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Rate of Reduction

LAW: Some L.A. attorneys switch to smaller firms to cut billings.

By **ALEXA HYLAND** Staff Reporter

ATTORNEYS who make the big time at the big firms don't usually move down to smaller shops. But these are not usual times, so unusual things are happening.

Driven by client demands for lower billing rates, lawyers are leaving megafirms for boutiques, and taking their clients with them.

William Delvac left L.A. market leader **Latham & Watkins LLP** and became a partner April 1 at what is now **Armbruster Goldsmith & Delvac LLP**, a five-attorney shop that specializes in land-use matters. He can now offer significantly lower rates.

"I reduced my fee by 20 percent, and it made my clients happy," said Delvac, a land-use attorney who represented **AEG** on the L.A. Live entertainment complex and the Academy of Motion Picture Arts and Sciences in its museum project.

In response to an inquiry about Delvac's departure, Latham issued a statement saying that the firm "wishes him well in his new endeavors."

At most large law firms, partners bill upward of \$700 an hour – and the eye-popping rate isn't necessarily dropping due to the current economic climate. That's because the big firms need to support their infrastructure, including numerous offices and larger support staffs.

As a result, partners in Los Angeles have started to address their clients' demands for cost-cutting by moving to boutique firms.

Among them is Vincent Davitt, a litigator who left 1,400-attorney **Dewey & LeBoeuf LLP** in February to join Santa Monica boutique **Murphy Rosen & Meylan LLP**, an 11-attorney firm; and John Melissinos, a bankruptcy lawyer who left 400-attorney **Andrews Kurth LLP** in February to join **Rutter Hobbs & Davidoff Inc.** in Century City, a 24-attorney outfit.

Davitt said his clients, including divisions of insurance giant Lloyd's of London, were pleased with the move.

"The clients that I brought over here were happy," he said. "They already knew where I was going and the quality of work. And the hourly rates are significantly cheaper."

Top billing rates for partners at Murphy Rosen hit \$450 per hour, whereas top hourly rates at larger firms such as Dewey & LeBoeuf can reach as high as \$1,000.

Neither Dewey nor Andrews would comment on the departure of Davitt and Melissinos.



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Fee Friendly: From left, name partners Dale Goldsmith, William Delvac and Mark Armbruster at firm's Westwood office.

Skyrocketed rates

A decade ago, the idea of charging \$1,000 per hour for legal work would have been unthinkable even to big law firm partners. However, billing rates at the nation's largest law firms have nearly doubled as the competition for top-tier legal talent forced firms to increase their profits per partner. In addition, first-year associate salaries at top firms more than doubled from \$75,000 in 1996 to \$160,000 in 2008.

The soft economy has prompted widespread layoffs among associates and support staff, but firms haven't lowered their rates – at least not yet. One local analyst said those big firms that are considering lowering rates are more apt to keep their partners.

"Firms that are saying 'we are going to look at your market and practice area to determine an appropriate bill rate' are not driving out partners," said Nick Karapetian, co-founder of downtown L.A. legal recruiting firm **Attorney Network Services Inc.**

But some partners are feeling pressured to offer their clients cheaper services quickly.

Delvac said one of his longstanding real estate developer clients could no longer afford the rates he was charging at Latham and asked him to reduce it. That couldn't be done at

Latham, because of the firm's business model. So the developer asked Delvac to come in-house, which he didn't see as practical. Moving to Armbruster was the solution.

"A 20 percent reduction in rates got his attention," Delvac said.

Melissinos, who represents debtors, creditors and trustees in bankruptcy proceedings, moved to Rutter Hobbs in February and cut his hourly billing rate 36 percent.

Melissinos noted that the lower rate is also helping him bring in new business. "There is a lot of rate pressure at a national firm, and moving to a smaller firm is already allowing me to do things for people that I couldn't do at Andrews Kurth."

Partners who have already been practicing at smaller firms are seeing an opening to steal clients from bigger rivals as companies are slashing budgets and looking for ways to reduce outside legal costs.

"We have gotten several good cases that have been referred to us from larger firms because we do offer more affordable rates," said Robert Meylan, a name partner at Murphy Rosen. "By having a much leaner organization, we can offer them better arrangements, like flat-fee arrangements, and can be more flexible."