

OCS Weekly Bulletin

February 24, 2009

Upcoming Programs/Events & 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 Programs/Events

Alternatives to Big Law Series: Business Strategy & Consulting - Friday, February 27 at 12:45pm in Room 79A

Not sure that practicing law in a private firm is what you want to do the rest of your life? Looking to see what opportunities can arise from your experiences in law? Come hear three SLS alums with extensive experience in business strategy discuss their career paths and future plans.

Andrei Manoliu, PhD, SLS '82, is the Principal of Growth Plans LLC. A former AM LAW Top 100 firm partner, Andrei provides legal, business and financial consulting services to emerging growth companies from the start-up phase through public offering and beyond. As a board member of both public and private companies, he advises clients on strategic transactions, M&A, VC funding.

Michael Sears, JD/MBA '88, is an Investment Partner at Siemens Venture Capital specializing in investments in energy, materials, and industrial solutions. Never having practiced law, Michael previously was a managing director at Atrium Capital and he has held general management positions at various public and private technology companies.

Peter Stone, SLS '82, joined Aeris in 1996 as vice president of business development. He has more than 20 years experience with telecommunications, software and other technology companies. Prior to joining Aeris, he was a partner at an AM LAW Top 100 firm serving technology companies. Peter has participated in negotiating and structuring a significant number of new company formations, private financings, public offerings, mergers and technology licenses.

Lunch will be served. Please RSVP in *Symlicity*.

Upcoming Alternatives to Big Law Series:

Lunch presentations in March:

- **Solo Practice**- Tuesday, March 3
- **Boutique & Alternative Firms**- Thursday, March 5
- **Political Campaigning & Strategy**- Friday, March 6

Please sign up in *Symlicity*.

Career-Related Articles

- **Some Lawyers Are Still Hot in This Cold Economy**..... Pages 2-3

Attorneys and legal staffers with experience in litigation, bankruptcy, foreclosures, corporate securities or patent proceedings are hot commodities in the down economy, according to a new survey conducted by legal staffing services firm Robert Half Legal. The results are hardly shocking: Conventional wisdom holds that litigation increases in tough economic times -- though litigation has been slow to pick up in the current downturn -- and a nationwide wave of bankruptcies and foreclosures has already hit.

- **Law Firms' 2011 Scenario and the End of Leverage**.....Pages 3-4

Joining the seeming legions of analysts who are offering their predictions for the global economy as a whole, and for the legal profession in particular, Paul Lippe pictures a scenario in which lawyers will see a 20 percent drop in firm revenues for the year 2011, compared to 2008. Where will all that "missing" money go? Lippe shines a spotlight on four areas in particular.

- **Large Firm Layoffs Lead to Small Firm Startups**.....Pages 4-5

Omar Farooqui had always wanted to hang up his own shingle, but he had a good job as a mid-level associate at Manatt, Phelps & Phillips. Then he got laid off last June. It was the nudge he needed, and the following month, he and attorney Javed Ellahie announced their new operation. Farooqui is not alone, as several small firms seem to be sprouting up due to large firm layoffs or rising out of the ashes of large firm meltdowns. Some are finding surprising upsides to starting up small firms in a recession.

- **Perspectives on Fall 2008 Law Student Recruiting Now Available**.....Page 5

Each March NALP publishes the findings of "Snapshot" surveys on the preceding fall recruiting season in an annual report entitled Perspectives on Fall Law Student Recruiting. The report details the level of recruiting activity reported by law schools and employers as well as offer rates and acceptance rates, with analysis provided by firm size, office size, region, and city to the extent data is available.

Some Lawyers Are Still Hot in This Cold Economy

Karen Sloan

The National Law Journal

February 13, 2009

Attorneys and legal staffers with experience in litigation, bankruptcy, foreclosures, corporate securities or patent proceedings are hot commodities in the down economy, according to a new survey of legal staffing and salaries.

The results of the survey, conducted by legal staffing services firm Robert Half Legal, are hardly shocking. Conventional wisdom holds that litigation increases in tough economic times -- though litigation has been slow to pick up in the current downturn -- and a nationwide wave of bankruptcies and foreclosures has already hit. Law firms looking to capitalize on those trends are recruiting attorneys with relevant experience in those areas, the survey found.

"As competition intensifies and client budgets contract, law firms need top talent to enhance their service offerings and grow revenue," said Charles Volkert, executive director of Robert Half Legal. "While some firms are consolidating resources to achieve these objectives, others are hiring experienced attorneys who can make immediate contributions to building niche practice groups."

Volkert added that law firms aren't clamoring for attorneys with experience in transactions and other corporate work such as mergers and acquisitions. Of the areas where demand for attorneys is high, the survey found that law firms are looking to hire bankruptcy and foreclosure attorneys with at least five years of experience. Legal support staff with experience in those areas are also in demand.

Firms are on the lookout for patent prosecution and trademark attorneys with three or more years of experiences. Candidates with an undergraduate degree in electrical engineering are particularly desirable, according the survey. Legal departments and firms are seeking litigation paralegals with three to five years of experience to assist in discovery, motion work and trial preparation. In-house attorneys with at least three years of experience in transactional law, litigation, regulatory work and corporate securities are attractive to legal departments right now.

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Some Lawyers Are Still Hot in This Cold Economy

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According to the survey, salaries in the legal field have largely stabilized. For example, first-year associate salaries are projected to be largely flat in 2009, with increases ranging from 2.2 to 4.4 percent for more senior associates. Firm managers and paralegals also are expected to see very modest salary increases in 2009, the survey found.

The study concluded that employers are willing to pay higher salaries for personnel with the specific skills needed.

“You may not see salary increases for people in those slower practice areas, but those in-demand practice areas are the reason we expect to see an increase in salaries,” Volkert said.

The study also notes that large firms -- those with 75 or more attorneys -- are reducing staff and focusing more on certain practice areas. Small and midsize firms, however, continue to hire. Law firms and legal departments have also stepped up their hiring of project and temporary staff

in order to reduce overhead costs, Volkert said.

The survey was based on job orders and placements made by Robert Half Legal.

Law Firms' 2011 Scenario and the End of Leverage

Paul Lippe

The American Lawyer

February 11, 2009

I just got back from London, where I met with my friend “Dave” from the legal department of “GlobalBank,” which operates in Europe, North America and Asia. In 2007, GlobalBank spent around \$700 million on legal costs, making it likely one of the 10 biggest clients in the world. In 2009, no one really knows, but spending will be more like \$250 million to \$300 million, notwithstanding a bump in restructuring, layoffs and investigations. According to Dave, “we have been through four rounds of layoffs so far. In addition to half of my team and several of my peers, my boss, my boss’s boss and boss’s boss’s boss all have been let go. We expect the recession to last through all of 2009 and most of 2010, but then hopefully things will start to get better.”

A mere 11 months ago -- a lifetime in meltdown years -- a group of industry experts published the Legal Transformation Study. The study outlined four scenarios for the evolution of the legal industry by 2020. The folks behind this are offering a free webinar to introduce scenario thinking.

Let me offer my own 2011 scenario in the simplest possible terms.

As Dave and others are now saying, the recession will last through 2010. Law firms will use this period to substantially restructure, and beginning in 2011, things will start growing again. While there’s a lot of detail and nuance around the form this restructuring will take, it can be de-

scribed in simple terms. A typical law firm bill in January 2011 will generate the same dollars for partner work as it does today, but it will generate half the revenue for associate work. Consider a bill in July 2008 for \$1,000,000, representing \$450,000 of partner contribution, \$500,000 of associate contribution and \$50,000 of “other”; in January 2011, the bill for an essentially identical project will be \$800,000, reflecting \$450,000 of partner contribution, \$250,000 of associate contribution and \$100,000 of “other.”

Whether this is accounted for as hourly billing or “value billing” is not particularly strategic, except that to measure differently will, of course, incentivise firms to be more thoughtful about how to structure work.

Where will those dollars go? Four places.

1. Clients will just flat-out spend less, drive harder bargains and get more for their money.
2. Some work will go to outsourcers, whether onshore or off.
3. More work will go to contract lawyers or proto-associates not on any kind of partnership track.
4. Some associate time will get replaced by technology.

Why am I so confident that this will happen?

First, associate time is a pricing

mechanism, not an indicator of value. Like so much in the modern law firm model, the explosion in associate hours, rates and leverage began with the Cravath IBM anti-trust defense in the 1970s and 1980s, when the firm discovered that in the quintessential “bet the company” case, IBM would willingly pay full freight for associate time on massive and pretty routine document review, and that in turn would drive up Cravath’s profits dramatically. Since this wasn’t particularly compelling work for the associates, the firm had to raise salaries to hold onto folks, triggering the great associate salary escalation.

Second, clients have always recognized that associate time is overpriced. Every client I know views associate time as the price for getting access to partner time and to the firm “brand.” In truth, there are two billable hours: the partner’s, which should reflect deep expertise and judgment about the client, the law and best practices, and the associate’s, which is generally spent on some form of information processing, which clients recognize as relatively poorly managed compared to other arenas of information processing. As Susan Hackett, general counsel of the Association of Corporate Counsel, recently put it, “I don’t have a problem with the \$1,000-an-hour lawyer, but the \$350-an-hour junior associate isn’t worth it.” Third, as individual partners follow the example of Fred Bartlit and others and spin out of big firms with an “anti-leverage” model,

Law Firms' 2011 Scenario and the End of Leverage

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they will be able to charge substantially less than traditional firms. While some sliver of work will still require the very large firm, enough won't, so that firms will have to largely match the boutiques for efficiency gains, or they'll have to shrink radically if they want to do just "high end" work.

For you math majors out there, you will have noticed that the 2011 scenario locks in a 20 percent drop in firm revenues. That's right. So firms will have to find ways to cut at least 40 percent of overhead to maintain profits (more on that in a subsequent column).

In another London meeting, a very

able head of knowledge management for a Magic Circle firm quoted the Nobel Prize-winning physicist Sir Ernest Rutherford. "Gentlemen, we have run out of money. It is time to start thinking."

Pretty good advice.

Large Firm Layoffs Lead to Small Firm Startups

Petra Pasternak

The Recorder

February 11, 2009

Omar Farooqui had always wanted to hang up his own shingle, but he had a good job as a mid-level intellectual property associate at Manatt, Phelps & Phillips. With a regular paycheck, why rush to rock the boat?

Then the economy clouded, and in June last year, Farooqui says, he was laid off. "Sometimes fate rocks the boat for you, and you just have to sink or swim," he said.

It was the nudge he needed to try practicing on his own. He lined up all his client contacts -- ones he'd worked with in the past, as well as those he'd had to turn away because their matters were too small to feed the billable beast. He tapped his social network and met key people, including Javed Ellahie, a longtime bankruptcy lawyer. In July, the two announced their new operation in San Jose, Calif.: [http://www.ellfarlaw.com/Ellahie & Farooqui](http://www.ellfarlaw.com/Ellahie&Farooqui).

The ensuing months have not been easy. Farooqui says he makes about a third of his Manatt salary, and the stress level is sometimes very high; he has to handle everything himself, from marketing to collections. But he's hopeful: So far he counts 38 new clients on his roster. "If you can establish yourself in a recession and pull through a mini-depression, then you're ready to play ball when the economy picks up."

Others across California who have decided to play the entrepreneurial card say there are also some surprising upsides to starting out in a recession, including deals on equipment for the office and even

staff salaries. Then there are the shell-shocked clients, who seem to show more willingness to work with a smaller firm in tough times. Those with the stomach for the initial hurdles -- everything from setting up computer networks to assembling furniture -- say running their own firm has been a viable alternative.

Shirish Gupta, a litigation associate at Mayer Brown until he left last May to start his own shop, didn't have a single client when he opened Flashpoint Law Inc. in San Mateo, Calif. He focuses on litigation management for small and mid-sized companies and has more than a dozen clients now, including Lyle Murphy, owner of Alternative to Meds Center in San Francisco, and Author Solutions Inc., an Indiana publishing company.

"It takes time to start up, but once people knew I was out there, I received a lot of referrals from former colleagues, members of diverse bars that I've been involved with, as well as other solos." He says he's mentored at least a dozen lawyers on starting their own firms, including associates and in-house counsel. "Since there are so few jobs available for recently laid off in-house counsel, they have to come up with alternative career plans, especially when their severance runs out," Gupta said. "Some are considering private practice."

At least one startup rose from the ashes of the now-defunct Heller Ehrman. Edward Kim, who was a partner, and Erin Gordon, who was an associate, opened Kim Law Advisors in San Francisco in October, "right after Heller basically told

us not to come back," Gordon said. The two handle general corporate matters for small companies and securities matters for venture capital firms.

Kim, who went through the 2001 downturn with the Venture Law Group and sought stability at the bigger, seemingly more stable Heller, said that he's learned that when things slow down, it can be a hundred times worse at a big, highly leveraged firm. He believes that it's more manageable on a smaller scale. "For us, when things slow down, we'll just make less money," he said. "I don't have to worry about people leaving. ... We're not worried about losing our jobs."

Kim said his billing rate had doubled at Heller from 2003 to 2008, to \$600. Leaving allowed them to trim rates by about a third, he said. So far, he added, referrals have brought in steady, if not big, engagements. "Now our challenge is to get the word out that we're here," Gordon said. "Almost all clients come by word of mouth."

The flip side is that at the small firm, lawyers tend to have to become generalists, and expand their skills or take on work they otherwise might not choose to do. For Kim and Gordon, that might mean, for example, taking in work they haven't previously focused on, such as contracts, licensing or commercial agreements.

Though Farooqui had in recent years specialized in patent litigation at Manatt, in more recent months he's had to broaden his abilities. The first matter that he worked on at his new firm was a bankruptcy loan modification that his

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partner brought in. "You go out and do the research," he said. "I'm lucky. I have a senior attorney to bounce off ideas."

HURDLES AND DEALS

As a senior employment associate at Heller, Brian Nagatani had a baby daughter on the way last year, so leaving the big-firm environment was on his mind even before talk of dissolution cropped up at the troubled firm. But he admits he probably wouldn't have struck out alone.

When Ray Hixson Jr., a Heller partner with whom Nagatani had worked closely for eight years, left in September to open his own shop, though, Nagatani followed about a week later. At Santa Clara, Calif.'s Hixson Nagatani, the two focus on employment counseling and litigation for technology clients like Phoenix Technologies and LaserCard Corp.

"Ray had a number of clients which I helped to support, and I had a few of my own," Nagatani said. "I felt more comfortable joining someone who had a more substantial client base."

But dealing with vendors has been a challenge. "We continually found things that increased the cost with respect to the infrastructure," Nagatani said. It took three months to get the Web site up, longer than he expected. Its price tag: \$3,500. The computer network had its fits and starts. The wireless network was disconnecting the lawyers every day, so they brought back a vendor to set up a wired network.

There were also quirky nuisances, like

the receptionist desk that arrived in about 20 pieces with about 200 screws and bolts, with no instructions. Nagatani said the office manager's husband assembled the piece.

Nagatani said he believes that his new lower rates, down by more than 25 percent, will keep clients coming in despite the economy. "There are some weeks when I get zero referrals," he said, but then there are weeks like this one, when he got a trio of referrals on Tuesday and Wednesday. "Never in my life prior to this firm did I get three referrals in two days."

Ex-Sheppard, Mullin, Richter & Hampton partner Christopher Reeder has been pleasantly surprised by some of the bargains his new firm has gotten in the current economy.

Last month Reeder left the Los Angeles office of Sheppard Mullin, where he'd been a partner for about a year and a half, to start Reeder, Lu & Green with longtime colleagues Beverly Lu and Gabriel Green. Their seven-lawyer business litigation and transactional firm has recently been representing real estate developers in disputes with banks. Their partner rates -- on average -- are about 20 percent lower than at Sheppard Mullin, and associates charge about 25 percent less, said Reeder, who used to charge \$560 an hour.

Having based their initial cost estimates on talks with lawyers who had set up similar practices two years ago, he said, he's surprised to be paying about 20 percent less than expected for the lease, salaries and equipment, combined.

His firm, in subleasing 4,300 square feet in Century City, got two months free, and is paying \$4 per square foot on a three-year lease, he said. And vendors have been flexible: Installation of IT equipment came at the cost of labor, with no markups on the equipment. "They gave us computers at the price they got them from Dell, and the phone guy gave us the price on equipment from Nortel," Reeder said. "Maybe in this new economy everybody will be spending less and making less and hopefully you end up in the same place."

John Charnon, who helps smaller firms with recruiting in the Bay Area, said that the mood when it comes to salaries is dramatically different from more prosperous times. "People are a lot more willing to jump at a job offer these days than I've ever experienced," Charnon said. For instance, a paralegal with 15 years of experience who was laid off from a big Silicon Valley company was eager to hear about a job opportunity that paid at least \$10,000 less than the \$70,000 Charnon said he'd been making. Charnon also says that landlords are more willing to rent out smaller parcels of office space in San Francisco than in the past. "At one time, if they had a whole floor available, they'd be looking for a client to fill it," Charnon said. "These days, they're looking to subdivide."

Perspectives on Fall 2008 Law Student Recruiting Now Available

Provided by NALP

Each March NALP publishes the findings of "Snapshot" surveys on the preceding fall recruiting season in an annual report entitled Perspectives on Fall Law Student Recruiting. The report details the level of recruiting activity reported by law schools and employers as well as offer rates and acceptance rates, with analysis provided by firm size, office size, region,

and city to the extent data is available. Consistent with the overall weakening economy, the new Perspectives on Fall 2008 Law Student Recruiting reveals significant decreases in the rates at which employers extended offers and notable increases in the rates at which students accepted offers — but with tremendous variation by specific market. Members will

receive a free hard copy of Perspectives on Fall 2008 Law Student Recruiting with the March Bulletin, but the full 20-page report is available now as a free, downloadable PDF at www.nalp.org/uploads/Perspectives_on_Fall_2008.pdf.