

The View From Pittsburgh . . .

Local Law Firms Happy Participants In Ongoing Regional Boom

The operative phrase seems to be "very well"—words chosen rather cautiously by lawyers like William Newlin, president and CEO of Buchanan Ingersoll, to describe both the booming Pittsburgh market and their own steadily increasing prosperity. It's always a tendency of lawyers to speak cautiously, yet one can't help detect an aggressive enthusiasm brimming below the surface as they talk about what's been happening in this city and what still lies ahead.

A drive along stretches of barren land where steel mills once operated suggests the enormity of the transformation here, from blue-collar labor to high-tech enterprise. While swatches of city landscape are still in disuse, geography has always been kind to Pittsburgh. As Thomas Wright, president and operations committee chair at Eckert Seamans Cherin & Mellot, points out, the hills and three rivers that form the city's natural boundaries meant that "when it came time to rebuild, it wasn't like some cities where you could just go farther out." Pittsburgh had to stay healthy in its vital center.

Pittsburgh is currently fifth in the nation in software development and ranks near the top in research projects. That law firms have played an integral role in this sea change has been fairly obvious at least since 1991, when Newlin was *Inc.* magazine's Entrepreneur of the Year. Eight years earlier, Newlin had founded the Pittsburgh High Technology Council.

"Law firms today will be distinguished for the future according to which are entrepreneurial and which are not," says Newlin. By "entrepreneurial," he means the bringing to bear of broader knowledge and education on client matters, so that "judgments you make for your client are not the old, simplistic legal judgments, but they're made in the context of a difficult

business environment [that] helps them grow their business."

Newlin attributes much of Pittsburgh's strong economic performance to an "underpinning of small and medium-sized businesses [that developed] a large component of research and engineering skill." Coupled with local university programs and infrastructure, this smaller-business culture produced thriving software, environmental, and health sciences companies, although, adds Newlin, the health industry here has not expanded to significantly include biotechnology or the manufacturing of medical devices.

'Law firms today will be distinguished for the future according to which are entrepreneurial and which are not,' says Newlin.

Buchanan Ingersoll, claims Newlin, was entrepreneurial before it was fashionable or even, for a law firm, "economically advisable." He believes there still aren't more than one or two other law firms in Pittsburgh that have a "significant investment" in high-tech practice, by which he presumably means full-service practices that encompass intellectual property as well as ground-floor financing.

Among those few legitimate competitors, firms like the 380-lawyer Reed Smith Shaw & McClay—around 120 lawyers larger than Buchanan—also trace their high-tech growth back to the early 1980s. Right around the time Newlin was starting the Pittsburgh High Tech-

Continued on page 12



Aspen Law & Business
A Division of Aspen Publishers, Inc.
A Wolters Kluwer Company
1185 Avenue of the Americas
37th Floor
New York, NY 10036

FIRST CLASS
U.S. POSTAGE
PAID
BALTIMORE, MD
PERMIT NO. 1

The Pipeline

Continued from back page

nology Council, Reed Smith pioneered a client network called TECHLEX® aimed at the emerging companies.

The idea "was to be with companies to help them grow," says former Reed Smith patent lawyer Thomas Wettach, "because most of the companies really couldn't afford us at the time." Pittsburgh law firms began emulating what entrepreneurial pioneer attorneys had accomplished in Silicon Valley. They helped subsidize many of their clients, often by agreeing to extremely flexible fee arrangements.

Inevitable Invaders

A market like Pittsburgh deserves focused attention if only because of such inevitable comparisons to other high-tech markets. The similarities are obvious: the same sort of legal work, the same sort of clients, the same entrepreneurial cultures. Yet, there are also salient differences. Unlike in California, where a number of megafirms have competed furiously in Orange County and San Diego as well as Silicon Valley, not every major nearby firm with high-tech aspirations has set its sights on the Pittsburgh area.

On the other hand, if Newlin is right, and only a few local firms can exploit the high-tech opportunities in their midst, then we should expect that at least a few prominent out-of-town players will see real possibility here. Indeed, one significant invasion was recently launched by Philadelphia megafirm Morgan, Lewis & Bockius. Last year, that firm lured four partners and four associates from the Pittsburgh home office of Kirkpatrick & Lockhart.

Aside from out-of-town insurance defense firms, the other main branch offices in Pittsburgh are Cleveland's Jones, Day, Reavis & Pogue, Philadelphia's Pepper, Hamilton & Scheetz, and New York's LeBoeuf, Lamb, Greene & MacRae. The latter is reported to have done particularly well here as the preferred provider for the litigation business of the Aluminum Company of America.

Despite its loss, Kirkpatrick is still a 400-lawyer-plus megafirm. Its strong securities practice naturally

gave Kirkpatrick a leg up in the high-tech start-up market. Not surprisingly, the firm's high-tech-oriented practice extends well beyond IPOs and transactional practice. Administrative partner Donald Seymour notes that the IP group has, for example, doubled in the past five years.

If only a few local firms can exploit the high-tech opportunities in their midst, then we should expect that at least a few prominent out-of-town players will see real possibility here.

The extent to which a national firm like Kirkpatrick emphasizes the importance of its Pittsburgh home office as a "nerve center" is certainly significant. Often, as such firms grow, the center of gravity shifts to a major branch in New York City or Washington, D.C., or Los Angeles. But Seymour says that Pittsburgh "probably has the broadest array of capabilities and legal experience of any of our offices," and he estimates that more than half the Pittsburgh practice serves clients outside the region.

Diverse Small Fry

Like Newlin, Seymour also believes that the range of services required by new business ventures, including "questions of business structure, finance, connecting to capital markets, [and] protecting IP rights," naturally limits their choice of law firms to the "handful" that have full-service capabilities. On the other hand,

Marketing Partners Forum

The 1998 Marketing Partners Forum will be held on January 22-24 in Phoenix. The conference is an annual joint venture of Business Development, Inc. and *Of Counsel*. Register now for this popular event to guarantee attendance. Call Julie Savarino at (248) 348-6789 or e-mail to MPFORUM.COM.

there may be something presumptuous in this full-service emphasis. In fact, the dominance of these few firms could actually offer small and mid-sized firms a pretext to market more aggressively.

"Probably two firms dominate in [the venture capital] area, and some people are looking to be represented by somebody else," says Charles Brodbeck, president of the mid-sized Cohen & Grigsby, which has done "its share of IPOs" and historically represented start-ups. "Not that those two aren't good, but either they're too busy" to talk to everyone who calls, or they're too "ingrained" in their own way of doing things.

Four or five Cohen & Grigsby attorneys are responding to this perceived demand, working to develop a larger venture practice. Brodbeck says the firm has also been attracting laterals from most of the other firms in town; he figures the high-tech group is already as "sophisticated" as any in Pittsburgh.

Marketing consultant Jane Rectenwald observes a lot of high-tech work that "nobody knows about. . . . You see some of the very prominent high-tech companies, and they're associated with some big-name law firm. So there's an illusion that the big firms have all the good business."

Rectenwald is a veteran of the Pittsburgh scene and its high-tech marketing wars, having served in the 1980s as Reed Smith's marketing director. Market research conducted when she was there found "the small companies were being served by Mom-and-Pop law firms . . . somebody's brother-in-law." While patent work exceeded their reach in many instances, these favored in-laws weren't necessarily out of their depth handling corporate set-ups or even "muddl[ing] through" IPOs. Rectenwald doesn't disparage these choices; there may have been no real reason for many of these companies to have entrusted their futures to bigger firms.

"The brother-in-law syndrome is always in effect," says Tom Wettach, who's now a partner at Pittsburgh's 26-lawyer Titus & McConomy, "because the hiring of lawyers is always the last thing people want to do." In Pittsburgh, the syndrome may be particularly advanced, however. Some observers believe the local bar is extremely variegated, and not always happily so, because of demographics. This year, the *Pittsburgh Business Times* reported (May 26, 1997) that the region has the second highest lawyer/nonlawyer ratio

after Washington. (In prior years, that distinction belonged to Denver.)

At the same time, Wettach himself doesn't apparently believe that the Big-3—Buchanan, Kirkpatrick, and Reed Smith—have a monopoly on the emerging markets. Quite to the contrary, they may, in fact, be de-emphasizing the start-ups. At the very least, like their Silicon Valley counterparts, they've been forced to reappraise their business mix as clients grow and demand conventional legal services. Should more resources be allocated to the high-volume work of matured companies, or should they continue to invest their main energies in the entrepreneurial birthing game?

'You see some of the very prominent high-tech companies associated with big-name law firms. So there's an illusion that the big firms have all the good business.'

"To some degree," says Wettach, "Reed Smith made a decision that they wanted a larger client base." The firm was institutionalizing, moving away from the long-term and iffy investments that start-ups require. Wettach apparently prefers the more entrepreneurial practice of a much smaller law firm, although Titus & McConomy's practice area list is full-service as well, with RICO and even maritime listed in *Martindale-Hubbell*.

TECHLEX® director Chris Delano disputes Wettach's interpretation of what happened at Reed Smith. "What in fact happened is that our perspective broadened," he says. "TECHLEX® became far more important in the strategic mix of marketing efforts in our Philadelphia/New Jersey markets. . . . The Pittsburgh market may have perceived that as a lessening of commitment, but I don't think that's entirely accurate." He says there's "still an effort" to work with young businesses in Pittsburgh."

Bigger Fish, Too

Strategic dilemmas affecting the mix of new and maturing companies comprise one part of the marketing picture. Equally important, major corporate and institutional clients are based in Pittsburgh as well. The growth of the IP practice at Eckert Seamans has,

for instance, been driven in large part by work for companies like Westinghouse Electric Corp. Wright says Eckert Seamans recently hired a Westinghouse patent lawyer who will continue to work on-premise at Westinghouse, as well as handle other clients for the firm.

The durability of these midsize firms may have something to do with the tightness of the Pittsburgh business community, and the fact that personal relationships count for a lot.

Eckert's recent growth—a healthy 10 percent in 1996—reverses some negative trends. Wright concedes there was “disappointment” with the firm's 1995 earnings. “We didn't lose any lawyers over that, but people were saying, ‘we need to change the management.’” The partnership appointed a committee, led by Wright, to find a strong managing partner; the committee selected its chairman. “My intention was not to guide it toward me,” quips Wright. “My intention was to guide it toward somebody else.”

Coupled with ongoing work from established corporate buyers, Pittsburgh firms are eyeing the international market as well, hoping to attract foreign companies to town. Interestingly, it's not the megafirms that are most prominent in this endeavor, but rather a few midsize firms seem to be leading the charge.

Cohen & Grigsby, for example, has developed a strong international practice; “the most extensive in the city,” says Brodbeck, “despite our size.” The firm has two German-speaking attorneys on staff and is looking for a third, he adds. One of the German speakers, Hugh Nevin, is described by Brodbeck as the “genesis” and “prime force” growing the international practice.

The tenacity with which midsize firms have competed in Pittsburgh suggests that the Buchanans and

Kirkpatrick may have assumed too confident a perch. Arthur Rooney, managing partner at Klett Lieber Rooney & Scorling, describes the Pittsburgh legal market as “interesting in that it has been fairly stable recently . . . when you compare it to Philadelphia where you've had a lot of activity in terms of firms closing up shop and a lot of movement of lawyers.” (Labrum & Doak and Clark, Ladner, Fortenbaugh & Young are two mid-sized Philly firms that recently dissolved.)

At the same time, firms like Rooney's are growing regionally. Klett Lieber is stretched across the state and has acquired a strong labor practice in Wilmington, Del. as well. The firm picked up lawyers from the local office of Pepper, Hamilton—a rare example of a midsize firm cherry-picking a much larger one.

The durability of these midsize firms may have something to do with the tightness of the Pittsburgh business community, and the fact that, for all the growth, it's still a relatively small market in which personal relationships count for a lot. The best case in point is the involvement of many of the lawyers interviewed in the sports life of the city. Rooney's family owns the Steelers, and he's VP and general counsel. Bill Newlin has fought hard to keep the Pirates in Pittsburgh, while a former Eckert partner, the late Carl Barger, was, according to Wright, a past president of the Pirates known as the “face of the Pirates in this city.”

The stability of the legal market is, finally, one more example of a “steady as she goes” economy: very, very strong, but not quite spectacular. Yet this relatively unspectacular context obscures something that, from a historical perspective, is really quite remarkable. Pittsburgh used to be a culture of clock-punchers, a world based on pugnacious loyalty to one's job and day-to-day routine. It was hardly the soil in which one would expect so many entrepreneurial spirits to flourish.

As Newlin puts it, “It really happened because of the initiative of business people and political people who recognized we were in a state of transition, and made it happen. It's no accident.”

—Jim Dee