

SoCal Firms Boom As PE, Media Fuel Middle-Market Growth

By Kat Greene

Law360, Los Angeles (March 29, 2016, 12:10 AM ET) -- More than 40 law firms with California headquarters landed on the Law360 400, with Lewis Brisbois Bisgaard & Smith LLP topping the list, and experts say that booming business from new private equity investments and technology-driven shifts in the entertainment industry are giving firms outside of Silicon Valley a shot at explosive growth.

According to data compiled for this year's Law360 400, Lewis Brisbois closed out 2015 with 1,030 U.S. lawyers, edging out Littler Mendelson PC for the No. 1 spot among California firms. Littler capped off 2015 with 905 lawyers, followed closely by Cooley LLP in Palo Alto with 818. Large firms in California grew an average of 2.71 percent in 2015, with Southern California firms growing an average of 4.04 percent over Northern California's 0.14 percent.

The Largest California Law Firms



Firm	Home City	2015 Attorneys	2015 Partners	Attorney Gain/Loss	Partner Gain/Loss
Lewis Brisbois	Los Angeles	1030	594	10.6%	6.1%
Littler	San Francisco**	905	448	-7.7%	-5.9%
Cooley	Palo Alto	818	257	2.3%	2.8%
Morrison & Foerster	San Francisco**	789	254	-0.6%	-6.3%
Paul Hastings	Los Angeles	785	252	3.2%	0.0%
Orrick Herrington	San Francisco	726	244	-1.1%	-1.2%
Wilson Sonsini	Palo Alto	714	187	5.3%	4.5%
Sheppard Mullin	Los Angeles	708	304	10.8%	4.5%
Gordon & Rees	San Francisco	691	283	14.6%	11.0%
O'Melveny & Myers	Los Angeles**	594	177	-2.1%	3.5%
Quinn Emanuel	Los Angeles	585	186	-4.1%	6.9%

Fenwick & West	Mountain View	386	103	4.0%	-4.6%
Manatt Phelps	Los Angeles	356	203	1.7%	-1.0%
Loeb & Loeb*	Los Angeles	296	177	5.7%	9.3%
Knobbe Martens	Irvine	285	152	3.6%	2.0%
Sedgwick LLP*	San Francisco	283	129	-8.4%	0.8%
Munger Tolles	Los Angeles	222	86	9.9%	4.9%
Robbins Geller*	San Diego	205	83	20.6%	2.5%
Allen Matkins	Los Angeles**	197	120	-0.5%	0.8%
Wood Smith*	Los Angeles	186	49	17.0%	-9.3%
Best Best	Riverside	183	95	2.8%	-5.0%
Buchalter Nemer	Los Angeles	182	90	16.7%	11.1%
Hanson Bridgett	San Francisco	160	93	-3.0%	1.1%
Manning & Kass*	Los Angeles**	159	N/A	3.3%	N/A
Laughlin Falbo*	Oakland	158	34	5.3%	-2.9%
Atkinson Andelson	Cerritos	152	78	5.6%	-1.3%
Rutan & Tucker	Orange County	149	92	6.4%	8.2%
Nossaman	Los Angeles	144	91	2.1%	-5.2%
Procopio Cory*	San Diego	142	68	-7.2%	4.6%
Adelson Testan	Westlake Village	139	76	0.0%	18.8%
Stradling Yocca*	Newport Beach	135	73	5.5%	14.1%
Irell & Manella	Los Angeles	130	43	-26.1%	-12.2%
Farella Braun	San Francisco	128	77	-1.5%	1.3%
Cox Castle*	Los Angeles	127	75	3.3%	0.0%
Mitchell Silberberg	Los Angeles	124	70	2.5%	7.7%
Selman Breitman*	Los Angeles	110	43	10.0%	0.0%
Severson & Werson*	San Francisco	107	N/A	-4.5%	N/A
Archer Norris	Walnut Creek**	100	45	-2.9%	-4.3%
Musick Peeler*	Los Angeles	97	N/A	NR	NR
Downey Brand*	Sacramento	94	43	NR	NR
Glaser Weil	Los Angeles	94	44	NR	NR
TOTAL		13575	5,518		
AVERAGE		331	145	2.71%	4.02%

*Law360 estimated attorney headcount for 2014, 2015, or both years.

**Firm declined to specify a home office and instead listed its largest U.S. office by attorney headcount.

N/A: No data available

NR: Not previously ranked

Firms based in Los Angeles, Orange County and San Diego are starting to edge out their Silicon Valley peers in part because the market is finally starting to expand after a nearly two-decade slump, said Peter Zeughouser, principal of consultancy Zeughouser Group LLC.

The venerable old-school California firms that once dominated the legal market and had a strong-enough hold to butt out newcomers trying to expand to the West Coast have since graduated to higher-end work than the middle-market business law that once was their bread and butter, he said. Firms like Gibson Dunn and Latham & Watkins LLP are charging \$1,200 an hour for partners in some cases, putting them out of reach for newer businesses, Zeughouser said.

Lewis Brisbois and Gordon & Rees LLP, among the fastest-rising firms in the Law360 400, are serving the middle market with a rate structure that Latham, Gibson Dunn and other LA and Silicon Valley firms have left behind, he said.

“That’s an important part of the market,” Zeughouser said. “They do a great job at it.”

As alternative funding sources like hedge funds and private equity firms bring fresh investments to companies in Southern California, new businesses are launching a wave of innovations in what Zeughouser calls the intersection of technology and entertainment: those involved in gaming and other alternative media content production and distribution.

“The Southern California market has been in the doldrums for 15 to 20 years when the banks moved out and aerospace moved out,” Zeughouser said. “And so now the long-awaited convergence of tech and entertainment is happening.”

Los Angeles is seeing a tech boom of its own as companies take root along the Santa Monica-Venice coast in what’s affectionately called “Silicon Beach,” and the city’s economy has started to grow, he said.

Guy Halgren, chairman of the executive committee at Sheppard Mullin Richter & Hampton LLP, agreed that new issues arising from the way content makers distribute their entertainment to viewers has brought more work to the legal market recently, especially in Los Angeles. Law360 data shows that the firm grew by nearly 11 percent, climbing to 708 attorneys, thanks to the strong year the California economy had, which in turn drove business at the firm, Halgren said.

“The convergence between content and technology in the entertainment area is extremely significant and does drive a lot of business in both Southern and Northern California, for us and other firms,” he said.

Sheppard Mullin’s plan is to stick with its strongest client base, on the high end of the middle market, Halgren said, noting that California, unlike New York, tends to have less of the premium-priced legal work. He said the competition for legal work is shifting as some players leave the middle market, and others rush in to fill the void.

Meanwhile for Wood Smith Henning & Berman LLP, the secret to capturing business as startups get funding and entertainment companies face new challenges is having lawyers positioned near the clients, according to firm Chairman Daniel Berman.

Berman’s firm grew nearly 17 percent last year, climbing to about 186 attorneys, and has since added 14 more. Wood Smith is primarily a litigation firm and has added offices in highly localized areas, including

Riverside, California, and Tampa, Florida.

The competition is expanding in ways that surprise him, Berman said. There are a lot of big LA firms that aren't doing LA work anymore, instead focusing on global business, leaving an opportunity for Wood Smith to swoop in.

"That creates a lot of opportunity for the firms that are there and can do it," he said. "We're competing now for business with firms we never thought we'd be competing with."

Buchalter Nemer, which has been in California for 80 years, is also among the Golden State's fastest-growing firms, growing 16.7 percent to reach 182 lawyers in 2015. Its CEO, Adam Bass, agreed that the decision by some of the big-name LA firms to go global has created an opportunity for his firm to shine at what it does best.

"We don't seek to be this global behemoth. And people don't call us to do a pipeline from Dubai," he said. "But if you're doing business in California, we're a perfect match for a business here."

He also noted that the newer Southern California companies, including those in the technology and life sciences spaces, aren't "coming up in the traditional Silicon Valley mold," meaning they aren't hiring traditional Silicon Valley firms but instead lawyers they know locally.

Instead of going after high-dollar insurance defense work or other big-ticket work, his sweet spot is charging about 30 percent less for good lawyers to do good work, Bass said. That helps the clients feel they're receiving true value for the work.

"If you look, most of our lawyers come from or have been at mega-law firms. The pitch when they come is, 'Hey, you paid \$900 an hour for me over there, and now you're going to pay \$500 or \$600,'" Bass said.

Even as other firms begin charging higher rates, Littler managing director Jeremy Roth — who thinks the market will see \$2,000-an-hour charges soon — says clients, particularly in the employment space, are seeking more value.

In response, Littler launched a Big Data initiative in 2015 to provide clients with the ability to analyze case filings, staffing and costs, among other things. It also has its CaseSmart system, which allows clients to track their charges and litigation portfolio.

"What it's allowed us to do is go to some of the largest employers in the world, and some medium-sized employers, and say, 'Here's how we can give you quality at a lower price point,'" he said. "When you're talking about the labor and employment space, where the cases can be more or less routine, clients want a value proposition."

The LA market has been thriving so much in recent years, it's even attracting outsiders looking to compete for business. Crowell & Moring LLP, which opened in LA in 2008, has steadily been hiring partners and associates to bolster its growing government contracts business, growing its practice to nine attorneys, said LA partner Gail Zirkelbach.

Clients appreciate that they can work with someone here in town, rather than needing to fly someone out from Washington, D.C., where many experienced government contracts lawyers are based, she said.

And there are a slew of new and existing businesses in California and all along the West Coast that need the firm's services, she said.

"Crowell had the foresight to understand that government contracting clients include the West Coast," Zirkelbach said. "There are more companies that are getting into doing government contracts, and the government has gotten a little more vigilant about enforcing certain things."

Covington & Burling LLP also launched an LA office in 2015 with an eye on higher-end work for corporate and litigation clients in government-facing situations, according to Chairman Tim Hester.

"We have focused on Los Angeles and building out in California because we think our combination of capabilities is actually quite hard to find in California," he said.

The firm hired partner Robyn Polashuk and others to handle complex legal and regulatory issues facing media companies based in LA, including potential regulations for companies providing content over the Internet, he said.

Polashuk noted that she's seeing big changes at the traditional companies the firm works with, as well as the newer startups in Southern California.

"As television expands into your phone and everything else ... a lot of these deals can't really be handled by one practice anymore," she said.

Hardly a newcomer to LA, Sidley Austin LLP found it prudent to open a second office in the city after 36 years in downtown. The new office in Century City gives the firm access to more real estate, private equity and media companies, said Michael Kelley, co-office managing partner in LA.

Microsoft Corp., Amazon.com Inc. and other big-name technology companies are making a shift to becoming content providers and even movie producers, he said, opening up a new landscape for law firms to compete for business.

"[Those companies] are going through big fundamental changes, so we thought it was an area for investment and growth," he said, noting that Sidley has had a traditional media practice representing publishers. "The intersection of technology, media, digital methods of distribution and alternative sources of content is making Los Angeles a very important legal market if you practice in one of those areas and particularly if you practice, as we do, across all of them."

Methodology: Law360 surveyed U.S. law firms, and vereins with a U.S. component, on domestic attorney and partner headcount information as of Dec. 31, 2015. Firms based outside the U.S. were not surveyed, and only attorneys based in the 50 states and the District of Columbia were included in the responses. Firms that have shareholders, members or principals in lieu of partners have those numbers listed in the "partner" field.

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