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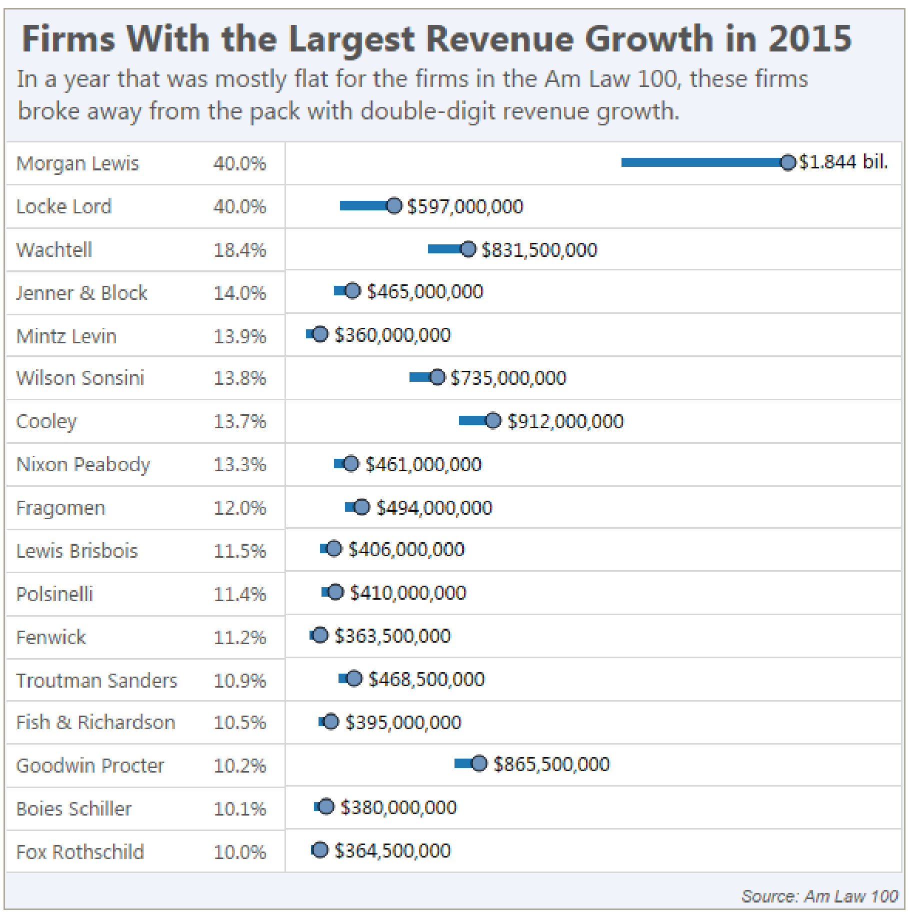
The BigLaw Firms That Defied Mediocrity In 2015

By **Aebra Coe**

Law360, New York (April 25, 2016, 9:56 PM ET) -- A handful of BigLaw firms saw their revenues soar last year, despite the fact that the legal industry as a whole experienced less growth in 2015 than it had in nearly a decade, according to data released Monday by The American Lawyer.

Of the 10 firms that had the largest percentage growth in gross revenue last year, two did so after major mergers — Morgan Lewis & Bockius LLP and Locke Lord LLP — while the rest posted anywhere from 11.54 to 18.35 percent spikes in income largely through natural growth. And, in a departure from the Am Law 100 figures released last year, those firms that grew the most in 2015 were not just the biggest of the big, but are vastly different sizes.



The firms are Morgan Lewis, 40.02 percent; Locke Lord, 40 percent; Wachtell Lipton Rosen & Katz, 18.35 percent; Jenner & Block LLP, 13.97 percent; Mintz Levin Cohn Ferris Glovsky & Popeo PC, 13.92 percent; Wilson Sonsini Goodrich & Rosati PC, 13.78 percent; Cooley LLP, 13.72 percent; Nixon Peabody LLP, 13.27 percent; Fragomen Del Rey Bernsen & Loewy LLP, 12.02 percent; and Lewis Brisbois Bisgaard & Smith LLP, 11.54 percent.

Of those on the list, only one, Morgan Lewis, is among the 30 largest law firms based in the U.S. by revenue. Legal industry consultant Peter Zeughauser said that doesn't surprise him, given the currency fluctuations and wavering demand in the global economy and the massive presence of some of North America's "biggest of the big" law firms in markets outside the United States.

"The largest firms have global platforms and were more heavily influenced by fluctuations in the strength of the dollar and by the global economy," Zeughauser said. "They tend to be more international, and there's a lot of softness in the global economy outside the U.S."

At the top, the five largest firms based in the U.S. by revenue were Latham & Watkins LLP, which saw a nearly flat 1.45 percent increase in income to $2.65 billion; followed by DLA Piper, which had a 2.52 percent increase; Baker & McKenzie LLP, which had a 4.33 percent decrease; Skadden Arps Slate Meagher & Flom LLP, with a 4.1 percent increase; and Kirkland & Ellis LLP, with a 7.1 percent increase.

Latham's incremental 2015 revenue growth is a stark contrast to 2014, when the firm's income grew by over 14 percent.

Zeughauser said that sort of fluctuation isn't surprising considering the cycles the legal market tends to go through, prompted by fluctuations in the markets in which they are present.

"We often see fluctuations between the global firms and national and regional firms, depending on the strength of the economy," he said. "There are ebbs and flows."

When it comes to what caused a few law firms to find some serious flow in 2015, Zeughauser said he can point to one thing that they all share: Each has a strong corporate transactions practice in an economy in which investors finally felt confident after years of caution following the recession.

Wachtell, specifically, is known for its mergers and acquisitions work, and the Wall Street firm posted meteoric 18.35 percent growth, the highest of any firm that didn't have a merger or large acquisition of its own in 2015. And, in addition to bringing in more revenue, the law firm broke down all previous boundaries and posted profits per equity partner of $6.6 million, besting the No. 2 in that category, Quinn Emanuel & Urquhart LLP, by more than $2 million, according to the Am Law data.

"A lot of firms benefited from the return of the corporate markets, but it's not surprising to see Wachtell at the top," Zeughauser said, pointing to the firm's "laser focus" on transactions.

Jenner & Block, despite its long history as a litigation-heavy firm, has been working to build a strong corporate department, Zeughauser said, adding impressive laterals in that arena over the past few years. The firm's gross revenue grew by 13.97 percent in 2015, reaching $465 million.

Terrence J. Truax, Jenner & Block's managing partner, told Law360 Monday that his firm managed to break away from the trend of slow growth this year by holding true to its core strategies in both its litigation and transactional practices.

"We continue to invest in our people at all levels and across all offices, from Los Angeles to London," Truax said.

Another East Coast firm, Mintz Levin, ranked No. 5 in terms of revenue growth, which put it back on the Am Law 100 list after an absence last year. The Boston-based firm's income rose almost 14 percent, reaching $360 million, according to the American Lawyer.

That Am Law ranking was based on estimated figures that Mintz Levin Managing Partner Bob Bodian says were a slight underestimation. The firm's final year-end results are now in, and he told Law360 he can now report its revenue shot up by nearly 18 percent over those in 2014, reaching $363.5 million.

"We added a fair number of lateral partners who were very accretive," Bodian said in an interview explaining the firm's strong 2015 financials. "And when we add lateral partners, it's all about finding lateral partners who we believe will be collaborative, rather than merely looking for books of business. Our collaboration and teamwork has really been enhanced across the board."

He noted that more than half of the laterals the firm brought on over the past year were through personal recommendations rather than head hunters, adding to the firm's team work-oriented atmosphere.

The No. 6 and No. 7 law firms on the list of revenue busters — Wilson Sonsini and Cooley, respectively — are both California-based law firms that consultants say rode the wave of a strong year for business in Silicon Valley. Both posted around 13.7 percent growth in revenue last year.

"Technology and intellectual property remain very strong, and Silicon Valley has remained a hot spot for that type of work, so it’s not surprising" that Cooley and Wilson Sonsini were a few of the firms that had above-average growth, Attorney Career Catalysts LLC founder Frank D'Amore said.

Cooley CEO Joe Conroy said Monday that he is proud of what the firm achieved in 2015.

"In a world increasingly dominated by tech, we are perfectly positioned," Conroy said in a statement. "We have a well-defined brand and the momentum needed to keep rising at the top of the Am Law 100."

While the firms ranked third through sixth on the revenue growth list managed to post healthy gains absent a major merger, the two top spots were nabbed by law firms that grew through tie-ups.

Morgan Lewis' November 2014 mass acquisition of more than 500 laterals from Bingham McCutchen LLP and Locke Lord's January combination with Edwards Wildman Palmer LLP allowed both firms to increase their gross revenue in 2015 40 percent over the year before, driving the former's up above $1.8 billion and the latter's to $597 million.

"Bigger is better" seems to be a strategy for growth that more and more law firms are embracing, according to experts.

"Everything is getting bigger," said Ed Poll, the founder of LawBiz. "When you've got the intention to grow — and not every firm does — that's the first way to grow."

Morgan Lewis Chair Jami McKeon echoed that sentiment in a statement to Law360.

"When you have the right footprint, the right talent and the right culture, we believe size is a competitive advantage," McKeon said. "Our growth has always followed our clients' needs and enabled us to offer enhanced services in key practices and markets. We are pleased that our clients are responding favorably to our strategy and that we are experiencing the kind of results we envisioned."

And law firms have become more sophisticated when it comes to how they manage tie-ups, according to Chris Petrini-Poli, CEO of HBR Consulting.

"Firms are getting better at acclimating to large mergers," he explained. "[Morgan Lewis and Locke Lord] certainly added a tremendous amount of revenue, but they were thoughtful on how they managed the bottom line, and that contributed to profits side."

Locke Lord Chair Jerry K. Clements pointed to the ways her firm managed the big tie-up with with Edwards Wildman.

"Our partners worked very hard in 2015 to make the merger a success, and the results speak to those efforts," Clements said. "We were delighted to finish the year so strong during a merger year and another year where law firms continued to face a challenging legal environment."

--Editing by Katherine Rautenberg and Philip Shea.
