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## Oldest Law Firm Is Courtly, Loyal and Defunct

By JAN HOFFMAN

Until the very end, when the doors officially closed on Friday, New York's oldest law firm had a 19th-century whiff about it.

Yes, most of the paintings of hunting horses and tall ships, the photographs of partners in mutton chops and Civil war uniforms, were kept to one conference room in the blandly modern midtown offices of Lord, Day & Lord, Barrett Smith.

But the old values of being true, quiet professionals still held. Lord, Day's lawyers served the same clients for generations. The aggressive pursuit of new business and old bills was considered unseemly. Gentility counted for a lot -- colleagues uniformly described one another as "nice."

It was a lovely way to run a law firm. It turned out to be a terrible way to run a business.

Lord, Day, with about 125 lawyers, is the third midsize New York firm to dissolve this year, along with Shea & Gould and Bower & Gardner. In the last four years, more than a dozen firms, ranging from 30 to 250 lawyers, have folded, merged or been acquired to become the New York branches of giant firms with home offices in other cities. Legal recruiters predict that the shakeout will continue, as firms plot their transitions from the wild, flush 1980's to the sober, post-recession 90's.

Law firms have undergone profound changes in the last 15 years. Partnerships are no longer lifetime appointments; clients now regularly switch allegiances. Midsize firms like Lord, Day became particularly vulnerable to dissolution, caught between full-service firms and specialized "boutique" practices.

Like many firms, Lord, Day refused for so long to adapt to the new legal market that when it did -- merging with another firm, taking on a costly lease -- it was too late.

But Lord, Day's passing is about more than financial stratagems. It is also, members of the legal community say, confirmation that a somewhat romanticized way of law-firm life is over, that the profession has become a business.

"The coin of the realm ceased being loyalty, predictability and continuity," said Gordon J. Davis, a senior partner at Lord, Day, "and became money, money and money."

In 1818, Daniel Lord, a solo New York practitioner, hung out his shingle and by 1848, he was joined by his son, Daniel De Forest Lord, and son-in-law, Henry Day. The firm remained a kind of family store: successive generations of Lords became partners, including the current distant relation, Henry De Forest Baldwin. Lord, Day was known as a carriage trade and admiralty house -- argot for wealthy private clients and shipping companies. In 1925 it moved to 25 Broadway, which housed offices for the Cunard shipping lines, a Lord, Day client since just after the Civil War.

"The firm's ethos was: you're a professional man with your primary duty to your clients," said R. Palmer Baker Jr., a retired managing partner. Bills were sent annually. If they went unpaid, a reminder was sent the next

year.

By the 1950's, the firm was virtually a synonym for stuffy, solicitous white-shoe practice. "Clients like to look at law firms and see themselves," said James C. Goodale, a former Lord, Day associate now at Debevoise & Plimpton. Slowly, the firm expanded to include corporate work for clients like the American Stock Exchange.

Another longtime client was The New York Times. In 1971 The Times obtained a classified Government study of the Vietnam War known as the Pentagon Papers. The firm advised the newspaper not to publish the documents. When The Times decided to challenge the Government's attempt to stop publication, Lord, Day withdrew from the case. Thereafter, the firm's work for The Times was confined to corporate matters.

By 1979, The American Lawyer, a magazine that was then the profession's brash new trouble-shooter, sounded a warning note by including Lord, Day in a cover story called "5 on the Way Down." As a general-interest firm, Lord, Day was losing clout and clients, it said. Many clients were turning to in-house counsel or specialists, while others were simply disappearing in corporate takeovers. As the 1980's loomed, Lord, Day was not in position at the starting gate. Rainmaker Decade: Loyalty Not Needed

The 1980's rocked law firm practice, as they did in many other fields. Mergers and acquisitions work exploded, as did bankruptcy work. Lawyers grew envious of money made not only by their clients, but by their colleagues; The American Lawyer was publishing annual revenue lists that the entire legal community gnawed over.

Many law firms were still paying their partners according to seniority -- longevity counted more than the business that one brought in. At firms like Lord, Day, younger rainmakers -- people who attracted lucrative business -- felt their efforts propped up the veterans, who were expected to spend their golden years burnishing a firm's reputation by taking on community leadership roles.

Although most firms, including Lord, Day, eventually moved to a quasi-merit system of remunerating partners, restlessness infected the legal community. Partnerships were no longer forever.

And neither were clients. No longer could it be assumed that a client belonged to the firm. In the new era of costly litigation, clients shopped for better prices and the best lawyers; they bonded with individuals rather than their firms.

And those sought-after lawyers knew it. The 1980's saw the rise of the rainmaker barons, who presided over fiefs of junior lawyers, with specialties in areas like intellectual property and antitrust law. When the barons felt underpaid, they entertained a notion unthinkable just a few years earlier: they could leave the firm.

Free-agentry hit the legal profession. As long as clients followed, another firm would happily fling open its doors to errant rainmakers.

In 1986, Lord, Day lost a chieftain, Gordon B. Spivack, a former Yale Law School professor who oversaw the firm's multimillion-dollar antitrust practice. Mr. Spivack took 17 lawyers to Coudert Brothers, plus clients like the Coca-Cola Company. 'Power Lawyers' And Their Drones

Robert W. Hillman, a law professor at the University of California at Davis who writes about lawyer mobility, warns students about the new world order: "This is very bad news for people who are just good lawyers," he said. "We tell them that the future is about power lawyers with teams of drones."

Lord, Day was never able to rebuild its antitrust work. Half the firm's real-estate practice left, as did Richard G. Cohen, its tax chief. In addition to the loss in business, the firm lost prestige: top-flight law school graduates became increasingly difficult to recruit.

But though firm loyalty was eroding badly, "the other side of the coin was a democratization of the practice," said Mr. Davis, one of a handful of blacks to become a partner at a New York law firm when he joined Lord, Day in 1983. The clublike crust of many firms was being breached. "You no longer got clients just because your father handled them," said Mr. Davis. Jews and women also joined Lord, Day's ranks.

The firm still had an illustrious roster that included Chemical Bank, the Morgan Guaranty Trust Company of New York, Lincoln Center and the Metropolitan Museum of Art. And it continued to be viewed as a kindly place: first and second-year associates worked directly with clients and partners, and even had lives outside the office.

By the late 1980's, senior partners were waking up with a start. They realized that if the firm did not expand rapidly, it would die. With scarcely 100 lawyers, it could not assign 30 or 40 bodies necessary for the complex mergers and acquisitions that were bringing windfalls to larger firms.

Its neighbor across the street at 26 Broadway, Barrett Smith Simon & Armstrong, founded in 1946, was having similar problems. It had lost much of its corporate department to Chadbourne & Parke. What remained were its muscular litigation group and airline clients like USAir.

In 1988, the new firms together became Lord, Day & Lord, Barrett Smith. On the day of the merger, Mr. Baker, Lord, Day's managing partner and leading dignitary, retired after 40 years.

"It had been the perfect place to be a lawyer," Mr. Baker said.

The merger made sense on paper; in reality, it was the arranged marriage from hell.

Lord, Day old-liners compare Barrett Smith lawyers to a high-school fraternity, hanging miniature basketball hoops in offices and venting emotion at top volume. Barrett Smith lawyers nicknamed some of their new colleagues "the young lords," and found them unbearably buttoned-up.

"You could live with someone you hate as long as you're both making money," said Michael F. Armstrong, a star Barrett Smith litigator whose clients included Senator Alfonse M. D'Amato and Michael R. Milken's brother, Lowell.

In anticipation that the new firm would grow to 250 lawyers, the newly reconstituted Lord, Day signed a 15-year lease for eight floors at 1675 Broadway. In 1990, the firm moved uptown, just about the time the real-estate market rushed south. The annual rent came to about \$6 million.

Even though business was drying up, Lord, Day could not bring itself to market its services aggressively. And, still believing that a general-interest lawyer could handle all the client's needs, the firm continued to take on one-time only projects with costly learning curves. "We had too many green cows with purple spots as opposed to cookie-cutter transactions," said Michael A. Chapnick, a senior partner.

Lord, Day's biggest, money-drenched cases were winding down while other clients were declaring bankruptcy. Corporations no longer stuck by their old firms; now they were awarding legal work piecemeal, often to firms willing to charge a fixed fee rather than hourly rates. Lord, Day, said some partners, began discounting bills to encourage collection. Squabbling increased in almost direct proportion to the drop in income. Personnel Losses And Empty Offices

The firm was struggling to manage itself. To just about no one's satisfaction, Mr. Chapnick from the Lord, Day group, and William C. Clarke from the Barrett Smith group became co-chairmen.

More defections ensued. The hardest blow came when Mr. Armstrong, who had brought in as much as \$6.7

million in 1989 but whose billings slid to half that in 1993, left with his litigators in October 1993. He opened a New York branch of Kirkpatrick & Lockhart, a firm based in Pittsburgh. His departure lost more than business and prestige for Lord, Day; 22 very expensive offices stood empty.

The firm renegotiated the lease and desperately sought a new merger; talks were held with a series of firms. But no firm wanted all of Lord, Day.

On Aug. 31, Lord, Day's partners voted to dissolve the firm. The New York Law Journal reported that although 1992 profits were \$18 million, profits for the year ending Friday were expected to be \$14 million; privately, Lord, Day lawyers say they think the final figure will be considerably lower.

Mr. Chapnick said that in the rebounding economy, a majority of Lord, Day's lawyers and its support staff had secured new positions. He and 54 Lord, Day lawyers will join the New York office of Morgan, Lewis, an international firm based in Philadelphia with some 775 lawyers and a vigorous public relations staff.

But even those with jobs Monday morning feel that with Lord, Day's closing, something irreplaceable has been lost. "We came here just because it hadn't woken up to the new world," said an associate who insisted on anonymity. "What I liked about the firm were the very reasons it couldn't last."

**Correction:** October 3, 1994, Monday

Because of an editing error, an article yesterday about the closing of the New York law firm Lord Day & Lord, Barrett Smith referred incompletely to a Philadelphia firm whose New York office is acquiring many Lord, Day lawyers. It is Morgan, Lewis & Bockius.