

Wanted: Lawyers With a Skill Set in Finance

By ELLEN ROSEN

Published: April 28, 2006

Scott C. Dettmer has seen booms before.

He and five other lawyers started Gunderson Dettmer Stough Villeneuve Franklin & Hachigian in 1995. Soon, it and other Silicon Valley law firms were lifted by the explosive growth in technology. By 2000, his firm had grown to 130 lawyers. Then the downturn hit and the firm, based in Menlo Park, Calif., shrank to fewer than 90 lawyers by 2002.

Now the boom in private equity and venture capital has allowed Gunderson Dettmer to grow again, this time to 120 lawyers. Last week, the firm opened a San Diego office with seven lawyers, including three partners from a rival firm, Wilson Sonsini Goodrich & Rosati.

"We are very bullish on the growth we are seeing," Mr. Dettmer said. "Not only are we seeing terrific activity in the areas in which we have offices, but we are seeing terrific growth in global areas such as China, India and Europe."

Other law firms are riding the private equity boom and are expanding practices and hiring more lawyers as a result. "Private equity lawyers have become the new rock stars," said Alisa F. Levin, a principal of the legal recruiter Greene-Levin-Snyder in New York.

It is no surprise that private equity and venture capital firms have been lucrative clients for law firms. Some \$163 billion in private equity funds financed 697 deals in 2005, according to MergerMarket, a mergers and acquisitions research firm based in New York. Venture capital money is up as well: a report released April 25 by PricewaterhouseCoopers and the National Venture Capital Association, based on Thomson Financial data, found that in the first quarter of this year, venture capitalists invested \$5.6 billion in 761 deals, a 12 increase over the first quarter of 2005.

Private equity is not a new area for law firms, but in some cases, the name or the status of the practice has changed. For example, Debevoise & Plimpton lawyers who used to say they worked on buyouts now call themselves private equity lawyers, said Franci J. Blassberg, a partner, who noted that her firm had added 20 lawyers in the area.

At Debevoise and most other firms, private equity includes those who work on mergers and acquisitions, financing and formation of funds, as well as tax and employee benefits.

Lawyers with these skills may have their pick of jobs. From 2003 to 2004, the legal search firm Major, Lindsey & Africa had listings for 20 private equity positions. But in the last 15 months, the firm was trying to fill 98 positions, said Jonathan Lindsey, a partner with the firm. The positions range from associates and partners to general counsels at private equity firms. The pay scale ranges from \$150,000 for junior associates to "very comfortable seven figures" for some partners and general counsels.

At many firms, the compensation tends to be higher than for comparable lawyers who are not doing private equity. It is, after all, "this year's black," Mr. Lindsey said.

Because demand currently outstrips the supply of experienced lawyers, partners as well as associates in the area routinely are called by headhunters.

"Once they know you're happy at your firm," said John R. LeClaire, a partner at Goodwin Procter in Boston, the calls "start happening less."

Law firms, as a result, sometimes look beyond their traditional reach in their recruiting efforts. Marc H. Morgenstern, for example, then a partner at Kahn Kleinman in Cleveland who specialized in corporate as well as private equity work, was called "out of the blue" by a partner at a global firm whom he knew casually. The firm, which he declined to name, asked if Mr. Morgenstern wanted to head their Northern California office. Although he ultimately decided not to take the job, he wound up relocating to California, where he became a partner in the San Francisco office of Sonnenschein Nath & Rosenthal.

While private equity lawyers are on the top of most firms' wish lists, it is "hard to decide to grow a private equity practice — it's not a commodity," said R. Newcomb Stillwell, a partner at Ropes & Gray in Boston.

It is frequently the same top-tier law firms doing more of the work. Part of the reason, said Mr. LeClaire of Goodwin Procter, is that "there is the power of an incumbent."

"You share a history on the deal — almost an informal secret language on how the firm does its deals that is invaluable," he said.

Indeed, the large private equity firms like Kohlberg Kravis Roberts, Blackstone Group, Carlyle and Bain Capital typically have longstanding relationships with large law firms.

But consortiums or club deals, in which several large funds work together, allow lawyers "to get in front of another private equity firm" which can be useful for future work if there is a conflict, said Steven J. Gartner, a partner at Willkie Farr & Gallagher in New York who represents Warburg Pincus.

Additionally, there may be more room for more firms because of newer private equity funds. Mr. LeClaire said that his firm, which is opening two new offices in California, was like a dark horse that had risen in league tables because of its work in the expanding middle market.

With so much private equity and venture capital money sloshing around and trying to chase returns, there are concerns that the boom may be something of a bubble. For law firms, the question is how much to expand without becoming overextended in the event of a slowdown.

Mr. Dettmer, for example, said his firm might open another office either in the United States or abroad, but was looking to expand "in a measured way."

"We are not trying to double in size," he said.