HOMAS FRIEDMAN, GLOBALIZATION guru for The New York Times, contends that as a result of broken-down barriers and technological innovations, the world is now flat. Maybe Friedman has been spending too much time in Bangalore, because his observation doesn’t fit the high-end legal market. In the Am Law 200 world, New York is still a very high hill.

It’s the financial capital of the world, a beehive of commercial litigation, and the first stop of the best foreign clients when they’re searching for lawyers in the United States. Any firm with global ambitions must have a presence in New York. “Without one,” says O’Melveny & Myers chair A.B. Culvahouse, Jr., articulating a widely held sentiment, “it just doesn’t work.”

Of course, no one ever said global domination was easy. Building an office in New York, as our president might say, is hard. It means shelling out exorbitant rent and paying—some call it overpaying—for New York talent. That doesn’t always sit well with the ruling class at headquarters, wherever that may be.

But New York can be made home to out-of-towners.

Latham & Watkins has proved it. Twenty years ago Latham opened its New York office, occupying a single floor in the Lipstick Building in midtown Manhattan. Today, it is the building’s biggest tenant, sprawling over 16 floors and more than 300,000 square feet. This year the firm’s New York office became its largest, with around 270 lawyers, who serve a client list that reads like a Wall Street directory. In some areas Latham now competes head-on with the vaunted New York firms.

Can the Latham model be replicated? Is it too late to move to New York? Well, think about the New York market 20 years ago. A New York–based firm known as Finley, Kumble was the sixth-highest-grossing firm in the country. Junk bonds were starting to take off. Private equity firms were only beginning to do billion-dollar deals. And Eliot Spitzer was just another associate at Paul, Weiss, Rifkind, Wharton & Garrison.

No, it’s not too late. But it’s getting harder. Because midsized New York firms—which so many out-of-town firms acquired as a way into the Manhattan market—are close to extinct, an extreme makeover is not a likely option. And because firms
already on the ground have been chasing dreams of empire for decades, the competition for talent is as tough as trying to become Donald Trump’s next apprentice.

New York is not a one-size-fits-all type of place. Success can be defined in as many ways as there are New York restaurants—from Per Se to Katz’s Delicatessen. But no matter what your ambitions, if you want to take Manhattan, you should consider Latham’s example. We’ve distilled Latham’s success into four simple rules. So if you’re making a brand-new start of it . . .

**Rule No. 1**

**PICK YOUR PLAYING FIELD**

WILLIAM VOGE, A PROJECT FINANCE LAWYER AND A LEADER OF LATHAM’S NEW YORK PRACTICE, IS AN ENTHUSIASTIC STUDENT OF THE BUSINESS OF LAW FIRMS, A SUBJECT ON WHICH HE HAS SOME STRONG VIEWS. THEY SOUND A LITTLE ODD COMING FROM A MAN WHO GREW UP ON A FARM IN IOWA, BUT VOGE’S RESUME GIVES HIM CREDIBILITY: ALONG WITH HIS J.D., VOGE EARNED AN MBA FROM THE
versity of California, Berkeley. He was named a partner at Latham & Watkins in 1990 and served on the firm’s executive committee from 1998 to 2002. He was also among the first lawyers in Latham’s New York office.

“Our view 20 years ago was that if we wanted to succeed in New York, we [had to] play on the same playing field as Cravath, Davis Polk, S&C, Skadden, Simpson Thacher,” recalls Voge. “That we had to be sharing in their market share and not on the next level down—that was unequivocal.”

Voge pulls out a chart from his desk to make a convincing case that Latham has succeeded. It lists the firm’s top financial clients for 2004. The Goldman Sachs Group, Inc., which paid Latham $32 million in 2004, is number one. Next is Credit Suisse Group at $29 million, then Deutsche Bank AG at $18 million, and The Bear Stearns Companies Inc. at $15 million.

Latham’s ingratiation into Wall Street has also been reflected in deal charts over the last five years. Last year, for instance, Latham ranked first among underwriter’s counsel in IPOs, ahead of Sullivan & Cromwell, Shearman & Sterling, and Cravath, Swaine & Moore. And Latham was the only firm not based in New York that ranked in the top five among underwriter’s counsel in high-yield debt deals in 2004. It finished second, behind Cahill Gordon & Reindel.

Latham’s ambition to compete against the top New York firms sprung from a practical concern: It had a brand to protect. In the 1980s Latham was known as one of the best firms in California. If the New York office had developed a second-tier reputation, it would have hurt the firm’s overall business. Voge says it would have been wiser for Latham to stay home in California if the firm wasn’t ready to compete at the highest level in New York.

But not every firm needs to take on the top New York firms to succeed. The harsh truth is that most firms simply can’t. So, the corollary to rule number one is: Keep it real. New York is such a deep market that dozens of large firms can be successful, provided they don’t suffer from delusions of grandeur. Miami-based Greenberg Traurig’s growth illustrates the point. Its office opened in 1992 with two lawyers for the sole purpose of closing public bond deals for such clients as the states of New York and New Jersey. Today Greenberg’s New York office numbers 270 lawyers, 100 more than the firm’s home office in Miami.

“We didn’t come, like some firms probably did whether they admit it or not, and try to be Cravath,” says Richard Rosenbaum, the head of Greenberg Traurig’s New York office. Rosenbaum is a Queens native who worked his way through law school at St. John’s University, joined Greenberg's Fort Lauderdale office, and returned to New York with Greenberg in 1996. “We didn’t come here and think, ‘Next year we’re going to be competing with Wachtell for zillion-dollar deals.’ . . . We tried to create our own unique place in the market.”

In New York, Greenberg followed its usual approach to growth. There were no committee meetings plotting a global domination scheme, no dictates from Miami, just decisions by individual attorneys in the office on how to expand their practices. And a closed compensation system in which offers to new partners are made by a committee of one—in the New York office, it’s Rosenbaum—and partners don’t know what other partners make. The firm can pay top dollar to recruit top talent, and big rainmakers don’t have to fight bureaucracy to expand their practices, permitting Greenberg to lure lawyers at the senior associate and of counsel level from some of New York’s finest firms, including Sullivan & Cromwell and Wachtell, Lipton, Rosen & Katz.

As a result of what Rosenbaum calls the firm’s “commitment to the local market,” Greenberg has made inroads in popular New York practice areas that other firms might not consider, such as real estate, entertainment, and lobbying. The firm also represents start-up and middle-market businesses that other firms might not.

“On the ground, you end up growing in a different way than if you were sitting in some other city saying, ‘We’re going to New York,’” says Rosenbaum.

Chicago’s Sonnenschein Nath & Rosenthal has also targeted New York’s rich middle market. Like Greenberg, Sonnenschein rubs up against some of the top-tier New York firms in certain areas, notably litigation and bankruptcy. Partner Michael Barr, for example, recently defended Royal & Sun Alliance Insurance Group plc in the high-profile World Trade Center litigation. But in other areas, it competes on the next level down. “We do a bunch of securities work,” says Robert Winikoff, the firm’s New York managing partner. “But are we competing with Sullivan & Cromwell? The answer is, absolutely not.”

According to Winikoff, the office originates around
$130 million of the firm’s $411 million overall revenues. The per-lawyer costs in New York are higher than in any other office, but so are billing rates and revenue per lawyer figures. “We’ve been able to run the office profitably,” says Winikoff.

**Rule No.2**

**COME WITH A CLIENT BASE—OR BE PREPARED TO BUY ONE**

Latham’s decision to move to New York 20 years ago started at the committee level (where just about every decision at Latham starts) and grew from the larger existential question of what type of firm Latham wanted to become. Latham had adopted an expansionist posture in the early 1980s, making it clear that it had more than just regional ambitions. It opened offices in Washington, D.C., in 1978 and Chicago in 1982. New York was the logical next step, especially because some of the firm’s best clients had business in New York. But there were doubts about the timing.

“The big issue at the time was: Are we getting to New York a little late?” says Voge.

Latham’s timing turned out to be perfect. Corporate America was beginning an upheaval, with so-called corporate raiders buying, dissecting, and selling some of the biggest business in the country. The man financing many of the raiders was Michael Milken of Drexel Burnham Lambert Incorporated—a Californian who just happened to be a client of Latham & Watkins.

Drexel, which near the height of the junk bond boom had a market share in the neighborhood of 60 percent, was a pretty good client for Latham to ride into New York. And by the early 1990s, when other investment banks decided that they wanted in on Drexel’s action, Latham lawyers were there, ready and willing, to serve them as well.

“We picked the side of the cowboys, and the cowboys won,” says Latham’s high-yield maven, New York partner Kirk Davenport.

Latham started its New York office in 1985 with about a dozen homegrown lawyers, led by one of its rainmakers, the late Henry Steinman. At the time, the office represented about 5 percent of the firm’s total head count. It was a big commitment, but according to Voge, Steinman insisted on big numbers as the best posture in the early 1980s, making it clear that it had more than just regional ambitions.

The failed attempt made a big splash and helped the office gain quick momentum. But it was the high-yield finance work that was the firm’s calling card in the early days. Latham represented Drexel in the takeovers of Avis, Inc., Zale Corporation, and Bell & Howell Company.

Latham’s high-yield preeminence complemented another practice area emerging in the 1980s: private equity. Latham’s L.A. office did work for Kohlberg Kravis Roberts & Co., and its Washington office represented The Carlyle Group. The New York office landed major KKR assignments as well, including the acquisitions of Beatrice Companies, Inc., and RJR Nabisco, Inc. When the recession of the early 1990s hit, Latham lawyers in New York stayed busy working for investment banks—Bear Stearns, Donaldson Lufkin & Jenrette Securities Corporation, and Kidder, Peabody & Co. Inc., to name a few—in out-of-court restructurings. But the office’s focus on private equity never abated, which has been a boon in recent years as the number of funds has exploded. Latham’s New York office has developed a roster of blue-chip private equity clients like Apollo Management, L.P.; Odyssey Investment Partners, L.P.; Welsh, Carson, Anderson & Stowe; and Leonard Green & Partners, L.P.


Kirkland & Ellis arrived in 1990 with ten homegrown lawyers and an active group of private equity clients, including Madison Dearborn Partners, LLC; One Equity Partners, LLC; and Citicorp Venture Capital Ltd., Inc. The firm opened in New York just as the LBO market began to cool and only months before the economy went into a recession. But Kirkland was well positioned in the late 1990s, when private equity deals picked up again. Last year—a year in which few areas were hotter than private equity—Kirkland ranked seventh by value of LBO deals. “It was no grand vision,” says Kirk Radke, who heads Kirkland’s New York office. “It was more [like], ‘Stick to the knitting, stick to what you’re very good at.’” Kirkland’s plan worked well enough that its New York contingent, stationed in the Citibank tower, now numbers more than 200 lawyers.

The corollary to rule number two is: If you don’t already have clients in New York, buy them. It’s an old tradition. In 1980, feeling pressure from New York firms in its hometown of Philadelphia, Dechert took over a midsize New York firm called Hays & Landsman, thus acquiring Getty Oil Co. as a major client and establishing a Manhattan presence. Some out-of-towners benefited from offshoots of established New York firms. Baker Botts, for instance, absorbed four partners from a Shea & Gould spin-off in 1992, picking up cable magnate John Malone as a client in the process. Other firms have merged as a way to gain critical mass in New York, such as Sidley & Austin, which, unable to get the traction it desired in Manhattan, combined with Brown & Wood in 2001.

But the great midsized New York firm grab is mostly over, making it harder to acquire clients by merger. The battle for business is now being fought in the lateral market. “It’s just getting harder [to come to New York],” says Bradford Hildebrandt of Hildebrandt International. “So much more competition for the talent. The problem is that if you’re coming to New York with economics that don’t match the better New York firms or certainly the firms already in New York,
then you’re going to have trouble recruiting talent.”

Some firms never get momentum in New York because of the intense competition. Bingham McCutchen chairman Jay Zimmerman has been focused on building his firm’s New York office since 1997, but admits it’s not been easy. “You find a lateral candidate in a San Francisco or a Boston or even a London, and you may be competing with ten firms,” says Zimmerman. “Here you’re competing with 25 firms. You get your pro rata share, but it can be frustrating.”

**Rule No. 3**

**GET LUCKY (OR MAKE YOUR OWN LUCK)**

Regulators were investigating Milken and Drexel for insider trading. The escalating investigation made for an ominous environment. The party seemed to be ending for Latham’s New York practice.

But sometimes it’s as good to be lucky as talented. Yes, Drexel died in 1990, but the former Drexel bankers stayed alive. In fact, they thrived—at other banks. One group went to Kidder, Peabody, another to DLJ, yet another to Jefferyes & Company. After a brief hull, those banks all wanted a piece of the junk bond revival. Kirk Davenport was waiting for them with industry-standard forms his team had created, ready to educate bankers on the latest innovations in leveraged finance. Davenport’s savvy made Latham an integral part of commercial and investment bank clients in the mid-1990s.

Davenport, who came to Latham as an associate from Cravath, was one of Latham’s first hires in New York. In retrospect, he may have been its best. Now a youthful-looking 45 years old, Davenport is the head of Latham’s corporate finance practice and cochair of its corporate department in New York. Since joining Latham, he and his team have been out in front of so many major financing innovations that Wall Street regards them as natives.

“I would never consider Latham a non–New York firm,” says Michael Konigsberg, who heads the leveraged finance practice at Lehman Brothers Holdings Inc.

Whatever the next new, new thing turns out to be—the practice that launches New York’s next Latham-like success story—it will help to have the right connections. And that will also require some luck—the kind Houston’s Bracewell & Patterson recently found. For several years, Bracewell had wanted to establish a New York office, both to serve existing clients and to attract new ones. But it couldn’t find the right approach. Bracewell’s opportunity finally came last summer, when chairman Patrick Oxford met Rudolph Giuliani following the Republican National Convention in New York. Oxford invited the former New York City mayor to join the firm, which is now called Bracewell & Giuliani.

Oxford says the firm wants to compete in white-collar defense, international arbitration, and capital markets work. Most of the office will be developed on the ground. The firm has big expectations.

“It will arguably be the most important office,” Oxford says.

**Rule No. 4**

**HAVE A LONG-TERM VISION**

LATHAM DIDN’T SET out to build just a corporate practice in New York. Its intention was to create an office that could make money in both bull and bear markets. But for the first ten years, Latham’s office only had a handful of litigators—a weakness that Voge says hurt the New York operation in the early 1990s. “You would have said we’re a complete failure,” he says. “We weren’t getting the work we wanted.”

But the long-term vision thing kept Latham on track. In 1995 one of New York’s old-line firms, Mudge Rose Guthrie Alexander & Ferdon, was falling apart. Latham seized the

### URBAN RENEWAL

While New York’s economy has risen, fallen, and risen again in the past 33 years, onething has grown steadily: the number of firms coming to town. We’ve tracked some of the highlights for the firms and for the city.

By Denali K. Dasgupta

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>Morgan, Lewis &amp; Bockius opens a New York office to help attract clients to its leveraged leasing and project finance practices. The Dow Jones Industrial Average tops 1000 for the first time in history. John Lindsay is the city’s mayor.</td>
</tr>
<tr>
<td>1975</td>
<td>Dechert’s takeover of New York’s Hays &amp; Landsman lands the firm major corporate clients, like Getty Oil Company. Fewer than ten out-of-town firms have Manhattan outposts. Ed Koch is mayor.</td>
</tr>
<tr>
<td>1983</td>
<td>Latham &amp; Watkins comes to town to serve Michael Milken and Drexel Burnham Lambert Incorporated. Three other firms stake a Manhattan claim this year: Bryan Cave, Sedgwick, Detert, Moran &amp; Arnold; and Sonnenschein Nath &amp; Rosenthal.</td>
</tr>
<tr>
<td>1985</td>
<td>Jones Day acquires a New York office and a slew of international clients through a merger with 75-lawyer Surrey &amp; Morse. In 2004, Jones Day creates one of the world’s largest IP practices when it acquires 87 lawyers from New York’s Pennie &amp; Edmonds. The Mets win the World Series for the first since 1969, and the Statue of Liberty reopens for its centennial celebration.</td>
</tr>
<tr>
<td>1986</td>
<td>Welcome Kirkland &amp; Ellis. In 1990, the New York offices of out-of-town firms grow at three times the rate of the locals. An art auction record is set when a Van Gogh painting sells at Christie’s for $82.5 million. In 1991, King &amp; Spalding opens with three lawyers. By 2005, the office houses 180 lawyers. David Dinkins is mayor.</td>
</tr>
<tr>
<td>2006</td>
<td>Morgan, Lewis &amp; Bockius opens a New York office to help attract clients to its leveraged leasing and project finance practices. The Dow Jones Industrial Average tops 1000 for the first time in history. John Lindsay is the city’s mayor.</td>
</tr>
</tbody>
</table>
opportunity. It brought in 33 lawyers in a month—unusual for a firm known for taking its time in hiring. The additions gave Latham proven intellectual property and product liability practices and clients such as Nintendo of America Inc. and Liggett & Myers Tobacco Company.

Since taking over as head of the office five years ago, David Gordon has worked to solidify Latham’s New York litigation and corporate practices, looking for all-star talent to fill in the gaps. In 2002 Latham hired CSFB’s general counsel for the Americas, David Brodsky, who has already brought the firm securities class action work from Morgan Stanley and Canadian Imperial Bank of Commerce and other investment banks and audit firms. Last year Latham stole Marc Hanrahan from Skadden, Arps, Slate, Meagher & Flom, a firm that rarely loses partners. Hanrahan, who represents Goldman and CSFB in bank lending, complements the firm’s traditional strength in high-yield offerings and fulfills the one-stop-shop order.

Latham’s New York vision isn’t yet fully realized: Despite hiring Charles Nathan from Fried, Frank, Harris, Shriver & Jacobson in 2001, Latham hasn’t yet matched the elite New York firms in public M&A. Nathan and David Schwartzbaum, a lateral partner from Chadbourne & Parke, have embarked on a plan to raise Latham’s M&A profile by leveraging its deal work for investment banks into representations of principals, but Latham’s chairman and managing partner, Robert Dell, says he’s still “not comfortable where we are.”

If a long-term vision continues to drive a firm that opened in Manhattan 20 years ago, it’s even more important for the new immigrants to New York. Haynes and Boone opened in Manhattan a year ago, after studying the New York legal market for several years. Partner Judith Elkin had been representing Bank of America Corporation in the Adelphia and WorldCom bankruptcies, and partner Lenard Parkins represented Highland Capital Management, L.P., in buying debt-distressed companies. But Haynes and Boone thought it was missing opportunities because it didn’t have a New York address. Those immediate concerns— which were underpinned by the firm’s global ambitions—made New York a must. “If you don’t come here, you cap out,” says Kenneth Bezozo, the tax partner who uprooted his entire life in Dallas to open Haynes and Boone’s Manhattan office in 2004.

There was no red carpet waiting for Bezozo. For about the first month in New York, he borrowed an office from a consulting firm client, carrying with him only a BlackBerry, a cell phone, a laptop, and a cardboard Haynes and Boone sign made by his 16-year-old daughter. He spent three weeks searching for real estate before settling on a 7,500-square-feet sublease on Park Avenue in midtown.

There are plenty of reasons to be pessimistic about the prospects for Haynes and Boone in New York. It has little name recognition in the city. At just eight lawyers, it has no critical mass. And one of the strengths of its office is bankruptcy, a practice area that has generally cooled off in the last couple of years. But Bezozo, while cognizant of the steep challenges that face his firm, is genetically optimistic. Is Haynes and Boone too late to make it in New York? “Absolutely not,” he says. “Was Google too late?”

No, and neither was Latham 20 years ago. The New York legal market is bound to create another Latham over the next 20 years. One thing is sure: Haynes and Boone will have a lot of competition to be that firm.

E-mail: alongstreth@alm.com.

This article is reprinted with permission from the June 2005 edition of THE AMERICAN LAWYER. © 2005 ALM Properties, Inc. All rights reserved. Further duplication without permission is prohibited. For information, contact American Lawyer Media, Reprint Department at 800-888-8300 x6111. #001-06-05-0001.