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in New York



US mid-market players prepare to invest in London

THE 3 SEPTEMBER LABOR Day holiday marked the end of New York's summer, and the start of its busiest season. On Wall Street, the hundreds of billions of dollars of financings pledged for the year's largest LBOs are now being marketed with aggression. Fall 2006 is most certainly the season of Sullivan, Simpson, Shearman – and financing successes.

But beneath the arena of the biggest-ticket capital markets players, the large national US law firms are raising the activity levels of their own international investment programmes.

New York's Proskauer Rose, California's Heller Ehrman and Philadelphia's Duane Morris are all heading the hunt for sizeable UK investments. While not at the forefront of the Wall Street capital markets deals, all have enough depth of multinational client bases to present cogent business cases for their partnerships to invest.

Out in front, of course, is Reed Smith, having secured Richards Butler's merger signature. Managing partner Greg Jordan has been putting the airmiles in to Hong Kong of late in an attempt to persuade the semi-detached enclave of Richards Butler's HK partnership to join in the party.

The losers in all this manoeuvring will be the UK firms that don't act quickly enough to secure proper integration with the consolidating US legal market. Gentlemanly reliances on referrals from a range of US firms can no longer promise a secure future for internationally minded top 100 UK firms. Partners should demand of their executives the security of a well-established transatlantic policy.

STRATEGY

Ambitious Duane Morris launches UK expansion project
Philadelphia firm looks to build up City practice

At the start of September, one of America's legion of national law firms, Duane Morris, hired a search firm to look at expansion options for its London office. Nothing is ruled out, from major team hires to a merger with a substantial UK firm. The Philadelphia-based practice already has a low-key, seven-partner London operation (formed by some ex-Rakisons partners who merged their subsequent boutique into Duane Morris in 2000) from which to direct the hunt for laying down some sizeable European roots. Slowly but surely the firm joins a slew of formerly 'mid-market' US law firms looking to follow the vanguard of New York, California and Chicago giants that now dominate the lateral-hiring market in London.

Sheldon Bonovitz, Duane Morris CEO since 1998, has set an aggressive pace for the firm. When he took over in 1998, revenues had just

practice areas and be the best of the best', believing that 'this itself can be risky'. He cites the cyclical nature of 'purer' corporate practices, observing that the sheer volume of firms that have adopted this approach is leading to 'more and more rates being renegotiated by sophisticated corporate clients'. He's made Duane Morris partners 'leverage our knowledge base'.

As such, the partnership has started several ancillary businesses that now employ 100 non-legal professionals and cover a diverse array of areas, all of which have spun off from some of the firm's key practice areas. These include a medical malpractice insurance business (which undercuts competitors by being earlier to spot doctor error); a financial planning and investment advisory business with \$1.2bn under administration (this was built from a thriving trusts and estates practice – an area often

discarded by similar-sized commercial firms); lobbying; securities fraud damage assessment; and even a financing arm for hospital purchases of surgical implants.

Furthermore, about \$15m of revenue is set aside to support a focused contingency-fee litigation arm – where critical risk assessment is key to the acceptance of cases (and banks, accountancy firms and health companies are never chosen, it should be added). Last year, Walt Disney paid up \$7m in one case; the biggest

single win in legal fees to date: \$25m. 'These additional business streams are run by professionals, not lawyers,' Bonovitz stresses.

Duane Morris is not alone among America's mid-market firms in weighing up its London options. Greenberg Traurig, once viewed as a sleepy Florida firm and now a 30-office and 1,500 lawyer practice, has pinned its colours to an alliance with Olswang.

After walking away from a Richards Butler deal (allowing Reed Smith to step in), Proskauer Rose's chairman, Allen Fagin, is actively hunting a more suitable UK partner. So is Heller Ehrman – one of California's sharpest new national giants. Duane Morris has something of a head start in the battle to stand out in the City.



'The tendency to pick two or three key practice areas and be the best of the best can be risky.'

Sheldon Bonovitz, Duane Morris

hit \$73m. Today they're up to \$330m. Profits, which are \$675,000 per equity partner, are divided by looking at practice group performance over a five-year period, and are transparent among all the equity and non-equity partners.

Bonovitz's love of 'outsider art' – provocative and dramatic visual works by untrained artists, often homeless African Americans – gives Duane Morris an immediate corporate image: bold, brave, even brash. His and his partners' vast collection dominate the walls of each of the firm's 17 US offices.

Quite apart from the artwork, Duane Morris distinguishes itself in part by refusing to align with the prevailing winds of growth strategy. First off, generalism is welcomed. Bonovitz dismisses 'the tendency of firms to pick two or three key

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