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Loeb & Loeb experiences growth spurt

By Kellie Schmitt

RECORDER STAFF WRITER

LOS ANGELES — Loeb & Loeb announced this week the addition of three more lawyers in California, the latest in a spree of hires for the Los Angeles-based firm.

Laura Wytsma, a patent litigation partner in Los Angeles, followed a group of former colleagues that left Sonnenschein Nath & Rosenthal for Loeb's Chicago office earlier this year. The firm also brought in two associates, Timothy Bellamy and Paul Sagan, for the entertainment and media group.

"We've been on a growth spurt," said Michael Mayerson, the managing partner of the L.A. office. The firm, which had 195 lawyers in 2005, had 227 at the end of August, and has about 260 today.

Headcount isn't all that's growing. Last year, Loeb reported a 23 percent bump in revenue, and a 27 percent boost in profits per partner, bringing that figure to \$1.2 million.

Those numbers would have been hard to foresee in the mid-1990s, when the firm was struggling. But over the past decade, the firm has retooled. The strategy — remain midsized and focused — isn't novel, but the methods may be. Firm leaders have streamlined management and slashed support staff. And they've focused on the most profitable practices for a firm of Loeb's size, and then worked to build depth in those areas to capture big assignments.

As examples, firm co-Chairman John Frankenheimer points to Loeb's representation of media conglomerate Bertelsmann AG in its sale of the BMG Music Publishing Group for about \$2 billion last year. On the litigation side, he points to its representation of the Motion Picture Association in its fight against illegal file sharing.

"Loeb has a major law firm practice within a smaller setting, catering to higher billing rates," said recruiter Larry Watanabe, of San Diego-based Watanabe & Nason.

The firm also did away with its management committee, choosing instead to vest most power in two co-chairs — currently one based in New York and the other based in L.A.

Frankenheimer has been in the position for about 10 years, while co-Chairman Michael Beck is in his fourth year. Terms last three years, and the longer one has held the office, the higher the percentage of votes one must win to keep it.

The partnership still weighs in on some issues, such as the addition of equity partners. But the co-chairs say the firm is generally run on a corporate model. Loeb's four offices — in L.A., New York, Chicago and Nashville — are each headed by a managing partner, who runs big decisions by the co-chairs.

"If a decision needs to be made in 24 hours," said Beck, "we call each other up, and get back to each other in half an hour."

Beck and Frankenheimer talk two to six times a day about everything from compensation to new hires, and the two emphasize the importance of teamwork to the firm's success. "You encourage it by talking, and like it or not, you encourage it by compensation," Beck said.

Firm leaders also attribute their profitability to keeping the financial house in order. About five years ago, they reviewed their operations and found they were overstaffed, with 1 1/2 staffers to every attorney. Today, they've tightened that to just about 1 to 1.

"It's a huge cost savings for the bottom line," Beck said. Partners don't have as much support, "but we're making more money."

Higher profits have allowed the firm to lure top laterals.

It's added nine lawyers since the first of

the year. "We're very meticulous about it," Frankenheimer said, estimating the firm has lost just three partners in the past four years. "Look at the low churn level; it's off the charts."

ON THEIR OWN

Loeb's leaders say merging isn't an option, but that doesn't mean they didn't consider it. About five years ago, a number of partners — Frankenheimer included — explored the idea. For nearly two years, they talked to about 20 firms, but they say they didn't hear anything that enticed them.

"We were an ideal firm because of our huge presence in Los Angeles and New York, two cities in which firms are dying to increase their size," Frankenheimer said. "But we didn't see what we'd get out of it."

The talks solidified the partners' resolve, and are openly discussed with prospective hires. "Now, when laterals talk to us, we can tell them what we've done and they believe us," Beck said.

In recent years, Loeb has focused on building out its New York office, which it acquired by merging with Hess Segal in 1986. But now the firm is focused on L.A.

Last April, the firm took an additional floor with space for 40 offices, and they're already running out, Mayerson said. Growth has been bolstered by large groups, such as O'Melveny & Myers' trust and estates group, which it acquired last year.

Loeb says it's focusing on its strengths. In the intellectual property arena, it's copyright. They're also targeting film finance, along with firms such as O'Melveny and Akin Gump Strauss Hauer & Feld.

"We're building on everything we've done over the past eight or nine years," said Frankenheimer. "The plan we've implemented has tremendous momentum."

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