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SECRET ENTRANCE

While everyone else went to China, Duane Morris headed to Singapore and Vietnam. There's more than one way into Asia's legal markets.

BY ANTHONY LIN



Duane Morris
partner
Giles Cooper
in Vietnam

Asia *by the* Back Door

The China market looked too crowded.
So Duane Morris built its Asia strategy
around Singapore—and Vietnam.


By **Anthony Lin**

As it seeks to expand its presence in Asia, Philadelphia-based Duane Morris finds itself dogged again and again by the same questions. Who? Really?

“I was even shocked when I first found out that Duane Morris was here,” says Denny Cowger, who joined the firm’s Ho Chi Minh City office as a special counsel earlier this year. “I’m from northeast Ohio, very close to Pittsburgh, and Duane Morris actually has an office in Pittsburgh. I thought, ‘What’s this firm from back home doing out here?’”

There are certain firms known for their global reach. Duane Morris is not one of them, even though it has had two offices in Vietnam and one in Singapore for the past four years. “We’re not White & Case,” says firm chairman John Soroko. “We’re not DLA [Piper].”

The difference is not just in name recognition. Unlike those firms, 700-lawyer Duane Morris has no overarching strategy of global expansion. Nor does it have a client base of multinational banks and corporations compelling its presence in Hong Kong, Beijing, or Tokyo. Instead, it is a mid-Atlantic, middle-market firm with a similar client base. Ranked sixty-seventh on The Am Law 100, it had revenue per lawyer of \$655,000 in 2010, and profits per partner of \$830,000.

A photograph of two men standing in front of a red corrugated metal structure, possibly a container or shed. The man on the left is wearing a light blue shirt and a colorful patterned tie, and the man on the right is wearing a dark suit and a striped tie. Both have their arms crossed. In the background, a blue tarp is draped over a wooden frame. The scene is lit with dramatic lighting, creating strong shadows and highlights.

"Though Duane Morris is new, we are old rabbits in Vietnam," says Oliver Massmann (left) of himself and his partner Giles Cooper.

But like at least a few other regional U.S. firms, Duane Morris had a feeling that it needed to be in the most dynamic part of the world economy. The path it has taken to get there illustrates the very different choices being made in Asia by firms that are not at the top of the global pecking order. It also shows vividly the pitfalls of trying to break into a new, unfamiliar market through lateral hiring. All of the partners that Duane Morris recruited to its Singapore office in 2007 left within two years, one under painfully embarrassing circumstances. The firm's Vietnam entry was marked by discord with Baker & McKenzie, from which Duane Morris recruited its local partners.

But one advantage of being under the radar is that missteps attract less notice. Duane Morris is now making a fresh start in the region with a brand-new Singapore joint venture and a Vietnam team eager to move forward. Will this be the year Asia finally gets to know Duane Morris?

PERHAPS THE MOST STRIKING THING ABOUT Duane Morris' presence in Asia is where the firm is not: China.

For many U.S. firms, Asia means China. The Middle Kingdom increasingly dominates economic headlines, with even medium-sized U.S. companies now likely to be doing business there. It is one of the markets that consultants and recruiters can be relied upon to tout as a "must-have" for law firms thinking about the future. Most firms in the top half of the Am Law 100 are now in China or Hong Kong in some capacity, and some from the lower half are there too, including Dorsey & Whitney, Nixon Peabody, and Troutman Sanders.

Duane Morris had been thinking along the same lines, Eduardo Ramos-Gómez recalls. In 2005, the then-New York-based partner was asked to join the firm's China practice group—which was actually tasked with figuring out how Duane Morris could develop a China practice.

Ramos-Gómez soon came to feel that his partners' focus on China was misplaced. While most were aware of China's high growth rates, many were less clear about the enormous level of competition in the market, both from bigger firms with more international experience and from domestic Chinese firms. Relatively few senior Duane Morris partners had experience in Asia. But Ramos-Gómez had served as the Mexican ambassador to Singapore from 1998 to 2001.

His recommendation that the firm set aside China for the time being and think about a Singapore office launch carried some weight.

Client demand was not a factor in Duane Morris' thinking about Asia. Soroko says the typical Duane Morris client is a small-or medium-sized company with less than \$1 billion in revenue and limited overseas operations. Insurance coverage is the firm's best-known practice area. "The middle market is our sweet spot," says Soroko. It was mainly broader aspirations that drove Duane Morris toward Asia, says Sheldon Bonovitz, who was chairman of the firm at the time of the move into Singapore and Vietnam. "As we grew, we saw what was going on in terms of business in the Far East," he recalls. "We didn't develop a concrete plan, but we thought we should be part of it."

The catalyst was an offer by then-disintegrating Coudert Brothers for Duane Morris to take over its Singapore office. Bonovitz says that group was not a good fit, but it got the firm thinking that it could do Singapore on its own. By the end of 2006, the firm had assembled a team to launch the office.

It was a disaster.

IN ADDITION TO RELOCATING RAMOS-GÓMEZ, Duane Morris recruited as Singapore partners former Baker & McKenzie counsel Christopher Muessel, White & Case associate Lian Yok Tan, former Shearman & Sterling counsel Sandor Schick, former Jones Day counsel Adam

Summerly, and former DLA Piper partner Rudy Lim. All except Ramos-Gómez were gone by the beginning of 2009.

"We did as much due diligence as we've ever done, but I guess we just made a few mistakes," says Bonovitz, who says the firm was targeting corporate and finance work. "You make mistakes, you cut your losses." The firm's expectations for the Singapore partners were the same for lateral partner recruits in the United States, says Bonovitz. They were to be cash-positive in four months. It didn't happen. Although the firm did win assignments from top local clients such as Singapore's giant sovereign-wealth funds Temasek Holdings and GIC Holdings, Ramos-Gómez says the new partners did not produce the books of business they had promised.

Tan, now a partner in the Singapore office of British firm Holman Fenwick Willan, and Summerly, now a Singapore partner with Norton Rose, did not respond to calls seeking

"We had people who knew Asia," says Muessel of Duane Morris's first, less-than-successful attempt in Singapore. "The stars just weren't aligned."

comment. Schick, now practicing independently in Singapore, declined to comment.

Muessel, who is now at Singapore's Rajah & Tann, says that partners left Duane Morris for different reasons, but that the Singapore office was clearly in a downward spiral almost from the beginning, with each departure leaving the remaining partners with less support to build their practices. "If you're going to run an office, you need a leverage model," he says, "and we lost leverage."

Most of the departures flew under the radar, but Rudy Lim's exit brought Duane Morris a heap of unwanted attention. According to findings by the United Kingdom's Solicitors Disciplinary Tribunal, DLA Piper discovered that Lim had forged a pay slip, increasing the roughly \$250,000 a year he was actually paid at DLA Piper to more than \$600,000. Though it has been widely reported that Lim used this pay slip in negotiations with Duane Morris, Ramos-Gómez says the firm never considered the pay slip. Instead Duane Morris offered him around \$425,000 based on his projections of the business he would generate. Lim was fired from Duane Morris after he admitted the forgery in the face of an investigation by the Singapore Consumer Affairs Department, according to court records. He was sentenced to two months in prison last year after being convicted of forging a document for the purpose of cheating, though the Singapore High Court later reduced his sentence to one day on the grounds that he had already lost his U.K. law license. Lim's attorney, Wee Pan Lee, declined to comment.

Soroko calls the matter "an unfortunate incident" but says, given the short time Lim was with Duane Morris, his legal troubles had no real impact on the firm.

Muessel says the onset of the global downturn in 2008 probably killed off any chance of turning the situation in Singapore around. "We had people who knew Asia," he says. "The stars just weren't aligned." He left Duane Morris at the beginning of 2009 to join Watson Farley & Williams and then moved again last year to Rajah & Tann, where he leads the Vietnam practice.

But Vietnam turned out to be the one bright spot of the whole affair.



Duane Morris Singapore partner Eduardo Ramos-Gómez (left) helped persuade Arfat Selvam to ally her 15-lawyer corporate boutique with the American firm.

VIETNAM WAS SUPPOSED to be a satellite operation, while Singapore was supposed to be the hub. In reality, says Soroko, "It turned out to be a bit of the reverse of what we thought would happen."

Duane Morris had recruited Vietnam specialist Muessel from Baker & McKenzie to open its Singapore office. At the same time it learned there

were two Baker & McKenzie lawyers in Hanoi, Oliver Massmann and Giles Cooper, who were interested in joining Duane Morris in Vietnam.

It was a tough sell at first, but Bonovitz started to see the potential. "When I looked at Vietnam," he recalls, "I saw 85 million people, one of the youngest populations in the world, and a strong manufacturing sector, similar to China."

Though obviously much smaller than China, Vietnam is also an officially still-Communist state that has opened its economy while still exerting considerable control. Like China, Vietnam has also pitched itself as a low-cost center for offshore manufacturing. But Vietnam lags China in many areas, notably infrastructure. Whereas China has built world-class transportation links, power plants, and commercial high-rises in record time, similar projects in Vietnam take notably longer, notes Milton Lawson, the senior associate heading up the Ho Chi Minh City office for Freshfields Bruckhaus Deringer. For law firms, this has been particularly problematic as big infrastructure projects have traditionally been the biggest draw in terms of legal work in the country.

Corruption gets much of the blame for the country's developmental difficulties. In Transparency International's corruption perceptions index, Vietnam ranks 116th out of 178 countries surveyed. Bribes are a routine part of business, and several lawyers in the market say projects that don't line people's pockets tend to get stuck in a limbo of delayed licenses.

A culture of side businesses also prevails at Vietnam's state-owned enterprises. These troubles spilled out in the open last year when one SOE, Vietnam Shipbuilding Industry Group, was found to have taken on \$4 billion in debt to expand into tourism and other noncore businesses. The company is now being restructured after missing a foreign loan payment. Fears of what may be under the hood

at SOEs like Vietnam Airlines and the Joint-Stock Commercial Bank for Foreign Trade of Vietnam have chilled plans for such companies to list on the Singapore Stock Exchange.

Foreign investors have run hot and cold on Vietnam. So have foreign law firms. In the early 1990s, around the time Vietnam normalized diplomatic relations with the United States, a host of firms established offices in anticipation of an influx of foreign investment. The Vietnam practices of Baker & McKenzie, Freshfields, Mayer Brown JSM, Hogan Lovells, and Allens Arthur Robinson all launched during this time. But not everyone stuck around. Clifford Chance, White & Case, Deacons, Freehills, and Coudert Brothers all pulled out of Vietnam. The offices left behind by Clifford Chance and White & Case have since become VILAF and YKVN Lawyers, the two leading domestic firms.

But the smaller pool of competition was appealing to Duane Morris, recalls Bonovitz. “Unlike with Singapore, there were only two other major U.S. firms at the time,” he says, referring to Baker & McKenzie and Mayer Brown JSM. Vietnam also has perhaps the region’s most liberal regime governing practice by foreign law firms; there are no restrictions on the hiring of Vietnamese lawyers, so foreign and local firms can compete on more or less equal terms.

The fact that Muessel, Cooper, and Massmann were all experienced in the market and were joining from Baker & McKenzie, one of the leading foreign firms in Vietnam, helped seal the deal for a Duane Morris Vietnam launch. But bad blood that had been festering for years between Massmann in particular and his old firm came out in the process. Litigation between Massmann and Baker & McKenzie over compensation issues, in part, ensued in Vietnamese courts. Neither side will now discuss the case, although Massmann acknowledges that Baker largely prevailed in court. Massmann is emphatic that he is now far happier at Duane Morris. Frederick Burke, head of Baker’s Vietnam practice, has nothing to say about Massmann, but praises Cooper as a lawyer with a following in the market. “They can make a go of it,” says Burke of Duane Morris, though he notes the number of respected firms that have left Vietnam.

Cooper says Duane Morris has roughly the same practice mix as the other leading foreign firms in Vietnam—mergers



Duane Morris chair John Soroko is comfortable with his firm’s low-key approach to globalization: “We’re not DLA.”

and acquisitions, real estate, company formation, and infrastructure projects. With a total of just seven lawyers in Hanoi and Ho Chi Minh City, though, Duane Morris’ Vietnam presence is far smaller than that of either Baker & McKenzie, which has 60 Vietnam lawyers, or Mayer Brown JSM, which has 40.

To compete, Massmann and Cooper tout their long experience in the market, with the former having worked in Vietnam on and off since 1990 and the latter since 1999. Both men can speak fluent Vietnamese, a relative

rarity among expatriates. Cooper says the junior ranks at the bigger-name foreign firms are thin on experience because senior associates frequently leave to join Vietnamese firms that make them partner. (Burke acknowledges that turnover is high among Baker’s senior associates in Vietnam, although he says the firm’s scale gives it a deep bench of talent.)

“Though Duane Morris is new, we are old rabbits in Vietnam,” says Massmann. “We are both able to negotiate contracts in Vietnamese. If you go around to the other firms, they won’t be able to do that.”

The Duane Morris partners also compete on price. Cooper says they charge roughly half of what the bigger-name foreign

firms charge for the same work, with partner rates around \$400 an hour. Down in Ho Chi Minh City, new counsel Cowger, who joined Duane Morris from Mayer Brown JSM at the beginning of the year,

notes that Duane Morris even charges less than local firm VILAF. “Some people might see us as shooting ourselves in the foot, but we see it as a strategy for getting market share while we build the Duane Morris name,” says Cowger.

Whether it makes sense in the long run, the firm is happy with the strategy for now. Soroko says the offices in Vietnam are self-supporting. “The performance metrics in terms of origination of new business and keeping lawyers busy are all positive,” he says. “Categorically it’s accretive to our bottom line.” Clients include Tiffany & Co, for which Duane Morris set up a Vietnam subsidiary; Liberty Mutual Group, which the firm advises on its ongoing insurance operations; and engineering group Bauer Aktiengesellschaft, which has engaged the firm to advise on a major construction project. Duane Morris also advised Trade Ocean Holdings Sdn. Bhd., the Malaysian owner of a Vietnamese soft-drink maker, on its \$57 million sale to Japan’s Kirin Holdings Company Limited.

Selvam was on the verge of an alliance with a U.K. firm when she talked to Duane Morris. She liked what she heard.

Still, the lack of name recognition for Duane Morris is an issue. Massmann says it's particularly acute when it comes to the very biggest infrastructure projects, like finance work for the construction of new power plants, which tend to involve bankers based overseas in Hong Kong or London. "Some guy said to me: 'We really want to have you, but I cannot justify it because the lenders say we have to have Freshfields,'" recalls Massmann. "The problem is we have no worldwide name. We need to build that."

BACK IN SINGAPORE, RAMOS-GÓMEZ THINKS Duane Morris is now on the right track toward getting that worldwide name. After manning the firm's Singapore outpost on his own for over a year, last year he began discussions that led Duane Morris to launch a joint venture earlier this year with Selvam, a 15-lawyer corporate firm headed by Arfat Selvam. The joint venture now practices as Duane Morris & Selvam.

The history of the joint venture program in Singapore has not been a happy one. Orrick, Herrington & Sutcliffe; White & Case; Shearman & Sterling; and Clifford Chance all pulled out of joint ventures. But those firms had substantial Singapore practices that clashed with their local partners. With only Ramos-Gómez on the ground, Duane Morris doesn't have that problem. Ramos-Gómez says he always thought a successful Asia practice needed to be staffed mainly by Asians rather than expats. "I think it's the best thing [that] could have happened to Duane Morris for us to join forces with Arfat and her firm to develop our strategy for Asia together," he says.

Selvam says that her firm was on the verge of signing an alliance with a U.K. firm, but last summer she took up an invitation by Ramos-Gómez to visit Duane Morris's Philadelphia headquarters. She liked what she heard. "They were not thinking of sending over a bunch of Americans," she recalls. "They just wanted to use our strength and build on it in Asia. It was very attractive to us because we saw, not only were we going to have a global network, we were also going to have a lot of autonomy."

The Selvam firm has young lawyers from mainland China, India, and parts of Southeast Asia on its staff apart from native Singaporeans. "There are nine different languages spoken in these hallways," Ramos-Gómez says proudly. "This is what I had dreamed our office would be."

While many international firms in Singapore are focused mainly on project finance work in neighboring Indonesia and Malaysia, Duane Morris & Selvam, like the Vietnam offices, has a broader practice handling general corporate work. Clients include French electrical equipment consortium Alstom and Schneider Electric SA, Dutch digital security company Gemalto N.V. Verizon Investment Management, and Utica College, which set up a master's program in Singapore. There is hope that more work can be referred to Vietnam via the new joint venture.

Soroko says the firm couldn't be happier with the venture so far. At the most recent general partners' meeting in

Chicago last October, the presentation by the Asia partners got a rousing response. "I don't think the words 'wildly enthusiastic' would be inapt," he says.

Though Duane Morris is still playing it by ear in Asia, the experience of the past five years has led to more strategic thinking about how to use the nascent global network, says Soroko. The firm has been trying to familiarize U.S. partners with its Asia practices, and presentations like the one in Chicago are part of that effort. Soroko estimates that 25 percent of the work in the Vietnam offices now comes from U.S. referrals.

Expanding the network remains a possibility. Duane Morris & Selvam is considering expansion in lesser-served Asian markets like Bangladesh and Sri Lanka, where its multinational staff have ties.

Meanwhile, Philadelphia may have bigger things on its mind. Based on an interview with Soroko, Bloomberg reported in February that Duane Morris was seeking an acquisition of or merger with a U.K. firm—although Soroko now says he was thinking out loud about possibilities and did not mean to suggest any active steps had been taken toward a combination.

Still, the right merger could finally get Duane Morris into China. Soroko says the firm doesn't have any current plans to be there, but thinks, given the way the world is moving, it will probably happen at some point in the next few years.

Based on the firm's recent Chicago partner meeting, Massmann also thinks Duane Morris will only deepen its investment in the region. "A whole hour was purely about Asia and what we should do and how it is growing and how the axis of the world economy is shifting to Asia," he says. "The firm has clearly recognized it. We don't have to push them anymore." ■

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