

# OCS Weekly Bulletin

October 14, 2008

Upcoming OCS Programs & Career-Related Articles

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## About OCS

The Office of Career Services (OCS) serves as a bridge between students, alumni and employers. The staff helps students and alumni to shape and realize their career goals. We also provide counseling, workshops and resources on judicial clerkships, international opportunities and non-law alternatives.

OCS is open Monday through Friday from 8 a.m. to 5 p.m. The office is located on the first floor in Room 143 in the Law School's office building on Nathan Abbott Way.

## Upcoming OCS Programs

### 1L Spotlight Lunch Series

**NOTE: Attendance is limited to those students who were assigned a spot through OCS.** If you have any questions about the Spotlight Lunch program, please contact Laura Flores at lflores@law.stanford.edu.

*Antitrust* - Tuesday, October 21st featuring Lisa Tenorio Kutzkey from Morgan Lewis

*Healthcare* - Wednesday, October 22nd featuring Frank LaPallo from Manatt Phelps

*Clean Tech* - Thursday, October 23rd featuring Suz Mac Cormac, Chris Carr and Tessa Schwartz from Morrison & Foerster

*Appellate Litigation* - Friday, October 24th featuring Ray Cardozo from Reed Smith

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## Career-Related Articles

### • **Linklaters Beats Rivals to Top of Global M&A Rankings**.....Page 2

Linklaters has stormed to the top of the latest mergers and acquisitions rankings as clients continue their flight to quality for big-ticket matters. Figures put the Magic Circle law firm far ahead of its rivals by value for global, European and U.K. M&A, with Linklaters advising on 184 deals to date worth \$602.3 billion. The rankings demonstrate clients turning to top-tier law firms during the economic crisis.

### • **It's Bonus Time at Law Firms**.....Pages 2-3

Bonuses vary wildly among law firms. Some firms give tens of thousands of dollars to associates regardless of individual performance, while others require Olympian levels of all-round commitment in return for sums that could probably be more easily obtained through a few after-hours shifts at the local pub. Here's a look behind the main bonus systems operating at major London and regional firms as well as what the future of bonuses in the legal world is likely to be.

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## Career-Related Articles (cont.)

• **Hiring Booms, but Firms See Bust Ahead**.....Pages 4-5

Washington, D.C.-area law offices posted a nearly 4 percent increase in head count this year, which is the latest in a series of healthy growth spurts -- in 2007, head count was up by 3.6 percent, and associate hiring reached a record high. But as they deal with a sputtering economy, firms say the hiring spree is winding down -- and next year's rosters may not be so flush. "I think you're going to start to see [growth] flatten out, at least for the next year," says Marc Fleischaker, chairman of Arent Fox.

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### Linklaters Beats Rivals to Top of Global M&A Rankings

Jeremy Hodges  
Legal Week  
October 3, 2008

Linklaters has stormed to the top of the latest mergers and acquisitions rankings as clients continue their flight to quality for big-ticket mandates.

Merger market tables for the first three quarters of 2008, which are provided exclusively to Legal Week, put the Magic Circle law firm far ahead of its rivals by value for global, European and U.K. M&A, with Linklaters advising on 184 deals to date worth \$602.3 billion (335 billion pounds).

Over the third quarter the firm has seen a stream of mandates coming from the credit crunch -- winning roles on deals including the proposed takeover of HBOS by Lloyds TSB and Bank of America's takeover of Merrill Lynch. It is also advising on the largest deal of the quarter -- InBev's unsolicited bid for rival drinks company Anheuser-Busch.

The mandates mean Linklaters' quarterly tally has a higher value at \$238.3 billion (134 billion pounds) than in both the second quarter of 2008 and the third quarter of 2007.

Linklaters corporate partner Matthew Middleditch told Legal Week: "We have been lucky that our broad base of clients has been active this year. Given the uncertain climate, quite how much longer activity will continue is uncertain for everyone."

The rankings demonstrate clients turning to top-tier law firms during the economic crisis. By value the rankings are dominated by leading international players such as the Magic Circle, Sullivan & Cromwell, Skadden Arps Slate Meagher & Flom and Cleary Gottlieb Steen & Hamilton.

All have significantly outperformed

the wider M&A market. The second quarter saw 3,407 deals announced globally worth \$686.6 billion (380 billion pounds) while the third quarter fell to 2,352 deals worth \$735.3 billion (408 billion pounds).

With the credit crunch already claiming global banking institutions such as Lehman Brothers, Merrill Lynch and Washington Mutual as well as HBOS and Bradford & Bingley in the United Kingdom, firms are preparing for a further flurry of bank-related M&A activity.

Freshfields head of corporate Barry O'Brien said: "There is no question we will see more work arising from financial institutions. The regulated balance sheets have not been as robust as people assumed, and I would expect to see further financial services consolidation in the future."

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### It's Bonus Time at Law Firms

Alex Aldridge  
Legal Week  
October 10, 2008

Since bonuses were introduced by law firms in the late 1990s as a way to limit the long-term effects of salary inflation, amounts paid out -- and the hoops that associates have to jump through in order to get their hands on the cash -- have varied wildly between firms.

Some firms give tens of thousands of pounds to associates regardless of individual performance, while others require Olympian levels of all-round commitment in return for sums that could probably be more easily obtained through a few after-

hours shifts at the local pub.

We take a look behind the main bonus systems operating at the major London and regional firms and assess what the future of bonuses in the legal world is likely to be.

#### THE BILLABLE-HOURS BONUS

Number of hours billed is the obvious way to calculate a bonus -- so obvious, in fact, that you wonder what could possibly go wrong.

SJ Berwin found out the answer to that question a couple of years ago when it offered associates incentives to bill 2,500 hours a year -- and found itself with a near-mutiny on its hands. The exhaustion-inducing target was subsequently revised, but the ensuing negative publicity caused lasting damage to the firm's reputation.

Wary of suffering similar consequences, firms that base their bonuses on billable hours are now careful to set their targets below the 2,000-hour mark. Still, there is a lingering unease about formu-

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# Career-Related Articles

## It's Bonus Time at Law Firms

(continued from page 2)

lating payments according to number of hours billed.

Allen & Overy corporate partner Alan Paul says firms that operate on this basis are "counting the wrong measure", while Denton Wilde Sapte Chairman James Dallas believes that such a system places "a disproportionate premium on graft", at the expense of other more important factors, such as the ability to produce quality work or bring in business.

### THE 'WE DON'T BELIEVE IN HOURS TARGETS' BONUS

Increasingly law firms are dropping the focus on billable time and instead using multiple criteria that assess a range of different skills to determine bonus payments. Notable devotees of this approach include Freshfields Bruckhaus Deringer, which pays out a reported average bonus of around 20,000 pounds (\$34,218) to its associates, and Olswang, which offers between 5 and 20 percent of annual salary. Factors assessed include technical skills, teamwork, client handling and wider contributions made to the firm as a whole.

Downsides of the "we don't believe in hours targets" bonus include the smugness it engenders in its disciples, the annoying criteria names (Pinsent Masons' "going the extra mile" particularly grates) and the difficulties of ensuring consistent interpretation of said annoying category names.

"Assessment using subjective criteria requires a lot of human resources and management time," admits Olswang HR director Ffion Griffith.

### THE INVESTMENT BANK-STYLE BONUS

The system favoured by the top U.S. firms and a handful of elite U.K. outfits, including Slaughter and May, are where each associate pockets a bonus according to his or her level of post-qualification experience and the firm's overall performance. Individual merit doesn't come into it.

Detractors draw attention to the potential for feeling hard done by when the slacker sitting opposite earns the same check as you despite clocking off at 5 p.m. on the dot every day. Those in favor point out that few such people tend to be found at the type of institutions that award bonuses according to this principle.

And even if there is any perceived unfairness, the amounts paid -- the norm for senior associates at Cleary Gottlieb Steen & Hamilton, for example, is said to be over 30,000 pounds (\$51,333) -- are, usually, enough to keep associates content.

### THE BONUS WITH A DIFFERENCE

Notable recent innovations include Pinsent Masons' "trainee bonus" (a maximum of 5,000 pounds (\$8,555) determined according to end of year assessment, payable to both first- and second-year trainees) and CMS Cameron McKenna's quarterly bonus system, which allows lawyers to intersperse manic periods (the quarterly target is 400 hours) with more relaxed spells and still get rewarded. Camerons' bonus pays out either in cash -- a maximum of 20 percent of salary -- or extra time off.

Both schemes, which come with affectionate messages of "valuing young talent" and "being fair to junior lawyers," have been received, on the whole, fairly positively -- although one Pinsent trainee pointed out that while he and his colleagues saw the bonus as "nice," they weren't going to "go crazy for an extra couple of grand."

Allen & Overy's take on bonus innovation is rather less friendly. Struggling with high attrition rates, the firm has opted for a more hard-line approach -- last year implementing a lock-in policy in which payment of all bonuses is deferred until 15 months after their initial award.

### WHAT BONUS?

Several firms do not operate a bonus system at all. A spokesperson for bonus

abstainer Jones Day says, "We feel that paying a generous base salary is fairer than offering bonuses in the long term." Shoosmiths is another significant nonbonus payer.

### SO WHAT DOES THE FUTURE HOLD FOR LAW FIRM BONUSES?

Ashurst HR director Stuart Walker believes the development of reliable systems to judge associates' performance will see multiple criteria-determined individual bonuses come to dominate.

However, Eversheds managing partner David Gray expects the collective, investment bank-style bonus to become the norm as firms increasingly reward individual performance through merit-determined base pay.

"With salary increasingly taking merit into account, the only reason to keep bonuses would be to encourage some kind of connectivity with firm performance as a whole. Indeed, if you look at other industries, that is the direction most appear to be going in."

One thing that most senior figures within the legal profession agree on is that bonus sums are unlikely to rise much beyond the average 5 to 15 percent of earnings at which they currently stand -- and will almost certainly never reach the sort of sums paid out by investment banks. Still, according to Pinsent HR director Jonathan Bond, that is not necessarily such a bad thing.

"Very large bonuses tend to go alongside hire-and-fire cultures," he says. "Law firms are steadier, which is, surely, something to be grateful about in the current economic climate."

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# Career-Related Articles

## Hiring Booms, but Firms See Bust Ahead

Marisa McQuilken

Legal Times

October 13, 2008

Enjoy it while it lasts.

Washington, D.C.-area law offices posted a nearly 4 percent increase in head count this year, according to the 2008 Legal Times 150 survey, which ranks the offices by number of lawyers. It's just the latest in a series of healthy growth spurts -- in 2007, head count was up by 3.6 percent, and associate hiring reached a record high. But as they deal with a sputtering economy, firms say the hiring spree is winding down -- and next year's rosters may not be so flush.

"I think you're going to start to see [growth] flatten out, at least for the next year," says Marc Fleischaker, chairman of Arent Fox. His firm expects 15 new associates in Washington this year, compared with last year's 25.

And Arent is just one firm reflecting a much broader trend. Twenty-two of the 30 largest law offices in Washington expect to bring on fewer associates in 2008 than they did in 2007. Some predict declines of two or three lawyers, while others report much more drastic drops: Arnold & Porter, for instance, says it will bring on 50 associates in D.C., one-third less than last year's 76. Only three members of the D.C. 20 -- a separate Legal Times ranking of the Washington area's highest-grossing firms -- say they will hire more associates this year. Crowell & Moring says it will bring on 34 new Washington associates, up from 22 in 2007. Finnegan, Henderson, Farabow, Garrett & Dunner predicts 35 associate hires, or a 10-lawyer jump from last year. And Morgan, Lewis & Bockius projects a three-associate increase, to 35.

Collectively, though, the firms that provided figures for expected new associate hires say that the number will drop by more than 5 percent, or 79 lawyers, to 1,472 new associates in 2008.

A number of factors can be blamed for the gloomier forecast. As the economy has faltered, so has the workload, particularly on the transactional side. Firms say attrition is down, since many lawyers are afraid to risk a job move in a volatile

market, and that reduces the need for new hires. And firms say they are hiring with caution until the depth of the economic downturn becomes clear.

"Firms are well staffed. They're not going to stop hiring associates, but I think they perceive that they can get by with fewer associates for the foreseeable future," legal consultant Peter Zeughhauser says. "So now's the time to cut back on hiring."

For some, that means scaling back lateral recruiting. Others say they are considering cutting back their 2009 summer classes: "We're in the peak recruiting season right now for summer associates, and we're watching it closely," says Bobby Burchfield, co-partner-in-charge of McDermott Will & Emery's D.C. office. "We'll probably err a bit on the conservative side."

### SPUTTERING WORKLOADS

McDermott Will expects to bring on 21 associates this year, compared with 24 in 2007. Burchfield doesn't blame the tough economy for the difference. Instead, he says a few more of the office's would-be first-year associates are delaying their start dates to take clerkships this year.

He admits, however, that workflow has been erratic, and at this point, he says it's unclear whether client demand will stabilize. "In the last month or so, we think we're seeing a bit of an uptick, but it's been kind of up and down over the last several months." He says there has been some downturn in McDermott Will's corporate practice, though he says -- "knock on wood" -- those lawyers have appeared to be getting busier over the last month or so. And litigation -- often a hedge during a downturn -- is also soft at the moment because the trial group recently settled some major cases, Burchfield says.

Arent Fox is feeling similar uncertainty. "In the last couple months, it looks like the hours per lawyer are down maybe 3 percent," Fleischaker says. He says

he is cautiously optimistic that expected work will be enough to keep firms on track for the remainder of 2008, though he says lawyers in Washington will almost certainly see lower revenues in 2009. "I think we're still fine. I may be a little more worried about next year."

At least in May, Arent was anticipating an upward trajectory in the coming years. That's when the firm signed on to be the lead tenant in the trophy building coming up at 1000 Connecticut Ave. N.W. The D.C.-headquartered firm, which reported 239 lawyers in this year's LT 150, will have room for 350 lawyers when it moves into the space in 2012, with options to continue expanding. But Fleischaker says a more cautious approach to hiring doesn't mean growth will stop altogether, and he isn't cutting back on summer or first-year associate hiring. "We're just being more careful in the lateral market. ... We want to make sure the people we have are fully occupied," he says.

Latham & Watkins is taking a similarly moderate approach to hiring this year. The firm projects that 50 or more associates will join the Washington office, compared with 60 or more in 2007. Peter Winik, deputy managing partner in D.C., says in 2007, certain "white-hot practice areas," including the project finance and health care regulatory groups, forced ramped-up recruiting. "We just had a real gap in terms of experienced associates last year that we needed to fill through lateral hiring, and we've done that now. It's not like that's a continuing, every-year need," he says.

Winik says Latham's corporate M&A and finance pipeline was also "unbelievably" full last year. Not so in 2008. "That work has continued this year," Winik says. "There's just less of it this year for our firm and for every law firm that does that."

### DOWNTURN COMING

In a time when firms can predict little more than "conservative" or, at best,

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## Career-Related Articles

### Hiring Booms, but Firms See Bust Ahead

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“steady” expansion, legal recruiters say there is one area where lateral movement remains strong.

“Clearly, there is less interest in hiring at the associate level,” legal recruiter Stephen Nelson says. “However, at the partner level, there’s as much demand, if not more than ever, because these are people that are going to add to the bottom line.” Fellow recruiter Jeffrey Lowe seconds that account: “On the partner side, it’s never been busier.”

Nelson says that whenever news breaks that a firm is having problems, he immediately receives an influx of calls from other law offices interested in poaching partners who may be looking for a way off of a sinking ship. And there

certainly hasn’t been a shortage of tanking firms as of late. Covington & Burling is bringing on 14 partners from Heller Ehrman, which announced its dissolution last month. Three of those partners will join Covington’s Washington office, while the others will be based in the firm’s California offices.

Thelen has also hemorrhaged top talent as it searches for a merger partner. The D.C. office of Pillsbury Winthrop Shaw Pittman has been a recent beneficiary of the tumult there, picking off two partners from Thelen’s China practice, and one partner and one counsel from its construction litigation area. Pillsbury says it is engaged in ongoing talks with other Thelen partners as well.

Michael Nannes, chairman of Dickstein Shapiro, says he plans to hold associate hiring steady, but says now is a good time to look for opportunities to bring on partners. “There are people who are excellent attorneys who are at firms that aren’t doing that well who are concerned about the direction their firms are going.” He says Dickstein could gain from some of that fallout.

That might be the only silver lining. Asked if he anticipates declining head counts across District firms in the coming months, Nannes sums it up in a word: “Absolutely.”

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## Past Articles

To access the Bulletin Archive, click on the following link:

<http://www.law.stanford.edu/experience/careers/ocs/students/bulletin>

### Wednesday, October 1

“NALP Changes the Rules on Summer Offers”

“Welcome to the Future: Law After the Boom”

“Big Firms in Chicago Face a Talent Squeeze”

### Tuesday, October 7

“More Firms Detail Part-Timers’ Path to Partner”

“Associate Pay Unlikely to Rise”

“Economic Tailspin Hasn’t Slowed Law Firm Mergers in ‘08”

“Women Buzz About Bridging Pay Gap”