

Legal eagles go global

As the world shrinks, law firms expand



Hunton & Williams opened an office in Bangkok in 1997 because of its work with Thai energy companies.

Photo courtesy Hunton & Williams LLP

by Doug Childers

Imagine you run a large pharmaceutical company. One of your new products is accused of causing a serious side effect. Before long lawsuits in the U.S. begin popping up like mushrooms after a spring rain. Soon, copycat suits emerge across Europe.

Your lawyer is responding to the American lawsuits, but how well prepared is your company for the European litigation, which involves another set of laws?

If you're lucky, your lawyer has an office in Europe, and the firm's response between the two continents is tightly coordinated, says Emily Yinger, regional managing partner for the Washington area of the Hogan Lovells law firm. The firm, created in May with the merger of Washington-based Hogan & Hartson and London-based Lovells, has 30 overseas offices and 1,500 lawyers. In fact, more than half its work force is abroad.

"We can bring lawyers around the world to coordinate the litigation," says Yinger. "They understand the product, the client and the local law." While the phar-

maceutical case is hypothetical, she says it's similar to real-world cases.

International law firms aren't new. Yet their numbers are growing as the world shrinks and businesses realize how difficult it can be to navigate the labyrinth of laws that define the global marketplace.

And it's not just large companies that are turning to international firms. Increasingly, even small businesses have global ties, and the numbers are expected to grow considerably. By 2018, half of the small businesses in the U.S. will engage in international trade, according to a study done in 2008 by the California think tank Institute for the Future and the software company Intuit.

Regardless of a company's size, operating overseas increasingly requires the help of law firms with international ties. "There are so many issues, both in the company's home country and in the places where a transaction occurs, where legal advice is necessary," says Paul B. Stephan, a professor in the University of Virginia's School of Law.

For instance, Europe's privacy laws governing employees' work files are stricter than they are in the United States. "Data is the most universal asset there is," says Thurston Moore, chairman of the executive committee for Richmond-based Hunton & Williams. "Even small clients need to understand data and privacy rules."

Law firms involved in international transactions often have ongoing relationships with foreign firms, "sort of like correspondent banks," notes Stephan. Some U.S. firms also belong to global legal networks, which require their members to meet stringent requirements. Now, there is a growing trend toward formalizing international relationships "through law firm mergers and the opening of satellite offices," Stephan says.

While a relatively small global company might be able to handle legal matters through a handful of local firms, managing those relationships can be challenging. As Michael Pollack, global head of strategy for Pittsburgh-based Reed Smith, points out:



Emily Yinger says law firms with overseas offices "have to understand that different markets have different cultures."

Photo by Mark Rhodes



Pollack

"If multiple lawyers from multiple law firms in multiple jurisdictions are working on a single matter, usually someone at the client's firm has to coordinate their work."

On the other hand, "If a single firm is doing the work, that firm will coordinate the work, saving the client the effort," he says.

Reed Smith, which opened its first overseas office in 2001, grew substantially through mergers in 2007 and 2008. It now has eight offices abroad, and 35 to 40 percent of its lawyers work overseas. The firm's Virginia offices are in Richmond and Falls Church.

Benefits

Law firms benefit from global growth. Overseas offices provide firms with a wider talent pool as well as the opportunity to diversify across different markets, which is especially valuable in a recession.

The recession, for example, badly damaged the London financial market, but the Asian economy has proved to be fairly robust during the global downturn. So having offices in Shanghai and Hong Kong as well as London helped Troutman Sanders weather the storm. While it has frozen expansion plans in London, the firm's workload in Asia has remained strong enough to justify adding two partners to its Hong Kong and Shanghai offices, bringing the total number of lawyers in the two offices to 27. It also has applied for a license to open a Beijing office.

The Atlanta-based firm, which in Virginia has offices in Tysons Corner, Virginia

Beach, Norfolk and Richmond, maintains 5 percent of its lawyers overseas. "Anytime you can diversify, it's good," says Robert Webb Jr., Troutman Sanders' chairman and managing partner.

Providing seamless service to clients across national borders might be the most important benefit, though. "It broadens and deepens our relationships with our clients," Reed Smith's Pollack says.

In fact, firms often follow clients into foreign markets. When communism collapsed in Eastern Europe in the late 1980s and early 1990s, Yinger's firm opened offices in Warsaw, Prague, Budapest and Moscow, in part to help its clients privatize industries there.

Likewise, Hunton & Williams opened an office in Warsaw to serve clients moving into the new, post-Communist market. "The opportunity was to interface with an economy that was just growing up," says Moore. "As that market matured, our clients didn't need that function as much." The firm operated its office in Poland for 10 years, closing it in 2002.

In the meantime, Hunton & Williams followed clients into Hong Kong, another emerging market, "because we had a successful finance practice doing large infrastructure projects in the '80s and '90s," Moore says. Likewise, in 1997 its work for Thai energy companies persuaded the firm's leaders to open an office in Bangkok.

Today, Hunton & Williams operates offices in London, Brussels, Beijing and Bangkok, and its overseas lawyers make up approximately 10 percent of the firm. "There will be a need to interface as a market emerges, but that's got a shelf

life," Moore says. "It wasn't long in Eastern Europe, but it might be in Asia."

Challenges

Opening an overseas offices isn't trouble-free. Getting permission to practice law in some countries can be a slow process. "We had to work as a foreign law firm for five years before we could become a Chinese solicitor firm," says Troutman Sanders' Webb. The delay placed limits on the types of law the firm could practice in Hong Kong.

Until 2003, China also limited overseas law firms to a single office in China, forcing firms to close one office in order to open another one in a new market. And it continues to require foreign law firms to wait three years after opening an office before opening another one.



Webb

Operating an office once it's up and running can be challenging as well. "You have to understand that different markets have different cultures," says Hogan Lovells' Yinger. "What works for recruiting here might not work in Germany." Likewise, training associates in the United Kingdom differs significantly from the American system. "And advancing to partner can happen at different times" in different countries, she says.

Traveling between overseas offices puts an added burden on employees, and time zone differences can pose scheduling issues, although they're not insurmountable. "We hold executive meetings at 10 a.m. Eastern Time every other week by video or teleconference," Webb says. "That's 10 p.m. in China, 3 p.m. in London and 7 a.m. on the West Coast."

Sleep deprivation is a drawback for managers in international firms, "Operating a firm 24 hours a day is a challenge," says Reed Smith's Pollack.

Time differences can work to a firm's advantage, though. Say your firm is handling a case for an American client with a legal dispute in China. "You can do your part of the work in the U.S. and at the end of the day hand it off to your Chinese office," Yinger says. "So you can effectively serve your clients and move the project forward around the clock." **VB**