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COVER STORY

## San Francisco mid-size firm stays independent and stable



Sam Attal / Special to the Daily Journal

Steven R. Lowenthal, the chair of Farella Braun & Martel LLP since 2005, said the San Francisco-based firm is content to stay independent even as others merge.

By Joshua Sebold  
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**S**AN FRANCISCO — Like hot items in a shopping spree, dozens of well-esteemed small and mid-size firms have been snapped up in recent years through mergers. Last year, McKenna Long & Aldridge LLP scooped up San Diego-based Luce, Forward, Hamilton & Scripps LLP, then home to 139 lawyers, while San Francisco-based Howard Rice Nemerovski Canady Falk & Rabkin PC sent its 82 attorneys to Arnold & Porter LLP. In 2011, it was L.A.'s 35-lawyer Hennigan Dorman LLP going to McKool Smith PC, and 175-attorney Townsend and Townsend and Crew LLP combining with Kilpatrick Stockton LLP. Before that, others succumbed to mergers, such as Day Casebeer Madrid & Batchelder LLP and Steefel Levitt & Weiss.

All the consolidation has made the remaining independent firms — especially those that compete with the big dogs — that much rarer. In San Francisco, one in particular: Farella Braun & Martel LLP.

“Farella is one of the top independent regional firms in the Bay Area,” said legal consultant Richard Gary, who recently moved from the San Francisco area to Bellevue, Wash. “It has been for a number of years and continues to be.”

Wooing Farella Braun would be a major coup for an out-of-state firm looking to grab a foothold in the Bay Area, observers say, but its leadership remains disinterested in the idea,

and its clients don't seem to mind at all. Many clients emphasized their long history with the firm and deep connection to individual lawyers or practice groups; they seemed indifferent to the idea of a merger or even slightly opposed to it.

Steven R. Lowenthal, who's been firm chair since 2005, said one might think there would be interest in merging based on the idea that it's a safe, diversified strategy.

“But you look at some of the larger firms that had some issues during the recession, perhaps more so than mid-size firms, and I'm not sure that one could conclude that that was the safer alternative,” Lowenthal said.

The 137-attorney firm has 72 partners. The majority work in the firm's downtown San Francisco headquarters, while a few focus on winery clients from the St. Helena office. The firm built its name on matters such as representing the Hearst Corp. in an early Newspaper Preservation Act case and winery mogul Robert Mondavi in the landmark *Mondavi vs. Mondavi* litigation. The firm still represents members of the famous winemaking family.

More recently, Farella Braun lawyers have served as co-counsel for Toyota Motor Corp. in class actions alleging unintended acceleration, and represented a General Electric transportation division against Bay Area Rapid Transit's \$500 million breach of contract claims over the development of experimental train control technology.

Lowenthal said clients like the firm's stability.

“We don't have a whole lot of turnover, so the team who's put in place at the beginning of an engagement will generally be the team that will carry that engagement forward,” he said.

Charles Broll, general counsel of Nestle Waters North America, said his company grew rapidly over the past 20 years and was acquired by Nestle, but the changes never strained its relationship with Farella Braun. Broll said he made it a point to meet the next generation of lawyers at the firm and was highly impressed with the talent from top to bottom.

“We intend to continue doing business with them whether they merge with someone else or not,” he said.

While the firm is thought to be a money-maker, Lowenthal said it doesn't release financial information of any kind.

“There's nothing we're hiding. Our financials have been strong over the last five years,” he said. “We've had improving financials each and every year, but we just don't release numbers.”

Its billing rates appear to be on par with some large firms, but more competitive than others.

Michele Heffes, a deputy port attorney at the Port of Oakland, said the firm typically charges them \$300 to \$500 per hour for associates and \$500 to \$600 or more for partners. David McHale, general counsel of medical liability insurer The Doctors Co., agreed with those figures. Broll said the quotes sounded

accurate, but that he mostly worked with the firm under alternative fee arrangements.

McHale said the firm is worth every penny. He was recently involved in a transaction in which an East Coast firm on the other side was charging more than \$1,000 per hour and “Farella was running circles around them.”

Shartsis Friese LLP name partner Arthur J. Shartsis, whose San Francisco-based firm is roughly half the size of Farella Braun, said his competitor reached a major milestone when it transitioned its leadership away from the founding partners, something his own firm hasn’t yet had to address.

Shartsis said that transition is a particularly dangerous moment for a firm of any size, and Farella Braun distinguished itself by maintaining its stability through the change.

Lowenthal said there aren’t any current merger offers on the table, but he constantly hears from firms interested in the concept. His partners are generally disinterested in the idea.

“We talk about the topic at a partner retreat maybe not every year, but every few years just to make sure that we, from a policy standpoint, understand the partners’ views and talk about

the plusses and minuses. There’s really never been an interest.”

Lowenthal said the firm is very satisfied with its place in the market and content to grow organically, adding that it fared well during the recession.

“We had no layoffs at staff or associate levels, or partner levels,” he said, although the firm did slow down its growth plans during that time. “There are a lot of areas that didn’t do well in the recession that we just didn’t practice in, so that’s one of the reasons why we were not impacted by the recession the same way some other firms might have been.”

He said there was no plan or need for expansion in terms of new offices at the moment, with plenty of room to grow into the San Francisco office space.

“It’s client needs that drive our plans, so if we had clients that really wanted us to be somewhere, we [would] pay very close attention to that.”

Lowenthal’s leadership position also seems likely to remain stable as he approaches the end of his third three-year term.

William P. Keane, who was recently appointed chair of the litigation department, a post

Lowenthal once held, said he and the other partners hope Lowenthal will remain chair for a long time.

Lowenthal said the firm’s largest growth areas are in intellectual property litigation, family wealth, clean tech and alternative energy, and white collar and internal investigations. He said the firm’s recruitment strategy involves hiring small classes of summer associates, ranging from two to eight people, which ensures it can keep its offer rate as high as possible.

“I’d say we probably averaged north of a 90 percent [offer rate] over the years,” he said. “Most of our new hires come from our summer program.” He said the firm does on-campus interviews at Stanford Law School, UC Hastings College of the Law, Yale Law School and Harvard Law School.

Everyone from Lowenthal’s peers in mid-sized firms to his clients said they would be surprised to see the firm merge in the foreseeable future.

Said Santa Monica legal recruiter Alan Miles of that likelihood, “If you would have asked me that question five years ago, I would have said yes. But they haven’t done it, so I’m changing my tune.”