

The right fit

Many lawyers and clients choose midsize firms

By Olivia Clarke

After about 18 years at a large law firm, Brad Lyerla realized that he just didn't fit in.

He earned a good income and developed a lot of business, but he didn't feel a sense of ownership to the firm.

Lyerla made the move to a small firm, but again it wasn't the right fit. The firm was too small for his practice because he works with many large clients. After about three years, he moved to a midsize firm, and found the right size firm for him.

"I think that at a big firm you trade a lot of happiness and a lot of joy for money," said Lyerla, a partner at Marshall, Gerstein & Borun, a midsize intellectual property firm. "At our firm we don't make quite as much money, but we make plenty of money.

"Everybody here has a significant say. Everybody has a significant interest. ... We fight hard all day because this is our life. This is our firm. If any one of us stumbles, it's not like it's a huge organization and it won't be felt. Every partner has to deliver every day, and it's a wonderful, fulfilling challenge."

Lyerla is one example of the many lawyers who opt to work in a midsize firm. Some spent years in a large or small firm, while others went directly into a midsize firm after law school because they subscribe to its goals.

Several years ago people talked about how midsize firms would someday not exist. Some experts anticipated that there would come a day when only small and large firms could function successfully. But due to the troubled economy, those days have changed.

Many midsize firms are weathering the economic storm by offering clients creative billing options and lower fees than larger firms. And many lawyers say that they feel stronger job security these days at a midsize firm.

Midsize firms attract new lawyers and clients every day.

These firms capitalize on the various reasons why clients choose midsize firms to handle many of their matters, and why lawyers choose to bring their books of business to them.

The size

Andy Tecson, president of Chuhak & Tecson, said he likes saying that his firm is the "Southwest Airlines of law firms."

"We have one office. We're big on customer service, and we provide a tremendous value to our clients," Tecson said. "Second, we are a great home for lateral partners with business because our efficient infrastructure permits the laterals to avoid upward rate pressure and simultaneously keep more of the fees, which they generate."

Founded in 1987, Chuhak & Tecson is today a midsize firm with about 60 lawyers. He said the firm does not plan to open other offices. Its size makes it easy for each partner to vote on significant decisions during its monthly meetings.

"We value the chance to be involved in cross-marketing opportunities," he said, "and we provide people who are very entrepreneurial in marketing and developing books of business with a great platform to rapidly expand their client base.

"We service clients that range from the

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largest banks in the world and the largest healthcare systems in the Chicago metro area down to the very modest startups and family-owned businesses,” Tecson said. “We’re not trying to do the type of work that involves taking companies public, doing multibillion dollar securitizations. That is clearly something that the global firms are working to service.”

Jeff Sharp, managing partner of Marshall, Gerstein & Borun, said lawyers and clients like being associated with his firm because of its singular focus.

The firm, which has about 72 lawyers, concentrates on different facets of IP, and has the depth, resources, and expertise that do not always exist in smaller and larger firms, Sharp said.

“We work leanly and intelligently, paying attention to what clients needs are — not what the needs are of the organization,” Sharp said. “It is not a huge pyramid with someone pitching the work and somebody doing the work. The people who present to [the client] are the people who do the work. That can be different from what you see in a much, much larger firm.”

Every partner is an equity partner, so every partner owns the organization, he said. Lawyers like this model because they feel that they have a voice in its management.

“There are really great lawyers in large law firms, but to some extent I’m not sure they’re law firms in the traditional sense — groups of professionals who decided to get together to practice,” Sharp said. “I think there’s been the development of large corporate structures, and one of my partners calls them ‘law companies.’”

Rich Ungaretti, a founder of Ungaretti & Harris — a midsize firm with about 110 lawyers — said lawyers often feel more in control of their destiny at a smaller firm.

“I think sometimes in a bigger environment where there are really large cases, people end up working for years on one case and it gets a little stale, maybe it gets a little inverted,” Ungaretti said. “Whereas we don’t have the kinds of cases where lawyers spend three years of their lives looking at documents.”

At Ungaretti & Harris, newer lawyers play an important role on matters early on, he said.

“I think firms of our size have a great number of years ahead of them,” he said. “Our rates

are more conducive to what is going on in the economy. Our attitude is not to over-staff cases. We do believe we have a real competitive advantage over much bigger firms.”

Grantland Drutchas, a founder and managing partner of McDonnell Boehnen Hulbert & Berghoff, said midsize firms like his offer a more reasonable lifestyle that does not demand the kinds of hours that large firms demand. His IP firm has about 77 lawyers.

Clients like working with a midsize firm that specializes in IP because they do not have to reinvent the wheel, Drutchas said. The lawyers can answer questions without spending hours researching an answer, or they at least know how to jump into a specific research topic without fishing around, because this is what they do every day.

Many larger firms consider their IP practice groups to be service groups that support the general practice lawyers’ clients, he said. As a result, lawyers in those IP groups tend to not develop their own independent power base within those firms and don’t always get the respect they deserve.

“From an IP perspective, there are lots of general practice firms that will say they have 50 or 60 or 80 IP folks, but the vast majority of those may be those involved in one or two litigations involving a trademark or maybe litigation involving a patent,” Drutchas said. “But they certainly don’t have the same level of experience, for instance, that folks at a firm like ours would have.”

Midsize firms like Meckler Bulger Tilson Marick & Pearson attract lawyers looking for more flexibility in billing rates because it helps them build their business, said co-chair Joe Tilson. They also offer lawyers more opportunities to advance earlier in their careers.

The firm has about 90 lawyers.

“Another reason lawyers come to midsize firms is to avoid the conflicts of interest that increasingly plague the mega-firms, with more and more consolidation,” Tilson said. “It is becoming more and more difficult to bring in new business when you are at a firm of 1,000 lawyers. The chances are someone in your firm is going to be adverse to a new client of substantial size.”

Some larger law firms say they can provide their clients with service that knows no geographic boundaries because of their numerous offices. But Tilson said some midsize

firms have joined strategic alliances that pair them with other regional firms so they too can serve their clients around the nation and throughout the world.

For example, Tilson’s firm is a part of a strategic alliance, the Wage and Hour Defense Institute, which helps the firm compete with national firms.

Clients often enjoy working with midsize firms because they feel like the most important client in those firms. At the same time, they can save money because midsize firms often offer creative billing options, he said.

“Large firms nowadays are focusing more and more on transactional work, and bet-the-company litigation, which calls for the highest possible rates,” Tilson said. “Specialists in labor and employment law areas and other areas like that are increasingly being squeezed out of larger firms because of the rate structure. ...

“I think that there will be a resurgence of midsize firms in the coming years because companies are so focused on cutting costs that the value provided by midsize firms will become increasingly apparent.”

The clients

GE hired Marshall, Gerstein & Borun about four years ago to handle IP matters, said Buck de Wolf, senior counsel for litigation and legal policy at GE.

The company uses firms of different sizes, and which firm it uses depends on the case.

“Just because we are a huge company it doesn’t mean that all of our problems are huge,” de Wolf said. “We need a variety of firms to assist with those variety of problems. ... [Marshall, Gerstein & Borun’s] got the expertise, but they are not a huge firm. But we don’t need a huge firm for all our matters.”

He said he works with Marshall, Gerstein & Borun mainly on patent litigation matters, but the firm handles other IP matters for the company as a whole.

Midsize firms bring more flexibility to billing rates, and often come up with alternative billing arrangements, de Wolf said. When dealing with a firm of that size, the company gets to work with the senior partner on a daily basis, not just on bet-the-company cases.

“Interestingly enough, you are getting a senior partner at a midsize firm and all that person’s attention for the same amount you

pay a midlevel associate at a big firm,” de Wolf said.

Lyell Clarke, president and CEO of Roselle, Ill.-based Clarke Mosquito Control, said his father worked with Tecson’s father and that relationship with Chuhak & Tecson continues today.

Clarke said he likes the personal attention he gets from the firm and how even the receptionist knows his name.

“We feel extremely comfortable with the firm ... and I think the senior partners are very accessible,” Clarke said. “They can take a look at the whole picture for us. They can provide total oversight about how any legal matter affects the business and how it transcends business life or tax issues. ... I’m not sure you would get that quite as easily with a large firm.

“They have become a trusted partner for us and I think that would be hard to find at a large international firm,” he said. “I think that because it’s a midsize firm they are still very entrepreneurial, just as our company is very entrepreneurial. I tell people that Andy Tecson is not only my attorney, but he is my business advisor.”

Louis Wille, vice president and deputy general counsel — intellectual property for Princeton, N.J.-based Bristol-Myers Squibb, said the primary criterion for selecting a firm is the quality of the representation.

Good communication and experience in working with pharmaceuticals follow quickly behind, Wille said.

A firm must have, he said, “at least the size that can compete with some of the larger firms that we may find ourselves up against. It would eliminate in my mind the very small law firms because they just do not have the minimum size to handle a load of paper that might come from the other side.”

Bristol-Myers Squibb has worked with McDonnell Boehnen Hulbert & Berghoff for many years, and it is one of two firms that handle the company’s patent litigation.

The company doesn’t hire a firm for large litigation unless it’s worked with the firm on other issues first because it allows the company time to gauge the quality of the firm’s work, Wille said.

“It’s more than just selecting a firm based on their website or their billing rates,” Wille said. “After we focus on those quality firms

we want to work with, we of course have discussions with the firm about preferred discounts, etc. That’s also very important to us, and a requirement for moving forward with one of the firms that we would choose.”

Obtaining that first piece of business from a Fortune 500 company can be challenging for a midsize firm, said Michael Philippi, a partner at Ungaretti & Harris. Marketing a midsize firm can be tricky because a big company’s board of directors does not necessarily know the firm, Philippi said.

“I was called by a client a couple years ago, a very big client, an important client of mine who had a very high-profile case, and asked what firm they should hire,” Philippi said. “And I said, ‘me.’ And they said, ‘No, it has to be a high-profile firm.’ They hired a name they knew and that firm handled the case for a number of months and things were going very poorly.

“The client was convinced to hire us, and we did a very good job and everyone liked us. The frustration is sometimes you’ve had great results for a client, and then when they get the big case they are a little gun-shy and want to hire someone that costs a lot more, but there is a safety factor.”

The attorneys

Ungaretti & Harris associate Nile Park said when she first started law school she only heard about the big firms.

But then when she interned for a judge after her first year of law school, a clerk mentioned that he planned to work at a midsize firm. His description of the firm sounded like the type of firm Park would enjoy.

“I went to a small liberal arts school for undergrad and I just like the smaller environment where I got to know the professors better,” she said.

“That was something I was looking for in a firm too; where I would know the people I’m working with well. And I would have greater responsibilities.”

At job fairs and recruitment programs she looked for the midsize firms that recruited. She became a summer associate at Ungaretti & Harris in 2007, and the firm hired her in 2008.

“It’s really true. I hit the ground running,” Park said. “I am very busy right now, which I’m really happy about. I’m not just doing doc-

ument reviews and drafting legal memos. I’ve been able to draft pleadings and substantial motions, which I really enjoy doing and I learn so much from.”

Philippi, from Ungaretti & Harris, said he likes working at a midsize firm because he gets to know the people he works with, and the same team often works with the same client.

“A lot of people who work here are refugees from big firms and they like the camaraderie and they like knowing each other and knowing each other’s kids,” he said. “Even back when the law market was bullish and the giant firms were paying a lot of money, we had more and more people come to our firm to make less money because they wanted to work here.”

Joshua S. Hyman, a shareholder partner at Chuhak & Tecson and member of the compensation committee, said he helps his firm recruit lateral partners at the equity partner level. He came to the firm about eight years ago after working at a smaller firm.

“After this call I am going to be interviewing an equity partner from a multinational firm who no longer can keep his clients or develop new business because larger firms like that have New York-based billing rates, which are not compatible with today’s economy and maybe the Chicago marketplace,” Hyman said.

“More and more lateral partners are looking to get with a firm that provides enough wraparound services to service clients, develop new business, but not have the restraints of high overhead, payroll for multiple offices, and lavish conferences rooms,” Hyman said. “Our firm is very cost-effective.”

Equity partners at Chuhak & Tecson can take between 40 to 47 percent of every dollar the firm brings in, he said. Most partners get around 23 or 25 percent of every dollar they bring in at other firms, he said, and they do not bring in as many dollars because billing rates sometimes price them out of the market.

“One of the reasons our firm is so profitable is because we have no debt,” Hyman said. “Our overhead is extremely modest on a monthly basis because all the partners take modest salaries and we are bonus-driven at the end of the fiscal year, and end of the calendar year through a bonus structure based on a pure meritocracy.

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“We don’t have pressures to fund a high payroll. ... At the end of the year those partners who had done really well receive very large bonuses.”

Hyman said he plans to stay at this firm because he believes in meritocracy.

“For attorneys looking to go to midsize firms or a firm like ours [meritocracy] can be very appealing because the sky’s the limit,” he said. “You can make a hell of a lot of money at our firm, and still bill clients modest billing rates, still have modest billable-hour requirements, and do a really good job because all the attorneys buy into the business model.”

Joshua Rich moved over to McDonnell Boehnen Hulbert & Berghoff about 10 years ago from Seyfarth Shaw.

Rich wanted to move to a firm that handles exclusively IP work. Seyfarth did IP work, but

it was part of the litigation department, he said.

He said he couldn’t build an exclusively IP practice there.

“It’s just nice being surrounded by people who have the same interests in science and technology, which often scares general practice attorneys,” Rich said. “Although the firm itself is smaller, the human capital is much greater in terms of having people with advanced scientific degrees and the legal understanding of intellectual property.

“I think that midsize firms tend to have less structure, which for us has been a huge bonus because it allows people to contribute according to their abilities.”

Lyerla, from Marshall, Gerstein & Borun, said clients like working with him and his colleagues because they can tell they enjoy doing the work. Clients come to the firm with so-

phisticated problems, and the lawyers know how to solve those problems, he said.

“Because we are a boutique with a narrow focus we can be both midsize and enormously sophisticated,” he said. “We have all the resources that anyone could possibly have in our field. It is just wonderful. ... I think that I have a practice that’s equal to the practice that many lawyers enjoy at huge law firms — the same caliber of clients, in fact some of the same clients that also use big law firms; and the same kinds of lawsuits, but I’m able to do them at this law firm in a way where I can emphasize the joy where they have to emphasize the money.

“Never trade money for happiness. I actually believe that the quality over a long period of time can suffer when you are just doing it for the money.” ■