

LITIGATION BOUTIQUES

A SPECIAL REPORT |

Rocky economy pushes attorneys to set up shop

Former Irell & Manella partners heed client demands for lower fees, greater attention at new firm.

BY KAREN SLOAN

The timing was right for a change. Richard Kendall's clients—mostly major Hollywood studios and media companies—were increasingly chafing at the rates he and his colleagues charged at Los Angeles-based litigation giant Irell & Manella.

So Kendall and fellow media-focused Irell partners Laura Brill and Robert Klieger took a leap of faith in May and left the prominent firm to start their own litigation boutique in Los Angeles, called Kendall Brill & Klieger.

"The three of us needed to choose the path that would most benefit the clients," Kendall said.

With the economy just starting to climb out of its slump, it may seem a risky time to launch any new venture. Kendall insists that the recession created the ideal conditions to start a new firm, thanks to the growing thriftiness of clients. The plan for the new firm was fairly simple: lower billing rates, more flexibility to enter into alternative fee arrangements and significantly lower overhead than their former firm.

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—RICHARD KENDALL



Five months in, the trio's gamble seems to be paying off.

Not only did nearly all of the partners' clients make the switch from Irell, they said, but the fledgling boutique has already picked up some notable new ones, including movie studio MGM Studios Inc., video-game maker Electronic Arts Inc. and electronics retailer Best Buy Co. Inc. Its stable of existing clients includes Clear Channel Outdoor Holdings Inc., Viacom Inc. and Viacom subsidiaries such as Paramount Pictures Corp., MTV Networks Co. and Showtime Networks Inc.

"It's surprising to me how quickly it has happened, not only with existing clients but with people we didn't have a relationship with before," Klieger said. "We're doing more early advising on matters before they become litigation."

The partners concentrate on litigation in the entertainment and media arena, including intellectual property matters, First Amendment law and appellate work. Kendall also has represented financial services firms. Much of the firm's work involves idea-submission litigation, copyright infringement and contract matters, Klieger said.

Kendall Brill & Klieger's partners point to price and work quality as the reasons the boutique is pulling in new clients and handling a wider array of matters for existing clients. The firm's rates are 20% lower than Irell & Manella's, Kendall said.

"Clients are getting the same team of lawyers for 20% less," Kendall said. "The cost of delivering really high quality legal services to major corporate clients has grown so high. There is an awareness on the client side that this is out of whack."

An Irell & Manella spokesman declined to comment on the partners' departure from the firm or its rates.

For Jonathan Anshell, there was never a question whether CBS Television would leave Irell and follow Kendall over to his new firm.

"We hire lawyers, not law firms," said Anshell, the network's executive vice president and general counsel.

Although CBS Television has yet to enter into an alternative billing arrangements with the firm, Anshell said that he likes that it enjoys the flexibility to do so. The lower rates are a also a huge plus, he said.

"Absolutely the cost is a benefit for us. Dick's ability to work within a different rate structure I think bodes well for additional matters coming his way, not only from us but from other clients as well," Anshell said.

ASSOCIATE RELATIONSHIPS

The new boutique is more attractive to medium-sized clients who avoided Irell because of its higher rates, Kendall said. On top of that, it's easier now to delegate smaller matters to the boutique's six associates because clients have relationships with all of the attorneys, not just the partners.

Creating a more hands-on environment for associates was one of the new firm's goals, Klieger said. The three partners usually worked in relatively small teams at Irell—something of an anomaly at larger firms, where cases are heavily staffed and not everyone involved in a matter has a good grasp on the overall case, he said.

"It's becoming harder and harder at larger firms to carve out the type of niche I had at Irell," Klieger said. "Our impetus was to maintain that environment not only for the three partners but to create an environment where young attorneys can have the opportunities we had in our careers."

Michael Fricklas, executive vice president, general counsel and secretary of Viacom Inc., said that the boutique atmosphere creates client benefits beyond "substantially lower overall costs." The smaller team means greater efficiency, he said.

"I think there is more ability to pay attention to the clients," Fricklas said. "It's easier to get through to the people you need to reach. You aren't dealing with these cavernous teams."

The three partners want to foster in associates a sense of ownership in the firm and plan to add a profit-sharing component to associate compensation next year. That means the associates will reap the benefits of a strong year and share the pain in bad times.

"If the firm does well, everybody does well," Klieger said. "It's a way to get the associates invested in the firm and the firm invested in the associates."

The firm's associates—who came from Irell, Foley & Lardner and Los Angeles-based Quinn Emanuel Urquhart Oliver

& Hedges, among other firms—are paid 20% less than associates at Irell, but the new boutique had no problem filling open associate positions, Kendall said. Despite charging lower hourly rates, the partners are earning as much as they were at Irell, Kendall said. That's partly because the boutique's overhead costs are much lower.

The benefits of the new boutique setup aren't limited to lower costs for clients, however. The three partners are enjoying opportunity to build the culture of the firm from the ground up.

"There's a real gratification that comes with being at a small place where everyone is instrumental," Brill said.

For now, the partners plan on staying small; they've already turned down offers to join larger firms, Kendall said.

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