal over Stock Exchange chairman Richard Grasso’s compensation). “He’s supportive, but he also likes to mess with your head,” says one Wilson partner.

Like a parent, Sonsini also wants to pass on a certain core value to his progeny, which, in this case, is the Wilson Sonsini culture.

“It’s very individualistic,” says Sonsini. “You can work on anything you want so long as it’s part of the firm’s mission.” An important part of that culture is staying edgy, never being completely comfortable: “There was tension and competitiveness [in the firm] as we built clients,” says Sonsini. “But the tension was not all bad—it goes to the entrepreneur culture. I didn’t want to build a fraternity.”

It’s a lesson that many of his partners seem to take to heart. “Most big law firms are fungible; we’re truly unique,” says Feldman. Says Bochner: “We have thrived and survived in this market, and it’s not just luck. We are slugging it out every day.” There’s no security even with clients that the firm has nurtured since day one, he adds: “Loyalty goes away at the time of the IPO.”

So after all these years, Wilson Sonsini is still on the edge. It’s still the upstart with a chip on its shoulder. But now, it’s also entering another chapter. In this generation, the firm is maturing as an institution, says Roos, but “we still want that hustle, that hunger.” So far, that’s been the recipe for the firm’s success. Who knows? Being hungry and insecure might just take it to greater glory. Even without Larry.

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