

Crowell Rides Contingency Fee Wins to 47% Spike in Profits, Double-Digit Revenue Growth

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BY CHRISTINE SIMMONS

Supported by hefty contingency fees and alternative fee arrangements, Crowell & Moring's revenue and profits per partner soared to new heights on the back of double-digit percentage growth.

The Washington, D.C.-based firm's gross revenue rose 18.7% to \$514.39 million, and with a 2% drop in full-time equivalent head count, revenue per lawyer rose 21% to \$1.1 million. Meanwhile, profits per equity partner shot up a whopping 46.6% to \$1.629 million as equity partner head count saw a net decrease of about seven lawyers.

Crowell, which is looking for more growth in 2021, partly through group and boutique acquisitions, had a "strong performance" of its base business in regulatory,



Diego Raczinski/National Law Journal.

Crowell & Moring offices in Washington, D.C.

litigation and transactional work in hourly fees, said management board chairman Phil Inglima. But contingency fees "very much advanced the results," he added.

The firm had its largest year yet in what Inglima refers to as affirmative recoveries, in which the firm represents plaintiffs in a range of matters to recover damages, including in anti-trust, health care and terrorism-related cases. Altogether, the firm recovered more than \$2.2 billion for its clients in affirmative recoveries last year, Inglima said.

For instance, the firm said it secured victories in a series of Affordable Care Act cases as counsel for Maine Community Health Options and a dozen other companies at the U.S. Supreme Court. The high court held the

U.S. responsible for \$13 billion in damages for failing to pay health care companies under an ACA program, and Crowell's various clients in that case collectively recovered about \$1.5 billion.

"There were a variety of ways we priced to that, depending on the client, but it did have a significant impact on our performance," Inglima said.

The firm also continued to represent clients who were paid from the U.S. Victims of State-Sponsored Terror Fund. In 2020, that fund paid "well over" \$100 million in distributions to terrorist victims who are the firm's clients, Inglima said.

In those two matters, the firm's legal fees involved some form of an alternative fee arrangement, including contingency fees, Inglima said, declining to specify the firm's fees in each.

Meanwhile, in Crowell's antitrust-recovery practice, the firm's recovers were "well above" its budget for the year, mostly through contingency fees, Inglima said.

Overall, about 40% of the firm's revenue in 2020 came from alternative fee arrangements, up from about 29% in 2019, and a "significant portion" of that included a range of contingency fees, Inglima said, declining to specify the firm's total contingency fees last year. Crowell has seen standout growth in other years due to its contingency fee business, including in 2016.

Inglima said the firm's profits growth—more than double the pace of its revenue rise—was a matter of



Phil Inglima.

Courtesy photo

investment in client matters being relieved over time, especially at the back end when the firm was paid. The firm's cost savings during the pandemic was a "positive factor" in profit growth, but not a huge one, Inglima said, because Crowell invested in technology and office infrastructure.

The firm didn't deliberately decrease its number of equity partners, Inglima said, noting the drop was due to retirements and natural attrition. (Equity partners are required to step down between ages 65 and 70 at Crowell.) Crowell promoted nine lawyers to equity partner in 2020 and 10 in 2021, Inglima said.

The firm did not lay off any personnel last year, and while pay was cut, lawyers and staff ultimately recovered their pay and received bonuses. "There was a considerable effort made to manage internally to avoid long-term debt but not to do so on the backs of any individuals in our community," Inglima said. "Everyone was made whole and beyond."

Talent Acquisitions

Crowell continues to seek out expansion opportunities firmwide. "We do continue to look to boutique and group combinations as an excellent path to our growth," Inglima said. "We do expect to grow significantly in 2021."

New York remains a target, after the firm's **scuttled merger** talks with Herrick, Feinstein, among others. The firm has 65 lawyers in New York and its goal is to grow to 100 or more there, Inglima said.

The firm saw robust lateral hiring last year, with 19 lateral partners firmwide, 44% of whom were women or diverse lawyers, and it opened two new offices, in **Singapore** and **Doha, Qatar**.

Inglima declined to specify revenue at Crowell's London office, where it has about 10 partners, but said it was "absolutely" up from 2019 in several measures, including billable hours and pounds recovered. The firm's Brussels office also had a good year, up from 2019, and he's expecting Brexit will fuel more work there.

As it pursues growth, Crowell's partners have a new outlook on office real estate. When asked about efficiencies the firm will see past the pandemic, Inglima said there's a "realization that our real estate needs to be very carefully managed." While the firm ultimately aims to have its members return to offices at a safe time, "we won't have the same space needs a year or two from now that we might have forecasted," he said. Crowell is still forming office policies, but Inglima said there may be "many people" who increasingly work a percentage of their time remotely.

2021 Challenges

The firm is looking at 2020 and 2021 as a single window of time, Inglima said, "in part, because there were contingency wins that can't be replicated year after year."

"We're not going to measure our success based on whether we are achieving results in net income or profits per partner," he said about the upcoming year. "We're playing for the long term."

Just as it has in the past year, Inglima said Crowell will seek to grow its base business and talent. In 2020, Crowell saw an 18% rise in its share of new clients and 22% growth in new matters. A significant slice of that, Inglima said, came from clients turning to the firm for



counseling and advisory work and urgent matters brought on during the pandemic.

Some clients needed to extend their payment schedules, but the firm also counts many clients that are "recession-proof," including government contractors, as well as health care clients and health insurers that remained active last year.

For instance, Crowell served as lead counsel to General Motors for ventilator contract negotiations with the U.S. government; served as lead counsel to Honeywell as it negotiated with the U.S. government to produce N95 masks; and helped Siemens monitor federal and local guidelines and requirements for essential business determinations.

Meanwhile, Crowell took on new diversity commitments, including its management board members sponsoring African Americans in the firm with the goal to increase retention, advancement and leadership opportunities. The firm's new lateral associate and counsel hires were 63% diverse, and its first-year associate class was 83% diverse.

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