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Independent Law Firms in Europe: A model of resilience

Author: Sofia Lind

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The inherently flexible model of independent law firms has granted them the chance to prosper despite the downturn. Sofia Lind finds Europe's leading firms in good spirits

The global recession has done little to alter the faith of Europe's independents in the strength of their law firm models.

While the global UK and US-based firms have been busy with internal housekeeping and the struggle for position in their home markets, Europe's independent law firms cannot be accused of having let the opportunity pass them by.

But perhaps the very model of an independent law firm, which by nature is versatile due to the smaller number of lawyers, is a key reason why Europe's independents sound so upbeat when discussing how they have held up in the recession compared to large, international rivals.

As Spanish Perez-Llorca founding partner Pedro Perez-Llorca, says: "I am a true believer in the independent model and if I ever had any doubts those would have come more in the finance bubble than now."

The Italian example

Looking at partner moves over the past year, Italy may be the clearest example of a market where independents have taken opportunities while international firms have cut back.

One firm to visibly shrug off the recession was NCTM, which aggressively added staff to reach the position as Italy's third-largest firm through a series of mergers with smaller firms. In May it secured a tie up with DS&P and Janni Fauda & Associati while in June it merged with O'Connor and Company.

This was in addition to the opening of a Brussels office and the first steps towards a Chinese base.

Another Italian independent taking the opportunity to grow, rather as a direct result of the international firms' retrenchment, was Gianni Origoni Grippo & Partners, recruiting a large number of lawyers from Allen & Overy's (A&O's) Italian practice.

The local heavyweight, which lost large teams in recent years through spin-offs Legance and Labruna Maziotti Segni,



hired about 20 lawyers from the magic circle firm at the end of April this year. This included A&O's entire environmental and regulatory team, headed by highly regarded partner Antonella Capria. The group also included the firm's Italy litigation head Alberto Nanni.

Earlier in the year, A&O's Italian practice laid off about 30 lawyers as part of its global restructuring - the turmoil thought to be the main cause for voluntary departures.

A&O went on to lose more Italian lawyers over the year, including senior corporate partner Mario Colombatto, who left alongside banking partner Giovanni Luppi to set up new law firm R&P Legal together with Hammonds' Italian ally Rossotto.

Chiomenti's Rome-based corporate partner Filippo Modulo says: "The current market presents opportunities to the independent and local firms that have been able to keep their leading position in Italy. We have seen a very active market for professionals in Italy with new firms arising from spin-offs."

Chiomenti is one of a number of Italian independents to have held their own during the recession, alongside other examples Bonelli Erede Pappalardo and Gianni and its spin-off firms.

Top 10 UK firm Ashurst's Italian practice meanwhile lost four partners, including its two Milan office leaders. Managing partner Riccardo Agostinelli and finance partner Lorenzo Verneti both joined US firm Latham & Watkins, while Milan office head Daniele Raynaud and corporate partner Stefano Roncoroni set up their own boutique firm.

According to local lawyers, US firms held up slightly better in Italy than their UK counterparts, with Latham & Watkins and Cleary Gottlieb Steen & Hamilton at the head of the bunch.

One Italian partner comments: "The US firms have been able to keep their visibility in the market. In the magic circle, Clifford Chance (CC), Freshfields and Linklaters have kept their presence in certain areas, while UK firms Allen & Overy and Ashurst have been losing a lot of people."

However; Lovells' Italian managing partner Leah Dunlop thinks her firm has bucked the trend, hiring three new partners in Italy this year to build in the areas of dispute resolution and capital markets.

She says: "There has been a definite cut-back by several international firms in a number of areas, notably in finance. Firms have had to take a closer look at the level of resources invested. Success is really dependent on having that core of local clients.

"The independents have really consolidated their contacts and done an excellent job in keeping close to their clients."

German corrections

A more mixed picture was painted in Germany. Magic circle firm Freshfields Bruckhaus Deringer continued to sit on

top of the M&A market alongside major domestic firms, including Hengeler Mueller and Gleiss Lutz, but a number of mid-size German independents say they are also on track for a fairly good year.

However, Freshfields' German managing partner Manfred Finken thinks it is too soon to tell. He says: "Domestic firms fared quite well in 2008 but that took into account only a few months of the financial crisis. UK-based international firms' 2008/09 financial year bore more of the brunt of the crisis and it remains to be seen when this year finalises just to what extent domestic firms were affected."

Freshfields, having restructured the business at an opportune time prior to the recession, did not have to resort to layoffs during the downturn. In Germany, Linklaters had also made previous cutbacks, but CC and A&O's global restructurings during 2009 were both seen to affect the German practices.

Michael Oppenhoff, who manages Linklaters' Cologne spin-off Oppenhoff & Partner, thinks that international's cutbacks back in Germany was not only a result of the recession but also a natural correction to levels of market demand.

He says: "Too many firms have tried to establish themselves here. Some have been successful, but others have struggled because they have not found the right talent."

Oppenhoff scooped up one of the most high-profile German partner laterals this year taking on A&O's M&A rainmaker Rolf Koerfer in September. It followed the move of A&O partner Reinhard Hermes who joined Oppenhoff in June.

Oppenhoff comments: "There are a number of factors which make us different to a larger, global firm but one factor is that we have a closer relationship with our clients. We advise them on a complete range of services with a long-term view, rather than being transaction-focused, and some of these aspects are attractive for a good many lawyers."

Beiten Burkhardt M&A partner Jack Schiffer adds: "Judging by German news reports, the majority of recent lateral partner moves have been departures from UK and US firms either to independent firms or constituting a spin-off."

Examples of this were seen at Ashurst, which agreed on a split with former Munich head Karl Wach, who set up litigation boutique Wach & Meckes in June - to which the UK firm now outsources its Munich litigation work. Meanwhile, SJ Berwin lost Frankfurt corporate head Michael Roos, who set up boutique firm Roos Legal in May this year.

French advantage

Across the border, strict French labour laws disabled lawyer lay offs at levels seen in other jurisdictions, but



performance management and a lower level of investment still enabled cost-saving at international firms. For independents, factors such as long-term relationships and adaptability were highlighted as key strengths of French independents during the recession.

De Pardieu Brocas Maffei founding partner Thierry Brocas (*pictured*) says: "We have been much less affected than the international firms for a number of reasons. We don't share the same burden of costs, we advise in a broader range of areas and we have also benefited from our lawyers being more versatile.

"This, and our good reputation in high-profile restructurings and litigation, has given us the competitive advantage."

As for lateral hires, he adds: "Of course we receive a lot of interest as a result of the partnership restructurings at international firms, but we want to be very careful with who we take on board."

But not all moves from international to independents came as a result of cut backs. One of the most recent partners to make the switch in France was Norton Rose's Paris employment head Claire Fougea who joined local firm Franklin in September, bringing her team.

Explaining her move, she says: "French employment law is a very specialist and domestic area of law as compared to other areas of the law, such as corporate law, and M&A, which is more cross-border by nature. From a personal perspective, being a partner in an independent local practice gives more room to contribute to the direction of the firm on a collegiate level. And I really do appreciate it."

At Franklin, she plugs the gap left by Patrick Thiebart who joined independent rival Jeantet Associates with his team. Jeantet is one French domestic firm that rivals think has performed particularly well through the recession, along with other examples such as Darrois Villey Maillot Brochier, and Slaughter and May ally Bredin Prat. However, Paris-based Gide Loyrette Nouel has also been named a strong performer, despite its unique position as France's only internationally-focused law firm.

Gide senior partner Pierre Raoul-Duval says: "The recession has been tough on all firms and it has not spared us, but we have managed to hold our own pretty well. Being top-ranked in all areas of business law in France we have benefited from a flight to quality."

Spain takes market share

The Spanish economy took a major fall through the recession with everyone having to bear the burden.

Pedro Perez-Llorca says: "The recession has been dramatic in Spain and is not comparable to the downturns in 1991 or 2001. For law firms there are two challenges: to continue growth in a market where there is less demand for our

services, and a pressure on pricing."

He adds: "What we see is an increasing market share being taken by Spanish firms. We see a lot of Uria, Garrigues and Cuatrecasas."

Aside from Herbert Smith's long-awaited Madrid launch earlier this year with a team from Linklaters, few



expansions were seen aside from Gomez-Acebo & Pombo, which bucked the trend scooping up the majority of UK firm Nabarro's Spanish alliance firm Rodes & Sala with a 22-lawyer hire in July.

The most important Spanish lateral partner move was an example both of international cuts and the success of market leaders, seeing Uria Menendez bolster its Madrid base with the hire of CC's Spanish senior partner and local banking head Jaime de San Roman (*pictured*) in September.

One Spanish partner says: "It looks like a great loss for CC and a great win for Uria. Many Spanish rivals would have been happy to have Jaime."

International dependence

A slightly different picture was painted in the Central and Eastern European (CEE) market, where many are more heavily dependent on referrals from large internationals. According to Rob Irving, the Budapest co-managing partner of US-based international law firm White & Case, such factors played a larger part for workflow during the downturn than whether or not the firm had a global outlook.

He says: "The firms, whether they are local or international, that have been entrepreneurial by nature and established a strong local practice have been much less affected."

Examples of firms doing well in the CEE include the UK's CMS Cameron McKenna, which has a longstanding local practice, and Austrian CEE heavyweight Wolf Theiss.

Wolf Theiss managing partner Horst Ebhardt says: "Contrary to popular belief I have not seen a large drawback from the CEE region.

"The difference is the level of focus on the market, because as a global firm you also have the rest of the world to pay attention to. We only operate in this region and it could well be that focus will benefit us going forward."

Independent cooperation

Aside from Salans, which announced a tie up with UK national Pinsent Masons in June; the recession has taken many

managing partners' minds off the idea of an international alliance, despite their obvious benefits. A possible reason pointed out by several market players is that an alliance is a monetary and time-consuming investment, which has not been at the forefront of managing partner minds.

DePardieu's Brocas summarises: "In the past we have been approached [by international firms], but we have not seen an increase in interest as a result of the recession. I would think that while the Anglo-Saxon firms have been busy with internal restructuring they have not had the inclination to expand, including approaching independent firms for alliances."



Key deals featuring European independents during 2009

- October: The year-to-date largest European leveraged finance deal, the €1.025bn (£942m) financing of the purchase of Enel Rete Gas (ERG) by a consortium comprising Axa Private Equity and Italian infrastructure investment fund F2i from parent company Enel Distribuzione, a subsidiary of ERG. Allen & Overy and Chiomenti advised the banks, Gianni Origoni Grippo & Partners advised the buyer and d'Urso Gatti & Associati the seller.
- GM's aborted sale of Opel has handed roles to a large number of international firms, but also a raft of local German firms. Gleiss Lutz was in a plum position as the adviser to favoured bidder Magna International. German-based restructuring experts Wellensiek advised Opel on GM's restructuring, which saw Clifford Chance and Baker & McKenzie advising GM.
- GM's ongoing sale of Saab to Swedish sports car maker Koenigsegg saw the buyer instruct US firm Skadden Arps Slate Meagher & Flom alongside Swedish independent Lindahl. Meanwhile, Swedish firm Hammarskiöld & Co took the lead role for GM on the sale. Swedish restructuring boutique Lofalk advised Saab on its restructuring.
- The multi-billion re-crediting of French banks. The French State instructed Gide Loyrette Noeul for advice on setting up the facility and used Bredin Prat to actualise it. A number of international firms including Cleary Gottlieb Steen & Hamilton and Linklaters won roles for the banks that made use of the facility.
- Enel's acquisition of a 25% stake in Spanish utility company Endesa from Acciona. Cuatrecasas Goncalves Pereira advised Enel, while Uria Menendez advised Acciona. Enel instructed Latham & Watkins on the €8bn (£7.4bn) financing in March this year, where A&O advised the bank consortium.
- January: Air France-KLM's €323m (£297m) purchase of a 25% stake in Alitalia. Italian independent Legance advised Air France-KLM. US firm Debevoise & Plimpton's Paris office advised the airline on French aspects. Bonelli Erede Pappalardo advised Alitalia's owner CAI on the sale. (In 2008, Lufthansa failed to buy a minority stake in Alitalia for €1.5bn [£1.4bn] advised by Freshfields Bruckhaus Deringer.)

Significant lateral partner moves in 2009

October: Norton Rose Paris employment head Claire Fougea went to independent French law firm Franklin.

September: A&O lost one of Germany's most high-profile M&A partners when Rolf Koerfer joined Linklaters Cologne spin-off Oppenhoff & Partner.

September: Clifford Chance Spanish senior partner and banking head Jaime de San Roman joined Uria Menendez' Madrid corporate practice.

August: A&O's Italian practice lost corporate heavyweight Mario Colombatto who left alongside banking partner Giovanni Luppi to set up new law firm R&P Legal together with Hammonds' Italian ally Rossotto.

July: Nabarro's Spanish ally Rodes & Sala split in two with the majority merging into Gomez-Acebo & Pombo (four partners) and the remainder (two partners) joining Broseta.

June: Ashurst Munich litigation outsourced when former office head Karl Wach set up litigation boutique Wach & Meckes.

May: Boutique firm Roos Legal set up by SJ Berwin's Frankfurt corporate head Michael Roos.

April: A&O's Italian practice lost about 20 lawyers to Gianni Origoni Grippo & Partners, including environmental and regulatory practice group head Antonella Capria and litigation head Alberto Nanni and their teams.

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