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Which Law Firms Are at the Top of GCs' Speed-Dial List?

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When Marc Manly, then general counsel of the midwestern energy firm Cinergy Corp., first learned of his company's possible merger with Duke Energy Corp. last year, he knew who he wanted in his corner -- New York-based Skadden, Arps, Slate, Meagher & Flom. Back in 1994, Skadden had helped Cinergy's predecessor company, The Cincinnati Gas & Electric Co., fight off a hostile takeover bid by a local rival. "People told them they couldn't win," Manly says. "It's in the worst situations that you discover the true mettle of a firm."

Cincinnati Gas kept Skadden on board later that year to steer it through its friendly merger with PSI Energy Inc., to form Cinergy. In 2005, when Cinergy started down the aisle to its \$9.8 billion marriage with Charlotte, N.C.-based Duke, Manly naturally thought of Skadden. But he soon learned that he wasn't the only one speed-dialing the firm. B. Keith Trent, then general counsel of Duke, also wanted Skadden. After a brief standoff, the two decided to let Skadden advise Duke, so long as Trent didn't use the group of lawyers who knew Cinergy's business, Manly says. He agreed to the arrangement because he didn't want to lose Skadden's energy-related expertise, even if it was technically being wielded on the other side of the table. Today, Manly is general counsel of Duke (Trent now serves as head of litigation), and still considers Skadden his go-to firm for big deals: "They're full-service. They have expertise on every little piece of the transaction."

For the past five years, *Corporate Counsel* has conducted a survey of *Fortune* 250 general counsel, asking them to list their "primary" outside counsel. This year, 93 companies provided information on their top law firms for corporate transactions, litigation, labor and employment, and intellectual property. Those companies named a total of 380 law firms.

Our five-year look reveals at least two noteworthy trends. Skadden, propelled by the kind of loyalty shown by Manly, has ranked as the No. 1 go-to firm for corporate transactions nearly every year. (This year it was edged out by one mention by its rival at the top, Davis Polk & Wardwell.) But it isn't the only firm that GCs love to call. Over the same five years, Chicago-based Kirkland & Ellis has captured the No. 1 spot for litigation.

What's behind this trend? Chief legal officers readily offer a laundry list of positives to justify their devotion. William Barr, general counsel of New York-based Verizon Communications Inc., says that his relationship with Kirkland & Ellis dates back to 1994, when he became general counsel of GTE Corp., one of the Verizon predecessor companies. Barr says that he uses more than 100 outside law firms, but that he turns to Kirkland & Ellis for "big, important litigation," as well as smaller cases, regulatory matters and, most recently, work for Verizon Wireless, the company's joint venture with Vodafone Group Plc. Aside from the results they've achieved, Barr says the Kirkland & Ellis litigation group has a lot of depth -- "strength at every level." Another plus, he says, is the firm's efficient handling of its cases: "They don't throw unnecessary bodies at a matter to gin up the billables."

Still, plenty of law firms have the same qualities. And with few exceptions, for the past five years, a remarkably stable group of firms has monopolized the top 10 spots in each practice area we survey. Six of the top corporate transactions firms this year showed up in 2002, the first year we did the survey (Skadden; Davis Polk & Wardwell; Mayer, Brown, Rowe & Maw; Simpson Thacher & Bartlett; Jones Day; and Sidley Austin). In litigation, six firms appeared in both the 2006 and 2002 top 10 (Kirkland; Jones Day; O'Melveny & Myers; Mayer, Brown; King & Spalding; and McGuireWoods). What's keeping these firms on top? Size, skill, the strength of the brand name, the effect of convergence (the process generally favors big firms) and a tendency to reach out to large, expensive firms when there's big, potentially costly legal business at hand. That said, our five-year look reveals a few surprises -- most notably, the disappearance of the Washington, D.C., firms from the top 10 list in litigation.

While chief legal officers like to talk big about keeping a close eye on legal bills, when it comes down to a bet-the-company case, they typically say that they want the massive firepower of a large firm on their side -- no matter what the expense. According to the most recent Am Law 100 survey, Kirkland & Ellis certainly meets that criterion, weighing in at 983 lawyers, of which 350 or so are litigators; Skadden is at an even heftier 1,616 lawyers, with more than 700 in the corporate department. The top 10 litigation firms in our survey average 1,186 lawyers, which is significantly larger than the average Am Law 100 firm.

Convergence -- remember that? -- also plays its part in our survey. While many companies have refined their roster of preferred providers in recent years, the big firms on our list haven't been among the casualties. Consultant Rees Morrison says he doesn't find this surprising. "Convergence favors bigger firms," since they are equipped to handle a wider array of

matters, says Morrison, a principal at the Somerset, N.J.-based legal consulting firm Hildebrandt International Inc.

Case in point: Schering-Plough Corp., which went through a convergence process last year and is down to a core group of seven firms, two of which -- Sidley Austin and Mayer Brown -- have more than 1,000 lawyers. (Schering had no further comment on its convergence process.) And once a company has gone through convergence, it tends to stick with those who've made the cut, Morrison says.

But size isn't the whole story. Firms with a thousand-plus lawyers dot today's legal landscape like poppy seeds on a bagel. So what's the edge keeping the top firms on top? Their brand names, says Daniel DiLucchio Jr., a principal in the Newtown Square, Pa., headquarters of legal consulting firm Altman Weil Inc. He says cost control, the one major factor that can cause GCs to shop around, just doesn't happen at this level.

For example, Manly says that he uses local firms such as Robinson, Bradshaw & Hinson to handle small transactions -- "they produce comparable work at half the price" -- but there comes a point when "a transaction becomes so complicated it's worth paying the \$800 or \$900" an hour for a senior Skadden partner.

Even the poster child for convergence, E.I. du Pont de Nemours & Co., goes outside its network of 42 "primary law firms" for large, complicated M&A transactions, says associate general counsel Roger Arrington. In our survey, for the last three years, DuPont has listed both Cravath, Swaine & Moore and Skadden among its top outside counsel for corporate transactions -- but they don't appear on the company's official primary firm list. At DuPont, there's primary, and then there's primary.

Of the four practice areas we survey, labor and employment shows the most consistency. The same firms have captured the gold, silver and bronze since 2003 (the first year we looked at this practice area), although they've swapped places a few times. This year, Morgan, Lewis & Bockius beat out No. 2 Littler Mendelson and third-ranked Seyfarth Shaw to grab the top slot. Hildebrandt's Morrison says that stability reflects a very mature marketplace dominated by a few brands.

That said, our survey is not quite at the level of the weather in "L.A. Story," in which Steve Martin's weatherman tapes his report of "sunny again" days in advance. One interesting trend: the wholesale disappearance of Washington, D.C., firms from the list of most mentioned litigation firms. In our first surveys, four D.C. firms -- Howrey; Akin Gump Strauss Hauer & Feld; Covington & Burling; and Williams & Connolly -- appeared in the top 10. Today, not a one. Morrison attributes this to the Bush administration. With the Federal Trade Commission and other agencies gone "toothless," he says, there's less regulatory enforcement -- hence, less need for Washington's heavy hitters.

But other than those probably temporary downturns, the big guys stay on top, buoyed by the semper fidelis disposition of corporate counsel. As Verizon's Barr says, "Why shop around when you're successful with what you've got?"

Related information and charts (free registration required):

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ALM Research has developed a new compilation of ALM's "Who Counsels Who," "Who Represents Corporate America," and "Who Represents IP America," which now includes additional editorial information from all of ALM's newspapers and magazines -- about 30 in all. This [newly expanded searchable spreadsheet](#) contains the listing of firms representing over 500 of the nation's largest publicly and privately held corporations from January 2005 through December 2005, updated monthly, and includes source information for each entry.

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