

# The Legal Intelligencer

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## Morgan Lewis OKs Induction of Brobeck Lawyers

BY JEFF BLUMENTHAL

*Of the Legal Staff*

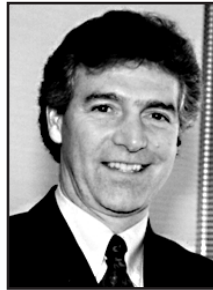
With Morgan Lewis & Bockius unanimously voting to induct nearly 60 Brobeck Phleger & Harrison attorneys into its partnership ranks, the firm must now turn its attention toward filling out its new California offices with associates, finding cost-efficient office space and integrating its newest members into the firm.

Morgan Lewis chairman Fran Milone said partners on Monday unanimously approved the Brobeck lawyers joining the firm and now the firm is working to sign its new lawyers to agreements that would make them Morgan Lewis partners. In the end, the number of new partners should be between 55 and 60 — as some Brobeck lawyers are sifting through possible conflicts of interest — and a total of 125 lawyers when associates are hired.

The firm plans to start with roughly 35 to 40 partners in San Francisco, five in Palo Alto, one or two in Irvine and to add 10 partners to its already existing 60-attorney Los Angeles office. In total, Milone expects Morgan Lewis to have a 200-attorney West Coast presence with lawyers almost equally split between Northern and Southern California.

Morgan Lewis partners and support staff are now on the West Coast trying to sort out associate offers as well as real estate and other logistical concerns. Brobeck lawyers would prefer to stay in their San Francisco offices at One Market Plaza, and Milone said the firm is exploring that and other options. Milone said the San Francisco site will be full service, including litigators Brock Gowdy and James Penrod, business and technology partners John Larson and

Ron Moskovitz, labor and employment lawyers Cecily Waterman and Brendan Dolan, real estate partner Steve Finn, intellectual property partners Carla Oakley, Rochelle Alpert and Jeffrey Kingston and tax and estates department chairman Max Gutierrez.



MILONE

Palo Alto will contain business and technology, litigation and labor and employment capabilities. Milone said that office will grow as the technology market grows. The Irvine office will house real estate lawyers, a traditional practice area in Orange County. In addition, the Los Angeles office lists Brobeck chairman and Los Angeles-based litigator Dick Odom and fellow litigator David Schrader.

Bay Area legal recruiter Richard Matthews said the group Morgan Lewis acquired is essentially longtime Brobeck partners who were running the firm before former chairman Tower Snow took the reins in the late 1990s. Snow left the firm last year for Clifford Chance and took several partners with him after he was removed as chairman.

“These are the lawyers who were responsible for the firm’s reputation in the 1980s and 1990s,” Matthews said.

Major Hagen & Africa legal recruiter Robert Major said adding 60 partners — many being some of Brobeck’s most prominent names — without the absorbing the headaches of the dissolved firm’s bank debt and real estate obligations is the best possible scenario for Morgan Lewis.

“They got some good lawyers, some of the real gems of the firm,” Major said. “If

they asked for more they would be considered greedy. I don’t think they lost much by not getting the business and technology lawyers [rainmakers Warren Lazarow and Curtis Mo] in Palo Alto.

“I think assimilation will play itself out. A number of Brobeck lawyers have said to me that the advantage of going to Morgan Lewis is that it’s a place to hang your hat but that the moves might not be permanent. I would predict a little bit of shakeout, but if Morgan Lewis does the right things with assimilation, they should be able to keep most of the people.”

There are two chief integration issues on which Milone said Morgan Lewis will focus. First, he said it’s important for Morgan Lewis and Brobeck lawyers to get to know as many people from the respective sides as possible. Second, the firm must immediately put together teams of lawyer to focus on client opportunities. Morgan Lewis will identify specific clients and move to make pitches that demonstrate the newly combined firm’s power.

Milone said that there are several practice objectives that will be met through the Brobeck additions. Several already strong practice areas such as litigation, business, venture capital and labor and employment will be enhanced. Labor and employment, which already has 15 lawyers in Morgan Lewis’ Los Angeles office, will get a Northern California presence and be able to compete for top Bay Area corporate clients, Milone said. Milone added that the firm would like to add more IP lawyers, particularly IP litigators.

The Brobeck business and technology group meshes with Morgan Lewis’ venture capital practice, led by Philadelphia partner Steve Goodman but also strong in Northern Virginia, Princeton and Pittsburgh.

“[The Brobeck lawyers] have strong relationships with the corporate world out here,” Milone said during an interview yesterday morning from San Francisco. “This is the technology capital of the world and we can serve clients with a full range of services on the West Coast.”

The West Coast presence will also strengthen Morgan Lewis’ ties to Asia, where the firm has a Tokyo office, Milone said. Morgan Lewis’ New York and Washington offices represent Japanese and Korean companies in litigation and IP matters but couldn’t fully service those needs from the East Coast.

But the Brobeck acquisitions also present some problems for Morgan Lewis. Brobeck partners will be grappling with financial woes for months — and perhaps years. One of the biggest questions is whether they will get back their capital contributions (which typically range from \$50,000 to \$150,000). Other issues include whether Brobeck’s malpractice insurance will cover them for work done at Brobeck prior to the dissolution, whether they will be able to collect accounts receivables and whether there will

be a fight over client files.

Milone confirmed that Morgan Lewis is allowing Brobeck partners to defer putting capital into Morgan Lewis for a couple of years and is also advancing them some money. While Morgan Lewis appears to have benefited the collapse of merger discussions — it gets three California offices and lots of Brobeck lawyers without the debt and other headaches — consultants point out that the firm is also taking a financial hit: in a merger it would have gotten money from work in progress and accounts receivables. The firm is also paying for partners that won’t be able to contribute money to the Morgan Lewis bottom line for several months.

“Morgan Lewis will have to fund the 60 partners, the associate salaries, support staff, real estate and other things until the Brobeck people get up and running,” law firm consultant Joel Rose said. “Morgan Lewis is not going to get any work in progress or revenue for a while. That’s going to go to the creditors. Morgan Lewis probably feels that the clients once served by these Brobeck partners will undoubtedly follow them to

Morgan Lewis and they are willing to take the short-term hit in hopes that it pays long-term dividends.”

Matthews said it would have been a much larger financial hardship for Morgan Lewis to have proceeded with the merger and absorb all of the long-term leases for half empty offices as well as the bank debt.

“It would have been a huge mess to take 500 lawyers and the space for 900 lawyers, especially in Palo Alto, which is really struggling right now,” Matthews said. “If Morgan Lewis knows what it’s getting — and they must because they were in negotiations for four months — then they must feel comfortable. Think about it. They don’t have to take on any dead wood and the lease obligations and debt are not their responsibilities.”

Morgan Lewis broke off four months of merger talks with 500-attorney Brobeck on Jan. 29. The San Francisco firm, overwhelmed by partner defections, bank debt and loads of empty office space, announced that it was disbanding two days later.

— *Brenda Sandburg of The Recorder contributed to this report.* •