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News

Coudert Breakup Voted After Merger Talks Fail

Decision Reflect Erosion of International Pre-Eminence

By [Anthony Lin](#)
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Partners at pioneering international law firm Coudert Brothers have voted to let the firm break up after failing to reach a merger agreement with another firm.

"After exploring various options, the partners of Coudert have authorized the Firm to enter into combinations of offices and practice groups with other firms to reflect the strengths of the Firm," New York-based Coudert said in a statement issued yesterday. "Such combinations will be done in an orderly process and announced over the next several weeks."

Sources familiar with the situation said the announcement indicated that recent merger discussions with Chicago's Baker & McKenzie had failed to produce an agreement, though it remained possible that individual offices or groups of partners would join Baker & McKenzie.

Neither Coudert nor Baker & McKenzie would comment on those discussions.

Coudert's announcement signals the likely dissolution in the coming weeks of one of the nation's oldest and most respected firms. But the news also comes as little surprise within the legal community. Though a growing number of departures in recent months has fueled expectations of an imminent collapse, the decline of Coudert has been evident for several years.

"It's not a shock but it is a real sad day," said Philippe Bennett, the firm's former intellectual property chair, who left last year to join the New York office of Alston & Bird.

Ward Bower, a principal at law firm consultancy Altman Weil, noted that Coudert Brothers would be the latest in a string of major firm collapses in recent years, following San Francisco's Brobeck, Phleger & Harrison, Chicago's Altheimer & Gray and Boston's Testa Hurwitz & Thibault.

"It's reflective of how volatile the market is these days and how vulnerable firms are," he said.

Though founded in New York in 1853, Coudert has long been known primarily for its overseas presence. The firm had an office in Paris in 1879 and recently celebrated 25 years in China, a market that most U.S. firms are only just beginning to explore. At its height, the firm had 28 offices worldwide.

But Coudert's early lead in international practice has been steadily eroded over the past decade or so by the expansion abroad of other firms in both the United States and Britain. Its roster of approximately 600 lawyers worldwide is now dwarfed by those of global behemoths like 3,000-lawyer Clifford Chance or 1,900-lawyer White & Case.

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Mr. Bower pointed out that those other firms typically expanded overseas from a position of strength, with a strong profit base in New York or London. In contrast, Coudert failed to build strong domestic core practices to feed its global network.

Mr. Bennett said the firm faced a crossroads in the late 1990s when it realized that its niche, international law, was under attack by a multitude of new competitors. He said the firm could have decided then to focus on building domestic practices, possibly focusing on the New York metropolitan area or the Northeast Corridor, while also maintaining its strongest practices in Paris, Moscow, London and Beijing.

But he said the firm was perhaps too wedded to the idea of international expansion. He said Coudert chose at that time to add still more overseas lawyers and offices, acquiring German firm Schürmann & Partners, among other moves.

"What was not reflected on was whether those markets had billing rates or the possibility of revenue generation to justify themselves," said Mr. Bennett.

Inconsistent leadership also has been a problem for the firm. Current chairman Clyde Rankin is Coudert's third in the last two years.

The firm's profits per partner have failed to keep pace with those of other firms. In 2004, Coudert had profits per partner of \$410,000, the second-lowest figure of all the firms ranked in the most recent AmLaw 100 survey of the nation's largest firms by The American Lawyer magazine, a Law Journal affiliate.

No Chance for Merger

Over the past few years, Coudert has steadily shed offices and lawyers, with the pace quickening in the last few months. The firm suffered a particularly harsh blow in May when San Francisco-based Orrick, Herrington & Sutcliffe recruited 11 partners from Coudert's London and Moscow offices, leaving only associates and other junior lawyers.

Coudert has threatened suit against Orrick over those hires, charging in correspondence that the California firm took advantage of merger talks between the two to recruit its partners.

Orrick has acknowledged it had discussions with Coudert but did not characterize them as merger talks. A Coudert spokesman said yesterday he could not comment on the status of the two firms' dispute.

Coudert has been looking for a merger partner for some time, having last year held prolonged discussions with Cleveland-based Squire, Sanders & Dempsey.

Mr. Bower said the firm's declining profitability and its onerous real estate obligations around the globe made it a difficult candidate for a full-scale merger. He said he also suspected that partners at the firm with memories of better times had "unrealistic" expectations of what they could achieve through a merger.

Separated into offices and practices, he said, most of the firm's partners should land on their feet. The firm's 120-lawyer New York office would be in demand by out-of-town firms eager to expand in the New York market. He also said the firm's China practice would draw great interest.

Mr. Bennett said a piece of New York legal history would be lost with the firm's passing, but he said other, seemingly stronger, firms now heavily invested in overseas offices should draw some lessons from Coudert's example.

"They're able to take a hit better than Coudert," he said. "It still doesn't mean it's the right business model."

— *Anthony Lin can be reached at alin@alm.com.*