Globalization and the U.S. Market in Legal Services – Shifting Identities

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GLOBALIZATION AND THE U.S. MARKET IN LEGAL SERVICES—SHIFTING IDENTITIES

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I. INTRODUCTION

The international activities of U.S. lawyers are increasingly important and multiplying as their law firms search for new ways to distinguish themselves from their competitors, and these activities have attracted the attention of the popular, business, and legal press. Law firm mergers spanning national borders are announced in the headlines of national newspapers,1 and U.S. lawyers are characterized as “egging on” their European clients in their foreign hostile takeover activities.2 U.S. law firms also are branching out into foreign law specialties by hiring more foreign lawyers for their foreign offices.3

While once it was sufficient to be a national law firm, today’s elite firms stress their internationalism.4 This article examines the international activities of U.S. law firms and analyzes the impact of these activities on the domestic market in legal services.5 Internationalization—

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1. The merger of Clifford Chance and Rogers & Wells was reported in the New York Times as likely to “touch off a flurry of mergers between law firms in the United States and Britain, which are scrambling to expand their global reach to better serve multinational clients.” Melody Petersen, Two Law Firms Plan to Bridge The Atlantic, N.Y. TIMES, May 25, 1999, at CI. The publishers of the International Financial Law Review initiated a new publication, Worldlaw Business, which is entirely devoted to the profession and includes a chronicle of lawyers’ movements among law firms. See infra note 201.


4. Lawyers Go Global, ECONOMIST, Feb. 26, 2000, at 79 (“[F]or the biggest and richest law firms ... [b]eing big at home is no longer good enough.”).

5. Although the international and foreign activities of U.S. lawyers are reported in the press, there has been little systematic study of this activity. This article is a first step towards producing data that catalogues the internationalization of the U.S. legal profession. See David B. Wilkins, The Professional Responsibility of Professional Schools to Study and Teach About the Profession, 49 J. Legal Educ. 76, 77 (1999) (urging the “legal academy [to] ... become an active participant in developing and transmitting the empirical and theoretical knowledge about legal practice that
tion has resulted in the homogenization of the largest U.S. firms, as they increasingly compete for a limited group of clients and lawyers. It also has facilitated competition between Wall Street firms and law firms originally based outside of New York. The latter have reshaped their identities to respond to internationalization and the resulting competition, which has affected their domestic identities as well. This competition also impacts U.S. law firms that are not direct participants in the international market as they vie for position in the domestic market for legal services.

The article begins with a brief introduction to the types of services offered by U.S. lawyers to their U.S. and foreign clients in today's international market for legal services. Part III adopts the foreign office as a proxy for internationalization and chronicles the foreign office expansion activities of seventy-two of the largest and most internationally-oriented U.S. firms. Part IV examines the consequences of international expansion, revealing that strategies adopted in international activities affect national competition, just as the need to compete nationally motivates movement into the international realm. Certain strategies are common to international law firms, and these strategies are revealed and examined with regard to their impact on traditional, domestic law firm practice, organization, and management.

II. THE INTERNATIONAL ACTIVITIES OF U.S. LAW FIRMS

In order to understand the response of U.S. law firms to internationalization, it is useful to have a general understanding of the nature of legal services offered by U.S. lawyers in the international market. Internationalization of the U.S. economy has resulted in an increase in foreign and transnational transactions and disputes for the traditional clients of U.S. law firms. This traditional client base also has diversified and now includes public and private foreign entities and multinational corporations in addition to U.S. concerns. U.S. lawyers have benefited from business generated by foreign investment into the United States. U.S. law firms have been international standard-setters in terms of size, specialization, and comprehensiveness in substantive coverage, foreign expansion, administration, and aggressive marketing of their

6. The expanded client base of U.S. law firms results in part from the changing role of the state in the economy. Large projects that once were funded by governments are now privatized, creating increased roles for financial service advisers, bankers and lawyers.

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services. The competitiveness of U.S. law firms derives from various factors, including the role of the United States in the global economy and the dominance of U.S.-based financial institutions and capital markets. International financial transactions generally are regulated either by New York or English law, which has benefited U.S. and U.K. lawyers.

In addition to expertise in U.S. law, and particularly New York law, U.S. law firms offer their clients the benefit of their experience with sophisticated corporate and financial transactions; "[i]n the biggest deals, top lawyers now help formulate much of the strategy." Lawyers' deal experience enables them to export complex transactions and adapt them to local legal systems. According to Richard Pollack, a

7. U.S. international law firms now share this leading position with U.K. firms. The British "mega-firms" combine expertise and substantial offices in multiple jurisdictions. See, e.g., Richard L. Abel, Transnational Law Practice, 44 CASE W. RES. L. REV. 737, 741 (1994) (noting the "dominance of common law lawyers" in the distribution of foreign lawyers and firms; "the large law firm is a distinctively common law institution, and size is both a prerequisite and a goal for overseas expansion."); David Trubek et al., Global Restructuring and the Law: Studies of the Internationalization of Legal Fields and the Creation of Transnational Arenas, 44 CASE W. RES. L. REV. 407, 423-425 (1994) (discussing standard-setting role of U.S. law firms); Karen Dillon, Can They Skaddenize Europe?, AM. L. W., Dec. 1989, at 40 (standard-setting role of U.S. law firms); William Lewis, Exporting the American Way, FIN. TIMES (LONDON), Nov. 29, 1998, at 11 (reporting that six of the ten largest firms in terms of number of lawyers were British).


9. National financing work in France also is dominated by U.K. and U.S. firms. See Barbara Galli, Will French Firms Survive? INT'L FIN. L. REV., Oct. 1998, at 33. But see Robert Briner, Globalisation of the Legal Profession, INT'L BUS. L., Dec. 1995, at 521, 522 ("One has also heard the opinion that many international contracts are governed either by English or New York law and that it is therefore essential but also sufficient to know these laws. Here again it would seem to me that, possibly outside the narrow field of international finance, this is mainly a public relations campaign by English and New York lawyers which is not borne out by the facts.").

10. Lawyers Go Global, supra note 4, at 79.

11. Examples are numerous, including Milbank Tweed (Milbank) acting as leading law firm
Sullivan & Cromwell lawyer who represented Societe Generale (SG) in its battle with Banque National de Paris (BNP) and Paribas, "We’re offering deal experience." He tells foreign clients: "Here are [things] people have done to solve this in other situations. Here are defenses you might consider. Here’s what a bank in the U.S. has done. You can’t do it quite this way under French law, but you might consider something like this." It is this experience that enables U.S. lawyers to advise even when U.S. law does not govern, because their advice goes to the strategic use of law in business relations. Experience also helps them to respond to the timing demands of their clients, often relevant in the domestic as well as the international market.

A second aspect of the services offered by U.S. lawyers in the international market is the benefit of relationships with financial services firms whose activities are fundamental to the international economy. Most of the major investment banks are U.S. organizations, which enjoy longstanding relationships with particular U.S. law firms. Foreign clients sometimes gain important international and even national credibility from their connection to one of these investment banks or to the U.S. law firms that regularly represent them.

A third aspect of U.S. lawyers’ services is a particularly American pragmatism in approaching business and legal issues regardless of the


12. Morris, supra note 2, at 129.

13. The recent flurry of hostile takeover activity in Europe is an example of this phenomenon, and it illustrates the role of U.S. lawyers in exporting this use of law. The European companies involved in the tender offer battles sought U.S. legal advisers with expertise in hostile takeover tactics, even though these lawyers did not also offer expertise in the particular applicable law. Advisers to the French banks in the SG-BNP-Paribas battle were Sullivan & Cromwell for SG and Freshfields for SG, Cleary, Gottlieb, Steen & Hamilton (Cleary) for BNP, and Rogers & Wells for Paribas. In the Gucci-LVMH-Pinault-Printemps battle, Gucci hired Skadden, Arps, Slate, Meagher, and Flom (Skadden) and Cleary, LVMH used Davis, Polk & Wardwell (Davis Polk), LVMH’s banks used Sullivan & Cromwell, and Pinault-Printemps used Wachtell, Lipton, Rosen & Katz (Wachtell). The battle between Olivetti and Telecom Italia was waged with the assistance of Sullivan & Cromwell (and Herbert Smith) for Olivetti, Simpson Thacher & Bartlett (Simpson Thatcher) and Freshfields for Olivetti’s banks, and Davis Polk for Telecom Italia, Skadden for Telecom Italia Mobile, and Cleary for Telecom Italia’s banks. See id.

14. See Bethany McLean, Mergers at Internet Speed, FORTUNE, Nov. 18, 1999, at 164 (discussing scheduling demands for transactions).
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applicable law. This last quality is as important to the competitiveness of U.S. lawyers as it is elusive. Some lawyers describe this pragmatism in terms of their authority or "practice jurisdiction." U.S. lawyers define their authority expansively compared to their civil law counterparts. One U.S. lawyer who spent several years in a foreign office characterizes the U.S. approach in terms of a willingness to "think outside the box," being open to a broader view of a project than the client's definition of the problem. He characterizes the U.S. lawyer as considering legal advice to include all issues impacting the structure of a transaction, whereas the foreign-trained lawyer may take the facts initially described by the client as a given. Sullivan & Cromwell partner Fred Rich describes the American approach in terms of accomplishing the client's objectives:

There is a style of lawyering that is generally viewed as a particularly American style . . . . It is highly commercial, it is highly pragmatic. It is about getting behind the client's objectives. That is a more important part of our competitive advantage than sitting on top of the US capital market. Of course the best English lawyers do the same thing, but that particular style is something that was invented here.

A third commentator views this "skill-set [a]s the most valuable asset of the U.S. firms." Yet another U.S. lawyer who has worked in his firm's overseas offices for more than ten years distinguishes the American approach from that of U.K. firms by noting that U.K. lawyers are "instructed," while American lawyers never refer to their client relationships in terms of instruction.


16. Telephone Interview #5 with a partner at a Chicago-based law firm (Oct. 26, 1999). This interview and others referred to in this article are part of a series of interviews conducted since 1998, as part of a larger project on internationalization and the legal profession.


18. Id.

The expansiveness of this American style of lawyering complements the efforts of U.S. lawyers to export their services. Globalization encourages exportation and adaptation of activity that has brought financial success in one setting to use in other settings, sometimes causing changes in established business norms and relationships. Using law strategically expands its authority and breadth, making lawyers valuable in a wider variety of circumstances. This creative use of law allows lawyers to participate in their clients’ activities when they otherwise would be excluded. According to Debora Spar:

[i]n foreign markets, law firms have to compete through specialization . . . . They started with their obvious specialty, counseling foreign clients on the intricacies of U.S. law and corporate practice. Then they segued into increasingly specific areas of corporate strategy, advising clients on topics such as acquisitions, hostile takeovers, and debt restructuring—complicated corporate maneuvers that had all been developed first in the U.S. and British markets. As these sorts of deals proliferated across the international economy, U.S. and British firms found

decision consulting, not legal risk analysis. They are distinctly uncomfortable with the concept of proactive lawyering.”).


22. See Robert Nelson, The Futures of American Lawyers: A Demographic Profile of a Changing Profession in a Changing Society, 44 CASE W. RES. L. REV. 345, 355–57 (1994). The market in legal services has been transformed by the shift from domestic manufacturing to global financial transactions . . . . The deals involve more legal contingencies and correspondingly require more legal work to initiate. If and when the deals fall apart, there is a greater chance for legal conflict due to the absence of the kind of longstanding, continuous relationships among business actors that previously dampened potential conflict. In economist’s language, if we think of corporate lawyers as ‘transaction cost engineers,’ in a world of increasing transaction costs, there will be increasing demand for corporate legal services.

Id. at 355–56. Lawyers “create new legal strategies that generate increased demand for their services.” Id. at 357.
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themselves with a natural, lucrative niche.\textsuperscript{23}

In recent years, U.S. lawyers have advised on sophisticated international capital market transactions,\textsuperscript{24} privatizations, and project financing, in addition to mergers and acquisitions, whether hostile or friendly. U.S. lawyers also advise foreign clients and U.S. companies operating overseas on a variety of more mundane matters, including joint ventures, cross-border corporate and tax matters, and licensing and distribution agreements, as well as occasionally on international commercial arbitration and other matters that fall under the caption of general litigation.\textsuperscript{25} This work is generated by the industrial and manufacturing companies whose activities drove the economy until the focus shifted to financial services in the 1980s.

Notwithstanding this American expertise in strategic advising in the international legal services market, the importance of the U.S. capital markets cannot be overlooked. The increasing internationalization of national financial markets\textsuperscript{26} has resulted in a growing number of foreign corporations with connections to the U.S. capital markets and a

\textsuperscript{23} Spar, supra note 15, at 16.

\textsuperscript{24} Capital markets transactions include equity and debt financings, securitizations, swaps, equity derivatives and hybrid securities, and representation of mutual funds. Awareness of international capital markets is a relatively recent phenomenon. Richard Beattie, a partner at Simpson Thacher & Barlett, described foreign capital markets in the late 1970s as "small and insular, and lawyers in the United States knew little, if anything, about those markets." Richard I. Beattie, Business and Lawyers Go Global, Nat’l L.J., Nov. 29, 1993, at S22.


\textsuperscript{26} Mergers among the world’s stock exchanges is one example of such internationalization. See, e.g., Edmund L. Andrews, A German-Energized Market Merger in the New Europe, N.Y. TIMES, May 4, 2000, at C1; Jason Booth, Global Equity Market May Turn Out To Be a Tough Sell to Asian Investors, WALL ST. J., June 12, 2000, at A29.
similar growth in the foreign investment opportunities available to U.S. individual and institutional investors. Where U.S. capital markets are involved, U.S. legal expertise is required. The role of U.S. lawyers in transactions accessing the U.S. capital markets is supported by the leading investment banks, many of which are U.S.-based institutions, and their preference for U.S. lawyers.27

III. FOREIGN OFFICE ACTIVITIES28

At the same time that U.S. firms are participating in the international legal market, the practice of law remains very much a local phenom-

27. The top ten investment advisers on international mergers and acquisitions for the first six months of 1999, excluding U.S. and U.K. domestic transactions, were Goldman Sachs (United States), Morgan Stanley Dean Witter (United States), JP Morgan (United States), Credit Suisse First Boston (Swiss), Merrill Lynch (United States), Lehman Brothers (United States), Lazard (United States), Donaldson, Lufkin & Jenrette (United States), SalomonSmithBarney (United States, now part of Citigroup), and Chase Manhattan (United States). See Peter Shearlock, SHARKS ON THE LOOSE, BANNER, Aug. 1, 1999, at 22. Credit Suisse First Boston (CSFB) "is a wholly owned subsidiary of the Zurich-based Credit Suisse Group (CSG), a global financial services company." Credit Suisse First Boston, COMPANY INFORMATION (last modified May 9, 2000) <http://www.csfb.com/company_info/index.shtml>. CSFB "operates in over 60 offices across more than 30 countries and six continents, and has over 14,000 staff." Id. "The Lazard Houses in New York, Paris, and London are separate national firms, not branch offices." Lazard, ABOUT THE FIRM (visited Mar. 31, 2000) <http://www.lazard.com/houses/1lc/about>. J.P. Morgan's website states:

J.P. Morgan is a bank holding company, incorporated in the State of Delaware, with headquarters at 60 Wall Street in New York City. It is owned by some 29,000 registered stockholders (as of 12/31/97), and its common shares are listed on the New York Stock Exchange and other major exchanges around the world. The firm has long been global in scope, and today has offices in 33 countries.


28. The data referred to in this section regarding location and dates of foreign offices was compiled by the author using the Martindale-Hubbell directories and Martindale-Hubbell online, AVAILABLE IN http://www.marhub.com. The author determined the earliest date when each firm listed on Table 1 established its first foreign office and then traced each firm's opening and closing of foreign offices activity from that year on in Martindale-Hubbell. This data was compiled in order to compute the figures presented within the article concerning office openings, closings, and comparative information about New York and non-New York firms. See also note 53 infra regarding sources of information for activities in the early 20th century. Relying upon Martindale-Hubbell directories involves a possible bias, since law firms must pay for their listings and may omit certain information in order to save on this expense. In order to capture the most accurate information, each firm's home-office location listing was examined; certain firms have more complete firm-wide listings at the directory entry for their original or home office location than for the locations of particular foreign or domestic offices.
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Location of a law firm molds identity in important ways. Client relationships remain strongly connected to location, even for relatively large law firms. Licensing of lawyers also is tied to geography in the United States, and perceptions of expertise follow licensing. We expect lawyers in a Nebraska law office to be licensed to practice Nebraska law but not necessarily to be licensed in California. The state licensing system is divisive and makes it difficult for firms to claim national expertise. Firms have opened multiple offices in different states in order to develop a national identity. Foreign offices allow firms to extend their identities to the international level at the same time that they market themselves as national firms. Adding foreign offices also allows a firm to clearly identify itself as a national firm to the foreign market, which does not necessarily focus specifically on our state-licensing system. Foreign offices function as a signal to the national and international community of a law firm’s commitment to a national and international identity, to a particular foreign location, and to the development of international expertise.

Foreign offices are used in this article as a proxy for the international activities of law firms. The existence of foreign offices is public information, advertised through listings in Martindale-Hubbell, on firms’ letterheads, and in announcements in the legal press. Their disappearance is recorded in a similar manner. Foreign offices are only one possible method of gauging the international activities of law firms. U.S. lawyers increasingly are involved in work that has a foreign element, and many lawyers based in U.S. offices routinely travel to other countries in order to serve their clients. These lawyers may work for firms that support foreign offices, but they also may work for firms without foreign offices, where involvement in the international market for legal services is more difficult to measure. At the same time,

29. For example, the 1995 Chicago Lawyers survey found that lawyers practicing in firms with more than 30 lawyers reported that 60% of their clients were from the Chicago metropolitan area. See John P. Heinz et al., The Scale of Justice: Observations on the Transformation of Urban Law Practice, in PERSPECTIVES ON LAW AND SOCIAL SCIENCE (Bryant Garth et al. eds., forthcoming 2001).


31. This is evidenced by Wachtell’s work for foreign clients and on international matters from New York. See McCollam, supra note 8, at 17.

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focusing on foreign offices omits network and affiliation relationships that support certain law firms’ advice on foreign law matters; for example, the relationship of Davis Polk with the U.K.’s Slaughter & May and the German firm Hengeler Muller Weitzel Wirtz supplements Davis Polk’s foreign offices.32 Notwithstanding these shortcomings, however, limiting the study to law firms with at least one foreign office offers the most practical method of studying law firm internationalization.33

The international expansion of Skadden Arps provides insight into the role of foreign offices in shaping law firms’ identities. Skadden built its reputation on its merger and acquisition work in the 1970s and 1980s. It did not open its first foreign office until 1987, after luring Isaac Shapiro from Milbank to serve as its guide to globalization.34 Skadden had developed business in Japan and the Pacific region before it opened a Tokyo office,35 but similar client relations did not exist in London. Nonetheless, Shapiro reportedly urged the need for a presence in London in order to secure its place among the leading law firms of the future.36 The London office opened in 1988. In his report


33. Alternative measures of international activity, such as the amount of time spent on foreign or international work or the fees generated from this work, are not consistently available, although Sullivan & Cromwell publishes a useful table in its firm brochure that classifies the percentage of the firm’s clients that are domestic and foreign. Most firms do not publish comparable information.

34. See LINCOLN CAPLAN, SKADDEN 277–85 (1994). Shapiro was born in Tokyo in 1918 and lived there until after World War II. He became the protegé of John D. Rockefeller III at the Japan Society and left an antitrust litigation practice to devote his energy to building an international corporate practice at Milbank. See ELLEN J. POLLOCK, TURKS AND BRAHMINIS, 162–69 (1990).

35. Skadden sent several partners to Australia, Beijing, Japan, and New Zealand between 1983 and 1985, making presentations on mergers and acquisitions at conferences and seminars. The firm’s business in Japan increased during the next several years. See CAPLAN, supra note 34, at 280–82.

36. The same reasoning apparently was relied upon by Sonnenschein Nath & Rosenthal (Sonnenschein) in opening an office in London, which recently was closed. According to one observer, Sonnenschein “didn’t open in London to follow clients. They did it as an American thing to attract corporate partners to the firm in the U.S. and to say they had a window on the world.” Was Sonnenscheins’ a Flawed Strategy?, LAWYER, Nov. 10, 1999, (visited May 25, 2000) <http://www.thelawyer.co.uk/> [hereinafter Sonnenscheins].
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on Skadden's rise to power, Lincoln Caplan describes the firm's shift from being client-driven to market-driven as follows: "Skadden had gone to Tokyo because the move seemed to make good economic sense on its own terms. The firm decided to establish itself in London because, whether that office met the same test, firm leaders thought it was time for Skadden to be there, too." 37

During most of the twentieth century, U.S. law firms opened foreign offices only when they had the certainty of business to support them. It was not unusual for a firm to open an office in direct response to an existing client's foreign operations, such as Milbank's opening of an office in Hong Kong to service Chase Manhattan Bank (Chase). Descriptions of these offices often include references to the firm's work in a particular location preceding the establishment of an office. But in the 1990s, an increasing number of law firms have joined Skadden, shifting from demand-driven overseas expansion in which offices are opened in order to serve existing clients, 38 to a strategy driven by overseas expansion, in which offices are opened in order to maintain a firm's status among its U.S. competitors. 39 Richard Abel aptly characterized this attitude in terms of competition: "Law firms sometimes appear to be seized by the adolescent angst that all your friends are at a party to which you haven't been invited—it is unbearable not to be there, even if you know you would have a terrible time." 40

Foreign offices allow U.S. lawyers to gain expertise about a particular country and region. This expertise often includes an understanding of the political system and business practices, as well as the development of relationships with key participants in the foreign economy. Especially in developing economies, such as those in Eastern Europe, knowledge of regional business and political practices may be as important as legal expertise in cutting-edge transactions. The lawyers staffing a foreign office develop relationships both with members of the international community in that location and with local business


38. "A particular service rendered at home for a foreign client may generate enough additional business to justify opening in the client's country. For example, after Sullivan & Cromwell successfully defended Australian uranium producers in the Westinghouse antitrust action, it opened in Sydney to continue serving them. Some foreign clients are sufficiently visible or lucrative to justify the firm in opening a foreign office. White & Case, for instance, followed the Swedish crown to Stockholm and the Turkish government to Ankara." Abel, supra note 7, at 743.

39. This was the explanation offered by one observer regarding Sonnenschein's recently announced closure of its London office. See Sonnenshein, supra note 36.

40. Abel, supra note 7, at 741.
executives and government representatives, and these relationships may result in referrals of legal work to the firm. 41 Ben Heineman, Senior Vice President, General Counsel, and Secretary, at General Electric, sees value in this local knowledge:

So much of practicing law these days outside of the United States is understanding the economic and political system, not just the legal system. I think we should not confine ourselves to a narrow view of the law. You simply can't practice law in a country unless you have people there who understand the history and the culture. If we look around the world, legal arrangements are fine, but most of the countries don't have legal systems that are very durable, that provide much certainty. That is probably one of the greatest challenges we face: How do we structure arrangements in countries where the legal system is, to a great extent, undeveloped? It is for that reason that you have to have people who are skilled in the culture and the history of the society. 42

The foreign offices of seventy-two of the largest and most international U.S. law firms are chronicled here in order to reveal the firms' activities in pursuing international opportunities. 43 Table 1 lists the seventy-two firms for which foreign office information was collected. 44

43. Clearly, the 72 firms focused upon here are only part of the story of internationalization of the U.S. bar. For example, Martindale-Hubbell (1999) lists 33 law firms with offices in Chicago and at least one foreign office, representative office, or affiliation, which includes foreign firms with offices in Chicago; 10 such firms are listed for Seattle; 16 for Dallas; 19 for Miami; 71 for Los Angeles; 107 for Washington, D.C.; and 138 for New York City. Not all of these firms are included on Table 1.
44. Information about each firm and its foreign offices was collected from Martindale-Hubbell directories, beginning with the earliest year any foreign office was opened by a particular firm as noted in Martindale-Hubbell or otherwise. In addition, firm web sites, biographies, marketing and recruiting information, and additional articles about particular firms appearing in the press, were used to provide information about the activities surrounding foreign offices and about the firms and their strategies generally.
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along with the home city of each firm. These firms were chosen from among all law firms named in three sources: the American Lawyer 100 list for 1999 (Am Law 100), which lists the 100 largest U.S. law firms measured by gross revenue; 45 the American Lawyer Global 50 for 1998, which lists the fifty largest law firms worldwide in terms of the number of lawyers; 46 and the International Financial Law Review (IFLR) listings for the most globally focused firms for 1998 and the world’s most international law firms, drawn from the IFLR 150 leading law firms for 1998.47 This research includes all firms 48 mentioned in these sources that had at least one foreign office listed on Martindale-Hubbell Online in October 1999. 49

When using Martindale-Hubbell to reveal an office’s opening or closing, listings are catalogued one year earlier than the date when the change appears in Martindale-Hubbell to accommodate the difference between the date an event occurred and the date of the directory’s publication. For example, the Martindale-Hubbell listing for Firm X for 1990 shows only one office, in Seattle. The listing for 1991 shows offices in Seattle and London, as do the listings for 1992 and 1993. The listing for 1994 shows only one office in Seattle. This information is described in this article as Firm X opening a London office in 1990 and closing it in 1993.

45. The Am Law 100: By The Numbers, Am. Law., July 1999, at 95–135 [hereinafter The Am Law 100]. Seventy one of the American Lawyer 100 firms (1999) had at least one foreign office at the end of 1999. Even this list is restricted by its focus on U.S. law firms; consider, for example, that Arthur Andersen’s global law network reported revenue for the fiscal year ending August 31, 1999 that “would place it in the top five of the Am Law 100, [although] its revenue per lawyer is an unspectacular $176,000—well below the lowest performer among the Am Law 200.” Arian Camp-Flores, Bar Talk: King Arthur, Am. Law., Jan. 2000, at 17.


48. One firm, Hale & Dorr, is excluded here. The sole foreign office of Hale & Dorr is operated as a joint venture with Brobeck, Phleger & Harrison (Brobeck). See Hale & Dorr, BHD Home (visited May 13, 2000) <http://www.bhd.com/>. Only one of the two firms is in the sample in order to eliminate repetition. Separately, Rogers & Wells, which is described here in its pre-merger form, is included among the Am Law 100. See Am Law 100, supra note 45, at 129.

49. Holland & Knight and Greenberg Traurig, both on the American Lawyer list, are excluded because their foreign offices were not included in Martindale-Hubbell online and are characterized by some ambiguity even in their website materials. Holland & Knight indicates that it has a Mexico City office, but this is not listed among the locations connected with the names of particular lawyers on the website. See Holland & Knight, Mexico City Office Information (visited Mar. 31, 2000) <http://www.hklaw.com/whoware/locations/mexico_city/>. Greenberg Traurig indicates in its website that it has an office in Sao Paulo, but it does not list Sao Paulo among the locations connected to particular attorneys. See Greenberg Traurig, Contact Us (visited Mar. 31, 2000) <http://www.gtlaw.com/contactIntro.htm>. It is possible that these offices are staffed with lawyers who have offices in the United States as well.

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TABLE 1
U.S. LAW FIRMS WITH FOREIGN OFFICES (ORIGINAL HOME LOCATION)

1. Akin, Gump, Strauss, Hauer & Feld (Dallas)
2. Altheimer & Gray (Chicago)
3. Arnold & Porter (Washington, D.C.)
4. Baker & Botts (Houston)
5. Baker & McKenzie (Chicago)
6. Bingham Dana (Boston)
7. Brobeck, Phleger & Harrison (San Francisco)
8. Brown & Wood (New York)
9. Bryan Cave (St. Louis)
10. Cadwalader, Wickersham & Taft (New York)
11. Cahill, Gordon & Reindel (New York)
12. Chadbourne & Parke (New York)
13. Cleary, Gottlieb, Steen & Hamilton (New York)
14. Coudert Brothers (New York)
15. Covington & Burling (Washington, D.C.)
16. Cravath, Swaine & Moore (New York)
17. Curtis Mallet-Prevost Colt & Mosle (New York)
18. Davis Polk & Wardwell (New York)
19. Debevoise & Plimpton (New York)
20. Dechert Price & Rhoads (Philadelphia)
21. Dewey Ballantine (New York)
22. Dorsey & Whitney (Minneapolis)
23. Faegre & Benson (Minneapolis)
24. Foley & Lardner (Milwaukee)
25. Fried, Frank, Harris, Shriver & Jacobson (New York)
26. Fulbright & Jaworski (Houston)
27. Gibson, Dunn & Crutcher (Los Angeles)
28. Graham & James (San Francisco)\(^5^0\)
29. Heller Ehrman White & McAuliffe (San Francisco)
30. Hogan & Hartson (Washington, D.C.)
31. Hughes Hubbard & Reed (New York)
32. Hunton & Williams (Richmond)
33. Jones, Day, Reavis & Pogue (Cleveland)
34. Kaye, Scholer, Fierman, Hays & Handler (New York)
35. Kelley Drye & Warren (New York)
36. Kilpatrick Stockton (Atlanta)
37. Kirkland & Ellis (Chicago)

50. The association of Graham & James with Deacons in Hong Kong and Australia ended on July 1, 2000; the firm’s Hong Kong and Australian offices became part of Deacons. Letter from Paul Scholefield & Lindsay B. Esler, Partners at Deacons Graham & James, Hong Kong (Apr. 5, 2000) (on file with author).
TABLE 1
U.S. LAW FIRMS WITH FOREIGN OFFICES (ORIGINAL HOME LOCATION)
(CONTINUED)

38. Latham & Watkins (Los Angeles)
39. LeBoeuf, Lamb, Greene & MacRae (New York)
40. Mayer, Brown & Platt (Chicago)
41. McCutchen, Doyle, Brown & Enersen (San Francisco)
42. McDermott, Will & Emery (Chicago)
43. McGuire Woods Battle & Boothe (Richmond)
44. Milbank, Tweed, Hadley & McCloy (New York)
45. Morgan, Lewis & Bockius (Philadelphia)
46. Morrison & Foerster (San Francisco)
47. O’Melveny & Myers (Los Angeles)
48. Orrick, Herrington & Sutcliffe (San Francisco)
49. Paul, Hastings, Janofsky & Walker (Los Angeles)
50. Paul, Weiss, Rifkind, Wharton & Garrison (New York)
51. Perkins Coie (Seattle)
52. Pillsbury Madison & Sutro (San Francisco)
53. Proskauer Rose (New York)
54. Rogers & Wells (New York) 51
55. Seyfarth, Shaw, Fairweather & Geraldson (Chicago)
56. Shaw Pittman (Washington, D.C.)
57. Shearman & Sterling (New York)
58. Shook, Hardy & Bacon (Kansas City)
59. Sidley & Austin (Chicago)
60. Simpson Thacher & Bartlett (New York)
61. Skadden, Arps, Slate, Meagher & Flom (New York)
62. Squire, Sanders & Dempsey (Cleveland)
63. Stroock & Stroock & Lavan (New York)
64. Sullivan & Cromwell (New York)
65. Vinson & Elkins (Houston)
66. Weil, Gotshal & Manges (New York)
67. White & Case (New York)
68. Willkie Farr & Gallagher (New York)
69. Wilmer, Cutler & Pickering (Washington, D.C.)
70. Wilson, Elser, Moskowitz, Edelman & Dicker (New York)
71. Winston & Strawn (Chicago)
72. Winthrop, Stimson, Putnam & Roberts (New York)

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51. Rogers & Wells is now part of Clifford Chance, a firm originally based in London.
Two notable characteristics of the foreign expansion of U.S. law firms are clear. First, foreign office expansion occurred in waves, with regard to both geography and timing.\textsuperscript{52} Law firms moved as groups to particular regions at particular times; this is especially evident among the New York-based firms. This group movement can be explained in part by the fact that expansion often is motivated by particular economic conditions that are significant to all large law firms, which inevitably share similar kinds of clients and practices. As economic changes draw clients to new locations, lawyers follow. For example, as interest in Hong Kong developed among members of the financial community, law firms naturally assigned lawyers to the site of their clients' interest. Second, the New York-based firms exhibit more cohesion in their foreign expansion activities than the non-New York firms, a phenomenon that is most likely explained by the shared focus of the New York firms towards the financial markets and their participants.

This Article principally focuses on foreign expansion in the period after 1930, when the lion's share of this activity occurred.\textsuperscript{53} Several firms, however, opened foreign offices before World War II, and all began with Paris. At least four New York-based firms had Paris offices by 1930. Coudert's Martindale-Hubbell listing indicates a Paris office in 1922, but other sources date that office from 1879.\textsuperscript{54} Martindale-Hubbell includes a Paris office for Cravath, Swaine & Moore (Cravath)

\textsuperscript{52} See generally Paul Di Maggio & Walter Powell, The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields, 48 AM. SOC. REV. 147 (1983) (discussing the tendency of firms to imitate each other).

\textsuperscript{53} The information for this pre-1930 period was gathered from Martindale-Hubbell directories and from the websites and marketing brochures of particular law firms. Martindale-Hubbell listings for the period around the turn of the century are less consistent in their completeness than for the period after 1930.

\textsuperscript{54} Especially for these early years, the firms may have established foreign presences before noting them in their Martindale-Hubbell listings. Coudert was the first U.S. firm to establish a European presence; it was a New York firm when it opened its doors in 1853, founded by three sons of a Frenchman. However, its clients were international from the beginning, mostly French and Spanish foreign nationals who were acquaintances of the Coudert family. Charles Coudert, the brothers' father, opened a private French high school in New York, and raised his children in a household that "was always French in tone." Virginia Kay Veenwijk, Coudert Brothers: A Legacy in Law 16 (1994). The firm's founding is often dated to 1853 when Frederic Rene Coudert, the eldest brother, began practicing law, but it was not until 1857 that all three brothers were admitted to the bar. See id. at 26. Frederic Rene became an expert on shipping law, and the firm represented the French consulate in New York City by the 1860s. Veenwijk makes the point that this was not unusual for this period in Manhattan and that another lawyer had a very similar practice representing British clients. See id. at 29. The Paris office of Coudert was opened in 1879, and it was used to attract clients for the New York office as well as serving French clients. Coudert Brothers, Home—Welcome (visited Mar. 31, 2000) <http://www.coudert.com/welcome.htm>.
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in 1929, and for Sullivan & Cromwell one year later.55 White & Case’s Paris office was first noted in Martindale-Hubbell in 1935.56 Sullivan & Cromwell’s Paris office was opened by William Cromwell, who represented the Paris-based New Panama Canal Company in the Panama Canal negotiations.57 By 1926 Cromwell had an American agent working on investment transactions to provide capital to rebuild Europe, and by 1929 the firm employed at least six lawyers in Paris.58 The Paris office was closed during the Second World War; it is not listed in Martindale-Hubbell from 1941 until it reopened in 1962.59 The listings for Cravath and White & Case also omitted any reference to Paris offices during this period; Cravath showed only a Washington, D.C., office from 1935 until London was noted in 1947, and White & Case did not list a Paris office from 1942 until the early 1960s.60 Sullivan & Cromwell also had offices in Berlin and Buenos Aires prior to World War II,61 although only the latter is listed in Martindale-Hubbell.62 Coudert apparently established foreign offices in Havana and the Philippines during this same period in response to the firm’s handling of the Insular customs cases, but these offices also were not reflected in the Martindale-Hubbell listings.63

Paris was a welcoming location for U.S. lawyers, in part because they operated outside of the national regulation of lawyers, or avocats, who were limited to litigation and judicially centered activities,64 and it

58. See LISAGOR & LIPSIS, supra note 57, at 93, 106.
61. Sullivan’s Berlin office was opened in 1929 to engage in bond work, which had been developed by partner John Foster Dulles during the prior several years. See Sullivan & Cromwell, History 1879–1928 (visited Apr. 8, 2000) <http://www.sullcrom/display.asp?section_id=280>.
63. See Veenwijr, supra note 54, at 151–52. Duties and taxes charged by the U.S. Government on goods shipped from Cuba and the Philippines were challenged on Constitutional grounds, based upon the U.S. ownership and occupation of Cuba and the Philippines at the time. The Cuban office existed from 1901 to 1905, the Philippine office existed from 1903 to 1907, and an office in Washington D.C. was opened to handle similar cases and was closed in 1906. See id.
64. See generally Roger Goebel, Professional Qualification and Educational Requirements for Law

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continued to attract the elite New York firms after World War II. However, it is important to remember that foreign expansion was not the norm for New York firms. Cleary opened a Paris office shortly after the firm was established; Martindale-Hubbell includes Paris in the 1952 listing. Cleary partner George Ball had served as General Counsel of the French Supply Commission in 1945, and his resulting relationship with Jean Monnet developed into the firm's European practice. The Paris office was opened in order "to advise the European Coal and Steel Community and European atomic energy association (forerunners of the EEC and the EU), the French government, and many of the U.S. manufacturing subsidiaries pouring into postwar Europe." Cahill Gordon arrived in Paris in 1952, just after Cleary. Interest in Paris grew for U.S. lawyers in the 1960s. Davis Polk & Wardwell opened a Paris office in 1962, and Shearman & Sterling opened there in 1963. Twenty-two U.S. firms opened offices in Paris between 1961 and 1975, and eleven of these offices remain open today.

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65. During the period 1955–65, "firms were located in and identified with a single city. An earlier wave of European and Washington offices had been largely abandoned." Marc Galanter & Thomas Palay, The Transformation of the Big Law Firm, in LAWYERS' IDEALS/LAWYERS' PRACTICES, 31, 37–38 (Robert L. Nelson et al., 1992), "Formation [in 1957] of a nationwide...law firm with offices interlocking in Illinois, Washington, D.C. and New York" was startling, "so unusual that it had to be approved in advance by the Bar Association." Id. at 38 (quoting BERYL LEVY, CORPORATION LAWYER: SAINT OR SINNER 20 (1961)).


68. Anthony Borden, Old-Fashioned Lawyer In The New Europe, Am. Law., Jan-Feb 1990, at 36, 37.


71. The 22 firms comprised 16 offices of New York-based firms and six offices of non-New York firms. Nine New York firms retain Paris offices opened between 1961 and 1975 (Curtis Mallet-Prevost, Davis Polk, Debevoise & Plimpton, Hughes Hubbard & Reed (Hughes Hubbard), Rogers & Wells, Shearman & Sterling, Sullivan & Cromwell, White & Case, and Willkie Farr & Gallagher (Willkie Farr)), as do two non-New York firms (Baker & McKenzie and Gibson Dunn & Crutcher (Gibson Dunn)). The Paris offices opened by the following non-New York firms have been closed: Mayer, Brown & Platt (Mayer Brown), Morgan, Lewis & Bockius (Morgan Lewis), O'Melveny & Myers, and Winston & Strawn, which closed its Paris office for a time but has recently
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Brussels also attracted the attention of U.S. firms during the 1960s because of the European Economic Community, which promised new opportunities for U.S. businesses. Baker & McKenzie was the first U.S. firm to establish a Brussels office in 1957, and it was the first firm originating outside of New York ("non-New York") to join the foreign-office movement.72 Cleary, Gottlieb opened its Brussels office in 1960, and it was joined by seven other firms during the 1960s, including two non-New York firms, Dechert Price from Philadelphia in 1969, and Gibson Dunn from Los Angeles in 1965. Ten U.S. firms opened offices in Brussels between 1960 and 1975, and five of these remain open today.73

The 1970s brought U.S. firms to London in order to capitalize on the growing Eurobond market there.74 A total of twenty-three firms established London offices during the 1970s, joining the London offices of Coudert and Baker & McKenzie that had been established during the prior decade. U.S. firms continued to move to London after the 1970s, as well; sixteen firms opened offices there during the 1980s, and twenty-one firms opened a London office during the 1990s, when international legal work became increasingly focused on financial services representation.75 Today, London’s role as a global financial center supports the large number of U.S. law firms present there; reopened it. The New York firms with closed Paris offices are Brown & Wood, Cravath, Dewey Ballantine, Kaye, Scholer, Fierman, Hays & Handler (Kaye Scholer), Stroock & Stroock & Lavan (Stroock & Stroock), and Weil, Gotshal & Manges (Weil Gotshal), which opened and closed its Paris office twice.


73. The firms that opened offices in Brussels during this period are Cleary, Coudert, Dechert Price & Rhoads (Dechert Price), Dewey Ballantine, Gibson Dunn, Rogers & Wells, Shearman & Sterling, Sidley & Austin, Squire, Sanders & Dempsey (Squire Sanders), and White & Case. One of the firms included in the five with current Brussels offices is White & Case, which actually closed the office that was opened in 1966 but reopened it in 1990.

74. See generally Samuel L. Hayes, III & Philip M. Hubbard, Investment Banking: A Tale of Three Cities 32–35 (1990) (describing the closing of the U.S. capital market to developed country borrowers and the rise of the Eurobond market); Pollock, supra note 34, at 43 (discussing the change in the attitudes of American law firms in the 1970s after the development of the Eurobond market in London).

75. In 1985, 45 of the 72 firms on Table 1 operated at least one foreign office, and 31 of these firms (69%) maintained an office in London. At the end of 1999, 57 of the 72 firms on Table 1 (79%) operated London offices. Sixteen New York firms maintained London offices in 1985, accounting for 64% of the New York firms with open foreign offices; at the end of 1999, 22 New York firms had London offices, comprising 73% of the New York Table 1 firms. The non-New York group also has increasingly located in London: 15 of the 20 non-New York firms (75%) with open foreign offices in 1985 had a London office, and 35 of the non-New York firms operated London offices at the end of 1999, which is 83% of the Table 1 non-New York firms.

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fifty-seven of the seventy-two firms on Table 1 had offices in London at the end of 1999.76

The movement to London was dominated by New York-based firms during the early period of expansion. The 1970s brought fifteen New York firms to London,77 while only eight non-New York firms opened London offices during this decade. Among the arrivals during the 1970s was Milbank, which opened its first foreign office in London to serve Chase's needs there.78 Non-New York firms established London offices in increasing numbers during the next two decades, and the 1980s and 1990s each witnessed the establishment of more London offices by non-New York firms than New York firms.79 The cohesion of the New York firms in their movement to London is contrasted with the lack of unified activity by the non-New York firms, which, as a group, experienced nearly continuous movement to London during the three decades.80 The London activity of the non-New York firms does not reflect the cohesion of the New York group even if the firms are grouped according to their home-state locations. For example, of the eleven California firms with London offices, two opened in the 1970s, three in the 1980s, and five in the 1990s. Chicago, Texas and Washington, D.C., firms are similarly scattered in the timing of their London activity. The lack of unified timing may indicate a lack of cohesiveness of purpose. These firms were not driven to London for one purpose; some may have sought the capital markets work that attracted the New York firms, but others may have opened in London in order to serve particular clients. Table 2 chronicles the movement to London by U.S. firms.

76. Twenty-two New York firms had London offices as of the end of 1999, as do 35 of the non-New York firms.

77. Fourteen of these firms have London offices today. The New York firms that opened during the 1970s are Cadwalader Wickersham & Taft (Cadwalader), Cleary, Gravath, Davis Polk, Fried, Frank, Harris, Shriver, & Jacobson (Fried Frank), LeBoeuf, Lamb, Greene, & McRae (Leboeuf Lamb), Milbank, Proskauer Rose (Proskauer), Rogers & Wells, Shearman, Simpson Thacher, Sullivan & Cromwell, White & Case, Wilson Elser, and Winthrop Siiomson. Cadwalader closed its original London office but reopened there in 1997, and Proskauer closed its London office without reopening.

78. The London office was opened against the advice of Roy C. Haberkorn, Jr., who had been partner in charge of the firm's relationship with its prize client, Chase, since the mid-1950s. Haberkorn believed that "Chase's London business could be handled by English law firms and out of Milbank's Wall Street office." POLLOCK, supra note 34, at 44.

79. The late 1980s began a second, smaller rush of activity in London for the New York firms, with seven firms opening offices between 1988 and 1991. Since 1995, only Cadwalader has established a London office, which was Cadwalader's second effort in London.

80. For the non-New York group, 1970 was the beginning of a continuing trend; during each of the five year periods beginning in 1971 and continuing through 1999, between four and eight non-New York firms opened offices in London.
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TABLE 2
U.S. FIRMS MOVING TO LONDON, IN CHRONOLOGICAL ORDER BY THE DATE OF ESTABLISHMENT OF THE LONDON OFFICE

<table>
<thead>
<tr>
<th>Year Office Established</th>
<th>New York Firms</th>
<th>Non-New York Firms</th>
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</thead>
<tbody>
<tr>
<td>1960</td>
<td>Coudert</td>
<td></td>
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<tr>
<td>1961</td>
<td></td>
<td>Baker &amp; McKenzie</td>
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<tr>
<td>1970</td>
<td>Fried Frank</td>
<td></td>
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<tr>
<td>1971</td>
<td>Cleary White &amp; Case</td>
<td>Vinson &amp; Elkins</td>
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<tr>
<td>1972</td>
<td>Shearman &amp; Sterling</td>
<td>Wilmer Cutler &amp; Pickering</td>
</tr>
<tr>
<td></td>
<td>Sullivan &amp; Cromwell</td>
<td></td>
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<tr>
<td></td>
<td>Winthrop Stimson</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>Cravath Davis Polk</td>
<td>Bingham Dana</td>
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<tr>
<td></td>
<td></td>
<td>Dechert Price</td>
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<tr>
<td></td>
<td></td>
<td>Fulbright &amp; Jaworski</td>
</tr>
<tr>
<td>1974</td>
<td>Cadwalader (closed)</td>
<td>Graham &amp; James (closed)</td>
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<tr>
<td></td>
<td></td>
<td>Mayer Brown</td>
</tr>
<tr>
<td>1977</td>
<td>Rogers &amp; Wells</td>
<td>Sidley &amp; Austin</td>
</tr>
<tr>
<td>1978</td>
<td>Proskauer (closed)</td>
<td></td>
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<tr>
<td></td>
<td>Simpson Thacher</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>LeBoeuf Lamb Milbank</td>
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<tr>
<td></td>
<td>Wilson Elser</td>
<td></td>
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<tr>
<td>1980</td>
<td></td>
<td>Morrison &amp; Foerster</td>
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<tr>
<td></td>
<td></td>
<td>Gibson Dunn</td>
</tr>
<tr>
<td>1981</td>
<td>Curtis Mallet-Prevost</td>
<td>Kilpatrick Stockton</td>
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<tr>
<td></td>
<td></td>
<td>Morgan, Lewis</td>
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<tr>
<td>1982</td>
<td></td>
<td>Bryan Cave</td>
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<tr>
<td>1984</td>
<td></td>
<td>Akin, Gump, Strauss, Hauer, &amp; Feld (closed)</td>
</tr>
<tr>
<td>1985</td>
<td></td>
<td>Faegre &amp; Benson</td>
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<tr>
<td>1986</td>
<td></td>
<td>Dorsey &amp; Whitney</td>
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<tr>
<td></td>
<td></td>
<td>Jones, Day, Reavis &amp; Pogue</td>
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<tr>
<td></td>
<td></td>
<td>O’Melveny &amp; Myers</td>
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<tr>
<td>1988</td>
<td>Skadden Willkie Farr</td>
<td>Covington &amp; Burling</td>
</tr>
<tr>
<td>1989</td>
<td>Brown &amp; Wood Debevoise &amp; Plimpton</td>
<td></td>
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<tr>
<td>1990</td>
<td>Paul Weiss (closed)</td>
<td>Graham &amp; James</td>
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<tr>
<td></td>
<td></td>
<td>Latham &amp; Watkins</td>
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<tr>
<td>1991</td>
<td>Dewey Ballantine Weil Gotshal (closed)</td>
<td>Hogan &amp; Hartson</td>
</tr>
</tbody>
</table>
Table 2
U.S. FIRMS MOVING TO LONDON, IN CHRONOLOGICAL ORDER BY THE DATE OF ESTABLISHMENT OF THE LONDON OFFICE (CONTINUED)

<table>
<thead>
<tr>
<th>Year Established</th>
<th>New York Firms</th>
<th>Non-New York Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Squire Sanders</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>Chadbourne &amp; Parke(^{81})</td>
<td>Brobeck Hale &amp; Dorr(^{82}) Perkins Coie</td>
</tr>
<tr>
<td>1995</td>
<td>Weil, Gotshal</td>
<td>Kirkland &amp; Ellis</td>
</tr>
<tr>
<td>1997</td>
<td>Cadwalader</td>
<td>Akin Gump</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paul Hastings</td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td>Altheimer &amp; Gray</td>
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<tr>
<td></td>
<td></td>
<td>Baker &amp; Botts</td>
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<tr>
<td></td>
<td></td>
<td>Hunton &amp; Williams</td>
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<tr>
<td></td>
<td></td>
<td>McDermott Will &amp; Emery(^{83})</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Orrick, Herrington &amp; Sutcliff</td>
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<td></td>
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<td>Shaw Pittman</td>
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</tbody>
</table>

Petro-dollars attracted twelve U.S. law firms to oil-rich cities in the Middle East from the late 1970s through the mid-1990s. While the number of firms that moved into the Middle East was rather small, the regional investment was intense because most of the firms opened multiple Middle Eastern offices.\(^{84}\) As with London, the New York firms moved first: three New York firms opened seven offices by 1982, and no additional offices were opened by New York firms for seven years.\(^{85}\) The non-New York group moved into the Middle East more gradually: seven non-New York firms opened thirteen offices between 1980 and 1987, and five additional offices were opened by non-New York firms in the 1990s.\(^{86}\)

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81. This office is now an affiliated office.
82. This office is a joint venture of Brobeck and Hale & Dorr of Boston.
83. This office was opened as an associate independent office from 1992–1996.
84. Only three firms opened single offices in the Middle East; two other firms each opened five offices in the Middle East.
85. The New York firms were Chadbourne & Parke, Coudert, and Shearman & Sterling. Shearman & Sterling followed its client, Citibank, to the Middle East as well as to other foreign locations. See Timothy Harper, Going Global: Big Law Firms Expand Overseas, 75 A.B.A. J. 68, 68 (Sept. 1989). Later arrivals were White & Case, which opened Middle Eastern offices in 1989 and 1993, and Curtis Mallet-Prevost, which opened an office in 1997.
86. Baker & McKenzie, Bryan Cave, Gibson Dunn, Graham & James, Jones, Day, Reavis, & Pogue (Jones Day), Morrison & Foerster, and Sidley & Austin opened offices during the early period; during the later period, offices were opened by three firms that had opened offices during
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Asia was the focus of expansion for U.S. firms from the mid-1980s through the mid-1990s. Several firms already were located in Asia when this activity began, including Coudert and White & Case in Hong Kong and Baker & McKenzie in Hong Kong, Bangkok, Tokyo, Singapore, and Taipei. Milbank opened offices in Hong Kong and Tokyo in 1977 at the behest of Chase Manhattan Asia Ltd., the Asian merchant bank branch of long-time Milbank client Chase. Two firms had closed their Asian operations before the mid-1980s, reopening them only when other U.S. firms joined the movement. Graham & James had offices in Tokyo, Singapore, and Seoul that were closed by the early 1970s, and Kelley Drye & Warren (Kelley Drye) had a Tokyo office in the early 1980s. By the end of 1999, forty-two of the seventy-two firms on Table 1 had at least one office in Asia, and more than 100 Asian offices established by these firms were operating.

Table 3 chronicles the movement of law firm operations into Tokyo and Hong Kong. Movement to Tokyo was concentrated during the period between 1987 and 1992, just after the limited opening of the Tokyo market to foreign lawyers. Twenty-three firms opened Tokyo

the earlier period—Baker & McKenzie, Bryan Cave, and Jones Day—and a fourth newcomer to the Middle East, Winston & Strawn.


88. See Pollock, supra note 34, at 170. Milbank's Hong Kong office broke even its first year in operation. This is remarkable for a foreign office. See id. at 171. The Hong Kong office benefited from Chase's support, but the Tokyo office did not receive similar support and also suffered from the negative reaction of the local bar. See id. at 170–75.

89. Seventeen firms established only one office in Asia, and four of these offices closed by 1999. Four firms are operating an office only in Tokyo: Arnold & Porter, Mayer Brown, Paul, Hastings, Janofsky & Walker (Paul Hastings), and Wilson Elser. Shook Hardy & Bacon (Shook Hardy) operates only one office in Australia, and Altheimer & Gray has only one office in Shanghai. Six firms operate Asian offices only in Hong Kong: Cravath, Curtis Mallet-Prevost, Debevoise & Plimpton, Dewey Ballantine, Dorsey & Whitney, and Fulbright & Jaworski.

90. Twenty of the 42 firms with Asian offices are New York-based firms, and 22 are non-New York firms.

TABLE 3
U.S. FIRMS MOVING TO TOKYO AND HONG KONG, IN CHRONOLOGICAL ORDER BY THE DATE OF ESTABLISHMENT OF THE OFFICE

<table>
<thead>
<tr>
<th>Year Office Established</th>
<th>New York Firms—Tokyo</th>
<th>New York Firms—Hong Kong</th>
<th>Non-New York Firms—Tokyo</th>
<th>Non-New York Firms—Hong Kong</th>
</tr>
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<tbody>
<tr>
<td>1955</td>
<td></td>
<td></td>
<td>Graham &amp; James</td>
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<tr>
<td>1965</td>
<td></td>
<td></td>
<td>Baker &amp; McKenzie</td>
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<tr>
<td>1971</td>
<td>Coudert</td>
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<td></td>
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<tr>
<td>1972</td>
<td>Coudert</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1975</td>
<td></td>
<td></td>
<td>Baker &amp; McKenzie</td>
<td></td>
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<tr>
<td>1977</td>
<td>Milbank</td>
<td>Milbank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>Shearman &amp; Sterling White &amp; Case</td>
<td>Heller Ehrman</td>
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<tr>
<td>1980</td>
<td>Cleary Simpson Thacher</td>
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<td></td>
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<tr>
<td>1981</td>
<td>Kelley Drye</td>
<td></td>
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<tr>
<td>1983</td>
<td>Paul, Weiss</td>
<td></td>
<td>Morrison &amp; Foerster</td>
<td></td>
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<tr>
<td>1984</td>
<td>Kaye Scholer</td>
<td></td>
<td>Graham &amp; James</td>
<td></td>
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<tr>
<td>1986</td>
<td></td>
<td></td>
<td>Jones Day Winston &amp; Strawn</td>
<td></td>
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<tr>
<td>1988</td>
<td></td>
<td></td>
<td>Graham &amp; James Paul Hastings</td>
<td></td>
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<tr>
<td>1989</td>
<td></td>
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<td>Jones Day Morgan Lewis</td>
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offices during this period. While New York and non-New York firms moved to Tokyo during the same period of time, the New York firms moved in concert, with eight firms opening in Tokyo in 1987, three in 1990, and one in 1992. In contrast, the non-New York firms moved in an almost continuous stream: three firms opened offices in 1987, two firms opened in each year between 1988 and 1991, and one firm re-established its presence in 1992.

Similar patterns of activity characterize U.S. firms’ movement to Hong Kong. Table 3 reveals that for New York firms, intense activity in Hong Kong occurred during the period from 1993 through 1995, when thirteen firms opened offices there,\(^{92}\) while the movement of

\(^{92}\) Three of these firms, Paul Weiss, Simpson Thacher, and Shearman & Sterling, were reestablishing offices that were opened previously. See Paul Weiss, International (visited Apr. 19, 2000) <http://198.65.219.20/paulweiss/PWW...y;DFD4993D35DC5804852565FD00573674>;
non-New York firms occurred in a more constant stream. The break between the early period of activity in Hong Kong, during the late 1970s through the mid-1980s, and the more recent period beginning in 1992, is most likely explained by political events in China. On the one hand, the mid-1980s activity might have been due to the hope of using Hong Kong as a gateway to China after its Thirteenth Party Congress extended the promise of liberalization in 1987.93 The small number of firms establishing offices in the late 1980s and early 1990s resulted from the 1989 Tiananmen Square incident. British solicitors traditionally were permitted to practice in Hong Kong on the same basis as Hong Kong lawyers; Hong Kong's regulation of U.S. and other non-Commonwealth lawyers evolved during the 1980s and early 1990s.94 Activity in the 1990s is explained in part by “Hong Kong's sudden emergence . . . as the most important international legal center in Asia, eclipsing Tokyo as many banking activities moved to the more congenial economies of Hong Kong and, soon after, more law firms flew in like seagulls in the wake of a luxury liner.”95

The current difference between New York and non-New York firms with regard to Hong Kong is substantial: in 1999, sixty-three percent of the New York firms on Table 1 had offices in Hong Kong, while only thirty-three percent of the non-New York firms had Hong Kong offices. This difference between the New York and non-New York firms is not explained by the presence of offices of non-New York firms in a different Asian city. The non-New York firms did not prefer a different Asian city to Hong Kong as their Asian center. Indeed, more foreign offices of New York firms are located in each Asian city, including Tokyo, than of non-New York firms.

The 1990s have witnessed expansion in multiple locations by U.S. firms. Law firms with existing foreign offices opened additional offices in new locations, and fourteen firms that had not yet opened foreign offices (“Post-1990 Group”) established operations in these new cities as well as in cities that had traditionally hosted U.S. firms. Fifty-eight firms had foreign offices prior to the 1990s (“Pre-1990 Group”). Within this Pre-1990 Group, a number of firms expanded regionally,


93. The beginning of the increase in movement to Hong Kong for the non-New York firms coincided with the contraction of the loan syndication market there in 1986; prior to 1986, law firms enjoyed a steady stream of such work.

94. See *Conr*, supra note 91, at 14:3–33.

95. Id. at 14:2.
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using existing foreign offices as bases for expansion. For example, fourteen Pre-1990 Group firms that had established offices in Tokyo or Hong Kong during the 1986–1990 period expanded into other cities in the Asia/Pacific region during the 1990s, including opening offices in Shanghai and Beijing, Singapore, Taiwan, India, Australia and Vietnam. These firms also moved into entirely new regions in Central Europe and the former Soviet Union. Twelve firms in the Pre-1990 Group opened Moscow offices during the 1990s, joining Coudert's office that had been established in 1988. Twelve of the Pre-1990 Group firms opened more than twenty-three offices in Central Europe, but this was a short-lived move for some; half closed their Central European offices by the end of 1999.66 It is possible that additional Central European offices will close during the next several years.

Fourteen firms that did not have foreign offices before 1990 joined the overseas movement ("Post-1990 Group"),97 and these firms moved into traditional locations, such as London, as well as into Central Europe, Asia and the former Soviet Union. All of the Post-1990 Group firms are non-New York firms, and all but three opened offices in London.98 The move to London did not necessarily occur at the outset of foreign office activity for these firms. For example, Altheimer & Gray opened its first foreign office in Warsaw in 1990, but did not open an office in London until 1998. In contrast, Hogan & Hartson opened its London office at the same time that it established offices in Warsaw and

66. This experience of a high closure rate is reminiscent of the Middle East experience for several U.S. firms, and most of the firms that experienced difficulties in the Middle East avoided the Central European market. See supra text accompanying notes 84–86. Two New York firms, Chadbourne & Parke and Coudert, that were active in the Middle East during the 1980s, have not entered the Central European market. Coudert's absence is surprising in light of the breadth of its foreign office operation. Of the non-New York firms with Middle East experience, six have avoided Central Europe. Baker & McKenzie and Jones Day entered the Central European market after participating in the Middle East, but both firms had experienced some success in the Middle East as well, and both opened Middle East offices during a later period and maintained Middle East offices that remained open at the time they established their offices in Central Europe.

97. Altheimer & Gray, Arnold & Porter, Brobeck, Foley & Lardner, Hogan & Hartson, Hunton & Williams, Kirkland & Ellis, Latham & Watkins, McDermott, Will & Emery (McDermott), McGuire, Wood, Battle & Boothe (McGuire Woods), Orrick, Herrington & Sutcliffe (Orrick), Perkins Coie, Seyfarth Shaw (Seyfarth), and Shaw, Pittman, Potts & Trowbridge (Shaw Pittman).


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Prague, and Latham & Watkins opened in London before establishing other foreign offices. Central Europe and the states of the former Soviet Union became the site of offices for a number of these Post-1990 Group firms, notably Altheimer & Gray,99 Hogan & Hartson,100 Hunton & Williams,101 Latham & Watkins,102 McDermott,103 and McGuire Wood.104 Seven of the Post-1990 Group moved operations into Asia,105 and several opened offices in Western Europe outside of London.106

This chronicle reveals several notable characteristics of U.S. firms with foreign offices, as well as certain distinctions between the New York and non-New York firms with regard to their foreign office activities. London is the most popular foreign city for U.S. firms; eighty-five percent of the U.S. firms on Table 1 have or have had a London office, and seventy-nine percent of them had offices in London as of the end of 1999. Today, London is the site of offices for a greater percentage of the non-New York firms than for those based in New York: eighty-three percent of the non-New York firms have offices there, compared to seventy-three percent of the New York firms. For the non-New York firms, the next most popular city is Brussels; close to forty percent of non-New York firms have Brussels offices at the end of 1999, while only


105. Altheimer & Gray (Shanghai), Arnold & Porter (Tokyo—now closed), Hunton & Williams (Hong Kong and Bangkok), Latham & Watkins (Tokyo, Hong Kong and Singapore), Orrick (Tokyo and Singapore), Perkins Coie (Hong Kong and Taiwan), and Seyfarth (joint venture in Singapore—now closed).

106. Foley & Lardner, Hogan & Hartson, Hunton Williams, McGuire Wood, and Seyfarth each opened a Brussels office; Hogan & Hartson also had a Paris office for several years; McDermott had associate offices in Barcelona, Madrid, Lisbon and Paris; and McGuire Wood opened in Zurich (now an associate office).
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twenty-three percent of the New York firms have Brussels locations.107 Twenty-two of the Table 1 firms currently have offices in Paris, and thirteen have Frankfurt offices. Paris was the location of choice for firms that entered the foreign office movement before the 1970s: half of the firms that currently have Paris offices opened them prior to 1968. Both Frankfurt and Paris host a higher proportion of New York firms than non-New York firms. Paris is the site for offices of seventeen New York firms, comprising more than fifty percent of the New York Table 1 group, but houses only five non-New York firms or twelve percent.

Frankfurt’s attractiveness to U.S. law firms is recent; it is emerging as a financial center in the EU along with London. Each of the Table 1 firms that currently boasts a Frankfurt office also has an office in London.108 This is explained in large part by the focus in both cities on financial and capital markets. In addition, London and Frankfurt both allow U.S. firms to hire locally-licensed lawyers, which many of the firms have done.109 Frankfurt hosts nine of the Table 1 New York firms (thirty percent of the New York firms), and four non-New York firms (ten percent of the non-New York firms).110 The non-New York firms established their offices in Frankfurt111 just before the New York firms.

107. Four additional New York firms had Brussels offices that are now closed, as did four non-New York firms. Today, Brussels houses a smaller percentage of the Table 1 New York firms than Frankfurt, Hong Kong, London, Paris, or Tokyo, and the same percentage as Moscow.

108. All of the New York firms with Frankfurt offices also have Paris offices, as do two of the four non-New York firms (one of the two exceptions is Morgan Lewis, which had a Paris office from 1972–1980).

109. See, e.g., Ferguson, supra note 15, at 26 (reporting on Sullivan & Cromwell’s move to offer limited English law capability in its London office); Hasche Fuels German Merger-Mania as Firms Rush for Growth, WORLDWIDE BUS., May-June 1999, at 3, 4 ("Firms that choose not to opt for a strategy of fast growth, however, may find their top fee-earners lured by high-paying foreigners."); Paul Lee, The Global Players Revealed, Int’L FIN. L. REV., Nov. 1998, at 25, 24, 29 (tables indicating number of “other qualified lawyers” in the fifty largest firms in the world); Rob Manning, European Equity Clients Favour One-Stop Shops,” Int’l FIN. L. REV., Oct. 1999 (reporting on Shearman & Sterling’s German lawyers); Shearman & Sterling Poaches Ashurst’s Head of Investment Banking, WORLDWIDE BUS., May-June 1999, at 15 (reporting on “first U.K.-qualified partner . . . to be recruited to the London office”).

110. Forty-one percent of the New York firms with London offices also have offices in Frankfurt, and approximately 11% of the non-New York firms with London offices have opened in Frankfurt.


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which moved into Frankfurt following Germany’s reunification and the liberalization of the German rules of practice for foreign lawyers.\textsuperscript{112}

Many U.S. law firms serve clients based in Canada and Latin America, but only nine of the Table 1 firms have offices in Canada or Latin America. Many firms serve their Latin American clients from their New York offices. Six New York firms, comprising twenty percent of the New York group, have offices in Canada or Latin America, as well as three of the non-New York firms (seven percent). Six additional firms on Table 1 had Latin American offices that are no longer open.\textsuperscript{113}

The New York and non-New York groups look remarkably similar in their preferences for particular cities. For example, thirteen percent of the New York group has at least one office in Central Europe,\textsuperscript{114} compared with twelve percent of the non-New York group. Similarly, twenty-three percent of the New York firms have an office located in Russia or another former Soviet Union republic\textsuperscript{115} (thirteen offices in all, distributed among seven firms), as do twenty-four percent of the non-New York firms (nineteen offices in all, distributed among ten firms).

Location and number of foreign offices for U.S. law firms appears to fall into three basic patterns.\textsuperscript{116} These patterns are neither static nor rigid but offer a method of comparison for firms. First is the single foreign-office structure. Of the seventy-two firms on Table 1, only ten currently have a single foreign office.\textsuperscript{117} The trend is against the single foreign office, and five of the firms operating a single foreign office had additional foreign offices in the past.

The second pattern is for firms to operate a handful of offices in global economic centers, such as London and Tokyo or Hong Kong. Firms falling into this category include: Covington & Burling (London

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\textsuperscript{112} See CONE, supra note 91, 11:1–21.

\textsuperscript{113} These are Baker & Botts (Mexico), Brown & Wood (Sao Paulo), Cadwalader (Ecuador), Fulbright & Jaworski (Mexico), Sullivan & Cromwell (Buenos Aires), and Vinson & Elkins (Mexico).

\textsuperscript{114} The locations included here are Bratislava, Bucharest, Budapest, Krakow, Prague, and Warsaw.

\textsuperscript{115} These locations include Almaty, Ashgabat, Azerbaijan, Estonia, Kiev, Moscow, St. Petersburg, Tashkent, and Vilnius.

\textsuperscript{116} For a different method of categorizing the international delivery of legal services, see Mary Daly, Thinking Globally: Will National Borders Matter to Lawyers a Century From Now?, 1 J. INST. STUD. LEG. ETH. 297, 309–11 (1996).

\textsuperscript{117} As of December 1999, firms with only one foreign office were Arnold & Porter (London), Bingham Dana (London), Brobeck (London), Foley & Lardner (Brussels), Fulbright & Jaworski (London), Proskauer (Paris), Pillsbury Madison & Sutro (Pillsbury) (Tokyo), Shaw Pittman (London), Seyfarth (Brussels), and Stroock & Stroock (Budapest).
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and Paris); Cravath (London and Hong Kong); Davis Polk (London, Paris, Hong Kong, Frankfurt, and Tokyo); Fried Frank (London and Paris); and Paul Hastings (London and Tokyo). Other firms follow this second pattern with the addition of at least one city that cannot as clearly be classified as a global economic center, including Melbourne, Moscow, and Singapore; examples of this variation on the second pattern include: Akin Gump (London, Brussels, and Moscow); Debevoise & Plimpton (London, Paris, Hong Kong, and Moscow); Morgan Lewis (London, Brussels, Frankfurt, Tokyo, and Singapore); Orrick (London, Tokyo, and Singapore); and Sullivan & Cromwell (London, Paris, Frankfurt, Tokyo, Melbourne, and Hong Kong). Firms focused on Asia also fit within this pattern; examples include: Heller Ehrman (Hong Kong and Singapore); Kaye Scholer (Hong Kong and Shanghai), O'Melveny & Myers (Hong Kong, London, Shanghai, and Tokyo); Sidley & Austin (Hong Kong, London, Shanghai, Singapore, and Tokyo); Simpson Thacher (Hong Kong, London, Singapore, and Tokyo); and Winthrop Stimson (Hong Kong, London, Singapore, and Tokyo).\(^ {119} \)

The third pattern is multiple offices in one particular economic-geographic region, sometimes alone and other times in combination with one or more offices in major financial centers. This pattern describes firms with Central and Eastern European practices, such as Altheimer & Gray (London, Bratislava, Bucharest, Istanbul, Kiev, Prague, Shanghai, and Warsaw), Bryan Cave (London, Asia and the Middle East including Riyadh, Dubai, Kuwait and Abu Dhabi), Jones Day (Western Europe, including Geneva, and Asia/Pacific, including New Delhi, Sydney, and Taiwan), LeBoeuf Lamb (Western Europe and the former Soviet Union, including Almaty, Bishkek, and Tashkent), McDerm-

\(^ {118} \) Singapore’s status as a global financial center is ambiguous; its uncertainty and potential is a source of attraction for U.S. lawyers and other financial market participants.

\(^ {119} \) Stephen Volk of Shearman & Sterling explained the strategy underlying this pattern of foreign office placement as follows:

One of the reasons to have non-New York partners and associates is to have a group of globally thinking people on the ground in various places. We try to be in areas where our clients want us to be, and we try to do things that make sense to our clients, and so we have tried not to have offices everywhere in the world. In fact, we have closed some of the smaller offices. We have closed three offices Taipei, Budapest, and Los Angeles in the past few years while we were expanding other offices. What we have tried to settle on is the major financial centers, the major legal systems, the areas where things are really happening, in England, France, Germany, and Asia.

Global Roundtable, supra note 42, at 99.

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mott (London, Moscow, St. Petersburg, and Vilnius), and Weil Gotshal (London, Budapest, Brussels, Prague, and Warsaw). A variation on the third pattern is found where clusters of offices are located in several economic-geographic regions as well as in major financial centers. Examples include Coudert (Western Europe, including Berlin, Asia/Pacific including Bangkok, Sydney, and Vietnam, and the former Soviet Union including Almaty and St. Petersburg) and White & Case (Western Europe, including Helsinki and Stockholm, Asia, including Bangkok, Indonesia, and Vietnam, Central Europe, Latin America, the Middle East, and the former Soviet Union).

While no particular pattern of foreign office expansion ensures success, the recent wave of British and European law firm combinations reflects a comprehensiveness with regard to location that is uncommon for U.S. firms. Linklaters & Alliance, for example, consists of six European law firms with thirty-two offices in Europe, North and South America, and Asia. Clifford Chance has offices in more than thirty cities. The breadth of these firms in terms of location and expertise resembles Baker & McKenzie, and, to a lesser extent, White & Case, both of which represent strategies, including reliance on locally-licensed lawyers and diversity of foreign office location, that most U.S. firms traditionally have rejected in their foreign office activities. These originally-British mega-firms, members of the "Magic Circle," may motivate U.S. firms to reconsider their foreign office strategies.

120. The common explanation for the aggressive foreign expansion of the British firms compared to U.S. firms is that it is fueled by the "smaller domestic market and looser ties to the investment banks." *Lawyers Go Global, supra* note 4, at 79.

121. De Bandt, van Hecke, Lagae & Loesch (Belgium and Luxembourg); De Brauw Blackstone Westbroek (Netherlands); Gianni, Origoni & Partners (Italy); Lagerlöf & Leman (Sweden); Linklaters and Oppenhoff & Rädler (German); and Linklaters (U.K.). *See* Linklaters, Firm Profile (visited Apr. 10, 2000) <http://www.linklaters.com/offices/index.html>.


123. Compare the comment of Bob Joffe of Cravath: "Big companies are sophisticated consumers of legal services. They do not need a 'one-stop shop.'" *Lawyers Go Global, supra* note 4, at 80. The "Magic Circle" of English law firms—Allen & Overy, Clifford Chance, Freshfields, Linklaters, and Slaughter & May—are increasing their influence in the United States. Allen & Overy describes its New York office as having "five partners, two senior counsel and twenty-nine associates. Attorneys are admitted to the New York Bar and/or qualified English solicitors or are
Indeed, geographic coverage may shift the focus away from U.S. law firms in favor of the legal arms of the Big Five accounting firms.124

Timing matters in the competition of law firms through their foreign offices, but it is difficult to assess its actual significance because the date when a foreign office is first listed by Martindale-Hubbell may not reflect the firm’s entry into the foreign market. A firm’s listing in Martindale-Hubbell does not always match the firm’s own description of its foreign activities. This inconsistency might be caused by firms describing their foreign offices as dating from the beginning of their activity in a foreign location, rather than from the date that an office was established. Regardless of the explanation for the discrepancies, it is clear that firms use their early establishment in a particular foreign market to indicate their commitment to that region and to the international market in general. For example, Milbank’s marketing information on its website boasts: “We were the first American law firm, by almost 10 years, to open an office in Tokyo.”125 Davis Polk reports that its “Tokyo and Hong Kong offices were among the first Asian offices


124. Margaret A. Jacobs, Accounting Firms Covet Forbidden Fruit: Piece of U.S. Legal Market, WALL St. J., May 31, 2000, at B1, B4 (The CEO of Italian company Amplifon chose Ernst & Young lawyers in order to secure a firm “with branches throughout Europe, which limited the choices to the Big Five and the largest London law firms. No U.S. law firm had the desired international presence.”). Nonetheless, the lawyers seem united in their belief that quality will trump geographic coverage. See Lawyers Go Global, supra note 4, at 81.

opened by major Wall Street firms.""126 Fried Frank's description of its
London office states: "Our London office (one of the first established
by U.S. law firms) was founded in 1970.""127 Shearman & Sterling's
claim regarding its China practice is similar: "Active in China since
1979, Shearman & Sterling was among the first law firms to establish a
Beijing office approved and licensed by China’s Ministry of Justice.""128
Being first is presented as an advantage.

New York firms were the first to arrive in many of the foreign
markets, and they moved in a cohesive group in all instances. All but
two of the active participants in the pre-1970 foreign office movement
were New York firms. By the time non-New York firms began opening
London offices in the 1970s, nine New York firms had established a
beachhead in Europe: Coudert had offices in Brussels, London, and
Paris; Cleary, Rogers & Wells, and White & Case had offices in Brussels
and Paris; and Davis Polk, Debevoise & Plimpton, Shearman & Sterling,
& McKenzie had offices in London, Brussels, and Paris by this time, as
well as other European and Latin American locations, and Dechert
Price had a Brussels office. All are still active internationally. New York
firms also moved in first and/or in a concentrated time period to Paris,
London, Tokyo and Hong Kong.

Once opened, firms are reluctant to close foreign offices for fear of
negative publicity.129 Such closures sometimes lead to speculation
about the firm's overall strategy and stability.130 Nevertheless, more
than half of the largest U.S. firms with foreign offices have closed at
least one such office. As a general matter, more New York firms closed
foreign offices than firms in the non-New York group; twenty-three of
the thirty New York firms (seventy-seven percent) closed at least one
foreign office, compared to twenty-five of the forty-two non-New York

practice/asia.html>.
com/off_asia.html>.
129. For a discussion of the costs of foreign offices, see Krysten Crawford, Why Some Firms Are
Lagging, Am. Lw., July 1998 (referring to the impact of the expense of foreign offices on Shook
Hardy and Chadbourne & Parke); Sherry R. Sontag, Opening Offices Overseas: Does the Payoff Warrant
130. See Sonnenschein, supra note 36; Josh Karlen, Law Firms Grow Abroad Amid Uncertain
Markets, Nat'l L.J., Nov. 16, 1998, at A25 ("If you're going to go in and go out, you don't have any
credibility," says David Clossey, international managing partner of Jones, Day, Reavis & Pogue.").
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firms (sixty percent). This may be a result of the New York firms' longer participation in the global legal market. The New York firms opened a total of 204 offices between 1925 and 1999, and closed sixty-three of these. 131 During this same period the non-New York firms opened a total of 245 offices, of which sixty-four have been closed. 132 For both groups, approximately one-third of the closed offices were subsequently reopened, either as regular, associate, or affiliated offices.

The location of closed offices also is interesting. For both the New York and non-New York group, a greater number of offices were closed in Western Europe, including Brussels, London, and Paris, than in any other region. Forty-nine Western European offices of the Table 1 firms have been closed, and more than half of these are the offices of New York firms. Nearly all of these offices were closed since 1970: twenty-two offices were closed during the 1990s, ten were closed during the 1980s, and twelve were closed during the 1970s. 133 As a percentage of offices opened, the rate of closing in Western Europe is comparatively modest: approximately twenty-five percent of all of the Western Europe offices opened by the Table 1 firms have been closed. The New York group opened and closed more Western European offices than did the non-New York firms; approximately one-third of the Western European offices of New York firms were closed, compared to approximately twenty percent of the Western European offices of the non-New York group.

Asian offices have experienced a similar proportion of closings as Western European offices. Approximately twenty-seven percent of the offices opened by the Table 1 firms in Asia have closed; ten New York and ten non-New York firms closed their Asian offices. More than half of these closings occurred in the 1990s; this is explained in part by new

131. These numbers reflect only offices that were noted in Martindale-Hubbell; additional offices may have been opened and closed as well. See supra notes 53–63 and accompanying text. Of the New York firms, eight closed one office, ten closed two or three offices, and five firms closed between five and seven offices. Certain of these offices were reopened as affiliate, associate or representative offices, and several were reopened as regular offices.

132. The non-New York firms opened 190 offices, of which 69 were subsequently closed, if Baker & McKenzie is omitted. Of the non-New York firms, including Baker & McKenzie, eleven firms closed only one foreign office, eight firms closed two or three offices, three closed four offices, and one each closed six, seven and ten offices. An office is considered closed if it is not listed in Martindale-Hubbell continuously; thus, the possibility of an error in the Martindale-Hubbell listings must be taken into account. In addition, an office is considered closed if it changes status from a regular to an affiliate, associate or representative office.

133. Three offices in Western Europe were closed before the end of World War II, all of New York firms; two additional offices were closed in the 1960s.

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regulations in China, as well as by the recent Asian economic downturn. The region with the highest percentage of closings compared to openings is the Middle East, where seventy-one percent of the offices (twenty of twenty-eight offices) opened by U.S. firms have been closed. New York firms closed fifty percent of their Middle Eastern offices, and non-New York firms closed sixty-seven percent of these offices.

In certain locations, the longevity of offices cannot yet be determined. For example, ten of the thirty-four offices opened in Central Europe during the 1990s have now closed. Forty offices have been opened in the former Soviet Union by nineteen of the Table 1 firms, and six of these offices are now closed. Additional closings probably are likely in the next several years because of economic difficulties.

This chronicle of U.S. firms’ foreign office activities reveals a surge in the activity of non-New York firms during the last twenty-five years. By 1985, fifty-three of the Table 1 firms already had entered the foreign office market, including all but one of the New York firms. Fifty-seven percent of the non-New York firms had entered the foreign office market by 1985, but only forty-eight percent of the Table 1 non-New York firms had at least one open foreign office in 1985, compared to eighty-three percent of the Table 1 New York firms. Today, each firm on Table 1 has at least one open foreign office, as previously described.

As more firms decide to open foreign offices, many of them also have opted to have multiple foreign offices. In 1985, twenty-six firms had only one open foreign office, constituting fifty-eight percent of the firms with open foreign offices at that time. This number has

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134. U.S. firms are permitted only one office in the PRC, and five firms closed seven offices in the PRC in apparent efforts to comply with this rule. See Jim Baumol, Jones Day: Pioneer Behind the Bamboo Curtain, Metropolitan Corp. Couns., May 2000, at 28, available in LEXIS, Legnews, Curnws.

135. Seven New York firms opened 16 offices in Central Europe, of which five were closed at the end of 1999; nine non-New York firms opened 18 offices in Central Europe, of which five were closed at the end of 1999.

136. None of the closed offices in the former Soviet Union are offices of New York firms.

137. See, e.g., Karlen, supra note 130, at A25 (discussing reductions in foreign office staffs and possible closings).


139. Of these 53 firms, 45 had open foreign offices in 1985; the remainder had had foreign offices that were closed by 1985.

140. Thirteen of the non-New York firms had only one open office in 1985, and seven non-New York firms maintained more than one foreign office at that time. At the same time, 13 of the New York firms had only one foreign office open, while 12 additional New York firms had more than one foreign office open.

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dropped substantially since 1985. Today, only thirteen of the Table 1 firms operate just one foreign office, just eighteen percent of the Table 1 firms.\footnote{At the end of 1999, five New York firms (17%) have a single foreign office, and eight of the non-New York firms (19%) have only one open foreign office. A sixth New York firm, Wilson Elser, has one regular foreign office and several affiliate foreign offices; and a ninth non-New York firm, McCutchen Doyle, has several affiliate foreign offices.}

The increase in the number of firms with foreign offices and in the number of foreign offices operated by these firms reveals the increased competition between the New York and non-New York firms resulting from the operation of overseas offices. The number of non-New York firms with at least one foreign office increased by sixty percent between 1985 and 1999. This increase has resulted in non-New York firms reorienting themselves with regard to their competition, both in the foreign market and at home, as discussed in the next section.

\section*{IV. Strategies Revealed}

The dramatic growth since 1985 in the foreign office activity of non-New York firms has placed these firms in direct competition with New York firms that originally occupied the international and foreign-office territory. This competition requires new strategies aimed at the foreign and international market, and these strategies are different from those that traditionally have been followed to support the domestic activities of non-New York firms. In this part of the Article, characteristics of internationalization are examined to reveal the strategies important to success in foreign offices and the relationship of these strategies to the domestic identities and activities of law firms.

The large non-New York U.S. law firm relies on a combination of diversified legal specialties, a broad client base and its large size to sustain itself. Diversification acts as insurance for law firms just as it does in the stock market.\footnote{See generally Ronald J. Gilson & Robert H. Mnookin, \textit{Sharing Among the Human Capitalists: An Economic Inquiry into the Corporate Law Firm and How Partners Split Profits}, 37 \textit{Stan. L. Rev.} 513 (1985) (discussing the economic rationale behind the formation of partnerships).} When business is slow for lawyers in one department, the firm can rely on business being brisk in another department. For example, clients engage in fewer corporate transactions when the economy contracts but their need for litigators and bankruptcy lawyers increases at the same time. Therefore, law firms with diversified legal specialties are able to support the corporate lawyers with revenue generated by the litigators and bankruptcy lawyers. The breadth of a large law firm's legal specialization also enables
it to satisfy the legal problems of the majority of its clients. Second, it is important for a large firm to have a broad client base. A law firm with a varied group of clients can weather difficulties in one sector of the economy by relying on clients with business interests that are not similarly affected. For example, when the aircraft industry experiences economic difficulties, the real estate market may be booming. Size is the third defining characteristic of the non-New York firms active internationally. The firm’s large number of lawyers enables it to offer diverse practice specialties and to provide enough human power in any particular specialty to respond to the volume and time pressures that often characterize commercial transactions. The combination of diversified specialties, a broad client base and large size has been a successful strategy for non-New York firms.

Foreign offices are not supported by these same strategies. Traditionally, foreign offices have been small in terms of the number of lawyers, and this, of course, impacts the variety of substantive specialties that can be offered. The smaller the number of lawyers and specialties

143. Nonetheless, it may not be cost-effective for clients to hire the largest firms for routine matters.

The practice of law has become more specialized. Within large firms, specialization has become more intense and the work of various levels more differentiated. Much routine work has been retracted into corporate law departments, shifting the work of large outside firms away from office practice toward litigation and deals. With more deals, higher stakes, more regulation to take into account, and more volatile fluctuations of interest and exchange rates there is greater demand for intensive lawyering. The large contested and/or risk-prone one-of-a-kind, "bet your company" transactions—litigations, takeovers, bankruptcies, and such—make up a larger portion of what big law firms do. Since few clients provide a steady stream of such matters and those that have them increasingly shop for specialists to handle them, firms are under ever greater pressure to generate a steady (or increasing) supply of such matters, by retaining the favors of old clients and securing new ones.

Galanter & Palay, supra note 65, at 48. See Lewis, supra note 7, at 11 (according to Skadden executive partner Robert Sheehan, "[i]n entering foreign markets we have never attempted to be a leading provider of general legal services. Rather we aim to involve ourselves in a small percentage of the most significant legal business.").

144. The 1999 Martindale-Hubbell listings for the firms on Table 1 indicate that 26% of the offices in London and in Hong Kong are staffed by fewer than five lawyers. Sixty-three percent of London offices, 61% of Hong Kong offices, and 78% of the Frankfurt offices have 10 or fewer lawyers. Only two firms have more than 50 lawyers in their London offices, three offices in Paris and one each in Hong Kong and Frankfurt. Paris presents a different picture than London, Frankfurt, and Hong Kong; legal staffs of 20 or more persons support more than half of the Paris offices. Chicago-based Alzheimer & Gray aims for larger numbers for its Central and Eastern European offices. According to partner Louis Goldman, "If we go somewhere, we're not going to be a three- or four-person outpost on the periphery." Melissa George, Law and Borders: Clients, Competitors Push Chicago Firms Overseas, CRAIN'S CHICAGO BUS., Apr. 26, 1999, at 13.
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in a particular office, the smaller the possible pool of clients and legal matters that can be served by the office.\textsuperscript{145} In addition, many foreign offices cannot offer local legal services because of licensing restrictions, which further limit the nature of the legal issues that an office may address.

The rich and varied client base of the home office does not necessarily translate into benefit for the foreign office because not all clients need foreign or international legal services. Manufacturing and industrial companies that generate substantial fees in the United States may not be similarly engaged in the foreign market. A large and varied client base is likely to yield only a small number of clients with needs in a particular foreign location. Consequently, the number of clients that the home office can send to its foreign offices may be limited, and the size of the foreign office’s legal staff further limits its ability to serve the clients that are received.

The small number of legal specialties represented in a foreign office’s staff also restricts the office’s ability to weather difficult economic times, because the office will be unable to balance revenues from one practice area against losses from another.\textsuperscript{146} Furthermore, unpredictable client needs may dictate against staffing a foreign office with more than a minimum number of lawyers. Yet limited staffing impacts not only the possible expertise of the office, but also the ability of the foreign office to handle large transactions, which itself restricts the office’s opportunities to compete for work that is within the substantive specialties of its staff.\textsuperscript{147} As a result of these differences, a law firm that is overflowing with work in its U.S. offices may be unable to attract lucrative business to its foreign offices.

The differences between foreign offices and their home base demand different strategies for success. The diversity that insures the home office may doom the foreign office. Instead, a foreign office needs clients in similar businesses with similar legal needs in order to capitalize on the specialization of its legal staff. Foreign offices need clients that are repeat players, with reliable and predictable needs for legal services, and whose activities in the foreign market promise a

\textsuperscript{145} Many firms try to solve this problem by planning to use a domestic office as back up for large transactions and for purposes of expanding the substantive expertise of the foreign office. The back-up system is difficult to implement, however.

\textsuperscript{146} In the litigation/bankruptcy example above, the foreign office also may be limited by the lack of development in certain areas of foreign law, such as bankruptcy.

\textsuperscript{147} Size and speed are important factors in the competition between accounting firms offering legal services and traditional law firms. See Jacobs, supra note 124, at B4.

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stead stream of future legal work. Of course, some diversification among clients will be attractive for the same reasons as for the home office, but the same degree of client diversity neither can be supported, nor exploited, by smaller offices. The firm itself must diversify through multiple offices, offsetting difficulties experienced by one office with revenues generated elsewhere.

The repeat players in today’s international economy are the investment and commercial banks that structure financial transactions, and it is the business of these banks that is sought by the foreign offices of many U.S. law firms. The role of these financial institutions in the global economy is central to the story of internationalization for law firms. These institutions have been the driving force behind the global economic explosion of the 1980s and 1990s. They not only brought foreign investment opportunities to the U.S. market in order to satisfy the capital demands of foreign entities, but they also exported U.S. financing and merger and acquisition techniques to foreign markets. The banks’ domestic experience allows them to advise on similar transactions in different national settings.

Investment and commercial bankers advise on a variety of corporate and financial transactions that need the support of sophisticated legal services, including capital market transactions, mergers and acquisitions, privatizations, project financing, and securitizations. These transactions require lawyers with an identifiable substantive expertise, thus solving the need for diverse legal specialties in a foreign office. Moreover, the banks provide a relatively steady stream of future transactions, which enables staffing decisions to be made with confidence. This future stream of work, or deal flow, not only simplifies decisions about the number of lawyers needed in a particular office, it also allows firms to offer lawyers new to the foreign location a regular diet of sophisticated financial work. This is crucial for attracting high quality and competitive lawyers to the foreign site, which itself is important to the success and credibility of the office. The prestige and fees gener-

148. These banks might hire law firms to represent them or recommend the law firm to the bank’s client; in either event, the law firm benefits by involvement with a transaction connected to the bank, which is a repeat user of international legal services.

149. Investment and commercial banks provide repeat business for law firms; if a bank opens an office in a particular geographic area, this indicates that the bank will supply a stream of transactions for at least the foreseeable future.

150. Deacons Graham & James, the association of Deacons, a Hong Kong-based law firm, and Graham & James ended on July 1, 2000; Deacon’s offices in Hong Kong and Australia no longer have any formal links with Graham & James. Letter from Paul Scholefield & Lindsay B. Esler, Partners at Deacons Graham & James, Hong Kong (Apr. 5, 2000) (on file with author).
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ated by large sophisticated transactions also are important to the success of a foreign office. Prestige may stem from the importance of the business entities involved as well as from the nature of the transactions themselves, and transactions involving large dollar amounts can support high legal fees, whereas smaller versions of similar transactions may not. The legal advisers to significant financial transactions are often mentioned in the Wall Street Journal and the New York Times, as well as in publications devoted to the profession. This publicity is especially important in the international legal market because potential foreign clients often lack experience with foreign law firms that would otherwise form the basis for their hiring decisions.

Of course, the same investment and commercial banks active in the international market also are active in the U.S., and their legal needs have been satisfied by generations of U.S. lawyers in firms with long-standing relationships to the banks. For many years, New York law firms have served the needs of their banking clients with only modest competition from non-New York firms. The New York firms repre-


152. A foreign client located in the country of the foreign office also does not necessarily need the same expertise in local matters—political, economic and otherwise—that inures to the benefit of the U.S. business operating overseas, because the foreign client understands these matters by virtue of its home-based activities. While the personal relationship of lawyer to client is very important in informed hiring decisions in the domestic market for legal services, it is not clear that personal relationships occupy a similar role in the international market. See generally ROBERT L. NELSON, PARTNERS WITH POWER 66-67 (1988) (suggesting that the reason that personal relationships are so important in corporate law is because of the difficulty of assessing lawyers' performance).

153. U.S. investment banks are leaders outside of the U.S. as well, in the important London market. According to Stephen Volk, chairman of Shearman & Sterling, "[T]he U.S. investment banks have taken over the London market to a great extent. There are no major English financial institutions in the investment banking area that are owned by the English." Global Roundtable, supra note 42, at 99.
sented these institutions from their early days of operation, and they contributed to a client base that was characterized by enormous wealth and power.\textsuperscript{154} The elite New York law firms have participated in an international securities practice for at least forty years, counseling in transactions involving Eurodollar financings, the issuance of American Depositary Receipts, sovereign and international institutional borrowings, and international tranches of foreign securities offerings. The firms have accumulated expertise with regard to international financing and specialized transactions initiated by banking clients, and they use this expertise to market their services to foreign clients.\textsuperscript{155}

The New York firms' value to their foreign clients stems more from their experience with similar transactions under different national legal regimes than from expertise in local law, especially in cases where local law is ambiguous or non-existent. The example of hostile tender offers again is illustrative. The unfriendly acquisition was unknown in Europe until recently, and European companies engaged in the first European takeover battles retained U.S. lawyers because of their general experience with these transactions. The U.S. lawyers were not experts in the local law regulating the companies; rather, their value was in planning the strategic use of law in the takeover context. In marketing their services to foreign clients, the New York firms tout their longstanding relationships with the investment banking firms advising the takeover participants. It is this business that is the target of the non-New York firms' foreign offices: both the representation of the banks themselves and the representation of other parties in transactions in which the banks participate.\textsuperscript{156}

The existence of foreign offices and the nature of these offices, as

\textsuperscript{154} Each of the major investment banks has a long-standing relationship with one or more New York law firms, and these relationships have exerted enormous influence over the exportation of New York law and the legal services of particular firms. For example, Goldman Sachs relies primarily on Sullivan & Cromwell for many transactions in which it is involved. See Lawyers Go Global, supra note 4, at 79 (noting the relationships of New York firms with Morgan Stanley, Goldman Sachs and Merrill Lynch).

\textsuperscript{155} In explaining why his firm represented Daimler Benz in the merger with Chrysler, Stephen Volk, chairman of Shearman & Sterling, referred to his German lawyer partner's "deep knowledge of international transactions," which resulted in part from training at Shearman & Sterling and Freshfields. Global Roundtable, supra note 42, at 101. "[M]ost New York firms are gambling . . . that excelling in a few key areas of the law will continue to win them work on the biggest and most lucrative deals . . . . You might be willing to settle for second-best when hiring a podiatrist," says Cravath's Mr. Joffe, "but not when you need a brain surgeon." Lawyers Go Global, supra note 4, at 81.

\textsuperscript{156} The parties to these transactions often will select legal counsel on the basis of advice from their bankers.
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described above, have brought non-New York firms into competition
with the New York firms for the business generated by the investment
and commercial banks. 157 The competition is not necessarily guided by
preconceived strategic planning. Even the former chairman of Baker &
McKenzie, by some measures the most international non-New York law
firm, acknowledged a lack of strategy when he commented on the
current focus of international legal advising:

The capital markets are creating a very, very different kind of
practice, and I suspect the strategy plans of most international
law firms ... are focused on heading into that high-end
practice and perhaps away from the more traditional foreign
direct investment. To me, I think the jury is still out as to what
the right philosophy is going to be in terms of servicing that
particular new set of businesses or transactions. 158

Regardless of the lack of insight or intention on the part of the
non-New York firms and their managers, however, the actions of these
firms reveal a consistent pattern of conduct that appears to be aimed at
attracting the business generated by the investment and commercial
banks, at least for the benefit of their foreign offices. This conduct
consists of three elements: the locating of foreign offices in the finan-
cial centers described in Part III, establishing substantial and credible
New York offices, and the loosening of connections to the firm’s
original home city. The second and third of these elements are exam-
ined below.

A. Needing New York

New York’s position as the home to many global financial clients
makes it crucial for law firms to have a substantial and credible New

157. According to a New York headhunter, the non-NewYork firms benefit more from the
abundance of activity flowing from New York than from inroads on the business of their Wall
Street competitors. “[W]hen you talk about out-of-town firms that are going to come in and
compete for New York business, there’s some business that’s not up for competition.” Krysten
Crawford, The House That Ralph Built, AM. LAW., Mar. 1998, at 56. It is precisely this business that is
the golden ring for the New York offices of these non-New York firms, because it holds the key to
the deal flow critical to success in the global market. In addition to the New York—non-New York
competition, foreign firms have entered the U.S. market. London and Canadian firms are
considered serious contenders in New York, and other nationalities are beginning to establish
themselves as well. See Dezalay, supra note 8, at 85.
York office in order to compete for a share of the international market in legal services, and many of the non-New York law firms with foreign offices have built New York into their identities.\textsuperscript{159} As the financial center of the U.S. and a global center for finance,\textsuperscript{160} New York is home to most of the major U.S. commercial and investment banks, as well as the New York Stock Exchange and the Nasdaq. It has surpassed other U.S. cities in its position as the country’s leading financial center. “New York's concentration of investment banks and dominance of the U.S. stock market have now left its U.S. rivals far behind.”\textsuperscript{161}

These same financial institutions are leaders in the global economy as well, and their importance to success in the international legal market justifies the expense of a New York presence for non-New York law firms. Eighty-one percent (thirty-four firms) of the Table 1 non-New York firms also have offices in New York.\textsuperscript{162} New York offices tend

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\item \textsuperscript{159} Many firms diversified as their original locations suffered a decline in clients, through acquisition or financial distress. As New York consolidated its position as the center of financial activity in the United States, other cities lost ground in their participation in the global economy. The manufacturing companies that once were the backbone of the U.S. economy had been located around several major cities, and law firms in those cities often enjoyed close relationships to the nearby businesses. As manufacturing occupied an increasingly smaller share of the global economy these other cities lost their power-bases, and the law firms situated in those cities have suffered as well. The focus on New York represents a change from Galanter and Palay’s description of a movement away from New York in the 1980s: Over the past thirty years, there has been a marked movement away from New York City as the nation’s legal center. In 1957, there were 21 firms with over fifty lawyers in NYC and only 17 in the rest of the country. In 1980, there were 72 firms of fifty-one or more in NY State but in the whole country there were 287. In twenty years, NY City’s share of large firms had a somewhat larger but declining share of the very largest firms. In 1987, 32 of the 100 largest firms were based in NY (down from 36 in 1975). The hundred largest firms were based in twenty-four cities (up from 18 in 1975).
\item \textsuperscript{160} Galanter & Palay, supra note 65, at 47–48. Steven R. Strahler, \textit{Winston & Strawn Eyes NY Practice}, Crain’s Chicago Bus. (June 5, 2000) <http://www.crainschicagobusiness.com> (“‘These days, if you’re not in the major financial centers, which is New York and London, you’re going to miss out on a lot of deals – that’s all there is to it,’ says Chicago legal consultant Joel Henning . . . . Cautions Mr. Henning, ‘Not only do you have to be in the major financial centers, you have to have heavy hitters who have solid relationships with the senior people in the major investment banking houses.’”).
\item \textsuperscript{161} While “[i]n the past, a nation’s financial activity was often scattered among several major cities . . . today most countries have one dominant national center of operations.” Saskia Sassen, \textit{Global Financial Centers, FOREIGN AFF.}, Jan.–Feb. 1999, at 76; see also \textit{Nelson}, supra note 152, at 47–48.
\item \textsuperscript{162} Sassen, supra note 160, at 76.
\item Only six firms on Table 1 do not have offices in New York: Altheimer & Gray, Kilpatrick
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to be more substantial in terms of numbers of lawyers and diversity of practice areas than the branch offices characteristic of earlier law firm expansion.\textsuperscript{163} Expansion to New York has not followed a consistent pattern,\textsuperscript{164} but it has increased at the same time that non-New York firms have invested in their foreign offices. More than half of the non-New York firms with New York offices in 1999 opened those offices after 1985, when the growth in foreign offices for the non-New York group began. In contrast, U.S. firms without foreign offices are less likely to have offices in New York than those with foreign offices. Of the twenty-five non-New York law firms on the Am Law 100\textsuperscript{165} without foreign offices, only nine, or just over one-third, have offices in New York. In comparison, eighty-five percent of the thirty-nine Am Law 100 non-New York firms with foreign offices have offices in New York. This difference highlights the critical position of New York to the strategies of firms with international aspirations. New York also hosts offices of foreign law firms, including those of London's "Magic Circle."\textsuperscript{166}

Stockton, McCutchen Doyle, McGuire Wood, Perkins Coie, and Shook Hardy. Five of the six have an office in London, also a global financial center.


164. Firms that opened offices in New York well before venturing into the overseas market include: Hunton & Williams (New York 1983, Brussels 1989, four additional foreign offices established in the 1990s); Latham & Watkins (New York 1985, five foreign offices established in the 1990s); and Paul Hastings (New York 1986, Tokyo office established in 1988). Other firms ventured into the foreign market at approximately the same time that their New York offices were established; examples include Brobeck (New York 1990, London (joint venture with Hale & Dorr) 1990) and Morgan Lewis (New York 1972 and at approximately the same time the firm began operating out of Paris, via the offices of a French firm). Firms that ventured into the foreign market before opening in New York include Akin Gump (Brussels 1989, New York 1993); Morrison & Foerster (London 1980, Hong Kong 1983, and New York 1987); and Sidley & Austin (London 1977, New York 1982).

165. Thirty-two of the Am Law 100 firms are based in New York, and all but three of these have at least one foreign office and are included on Table 1. The three New York Am Law 100 firms without foreign offices are Schulte Roth & Zabel, Thelen Reid & Priest, and Wachtell. See The Am Law 100, supra note 45, at 99.


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New York has become a gateway for the overseas activities of non-New York law firms, and it serves as an anchor for their international identities. An article about Orrick claims the firm’s perception is that “New York is critical to . . . global ambitions . . . . As the financial center of the world, New York is where the deals get done . . . . New York is also the link to other markets such as London, Hong Kong and Latin America.”167 The article attributes a New York focus to Ralph Baxter, Jr., the firm’s chairman: “In Baxter’s mind, a firm that seeks to be a global player—a truly exceptional law firm—must first make a stand in New York.”168 Conversely, an article about Pillsbury describes that firm’s lack of commitment to New York as antithetical to its foreign interests. “Pillsbury overestimated California’s role as a link to Asia. . . . Partners didn’t anticipate that Asian clients such as automobile manufacturer Mitsubishi Motors Corporation would go to New York for their investment and legal advice.”169 New York’s connection to international financing and the importance of such financing to profitability in the international legal market support the relationship between New York offices and international practice.

Nearly every non-New York firm’s description, whether in firm brochures or on web sites, of the work performed by its New York office includes a reference to international practice and its coordination through New York. The following examples from the website descriptions of the New York offices of Akin Gump, Dorsey & Whitney, and Sidley & Austin, three non-New York firms, are illustrative: “The New York office has . . . . a special focus on international transactions, working closely with the firm’s offices in Moscow and London.”170 “The [New York] office coordinates its international practice on a day-to-day basis with the firm’s London, Brussels, Hong Kong and Washington, D.C. offices.”171 “[T]he New York office serves as the hub of much of the firm’s international practice, representing foreign


168. Id. The same article quotes an Orrick partner in the New York office, formerly with Kelley Drye, on the issue of non-New York firms trying to remake themselves in order to successfully compete with the New York firms: “I don’t think Skadden is quaking in its boots at the thought of Orrick in New York . . . [But] we bring something unique to bear, and I think the firm is well-advised not to lose its uniqueness.” Id. at 56.

169. Id. at 70.


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clients and American clients doing business abroad." The websites of Bryan Cave, Gibson Dunn, Heller Ehrman, Jones Day, Morgan Lewis, O’Melveny & Myers, and Orrick also contain


175. The New York office offers expertise in complex U.S. and international corporate finance transactions. Fully half of the attorneys in the New York office are fluent in one or more foreign languages. The international practice, drawing on the firm’s affiliation with Carmelutti, one of the oldest and most pre-eminent firms in Italy, centers on representation of foreign companies doing business in the U.S. as well as U.S. entities seeking to expand overseas.


178. O’Melveny & Myers LLP, Background (visited Apr. 10, 2000) <http://www.omm.com/explore/index.html> (describing the history of the firm’s move to New York as follows: The New York office’s “opening reflects both the national and international character of our practice and the importance of New York City as a commercial and financial capital of the nation and the world.”).

O’Melveny & Myers LLP/New York plays a pivotal role in the firm’s domestic and international practice. New York attorneys, with expertise in Corporate, Banking, Bankruptcy, Labor, Litigation, Real Estate and Tax law, coordinate activities for the firm’s east coast and many of the firm’s international clients. Significant projects in Germany, Latin America and Asia exemplify the preeminence of our lawyers in managing international matters.


descriptions that reveal this perception of New York's critical importance to the international practices of the non-New York firms.

Clearly, New York is pivotal to the marketing of a non-New York firm's international practice. This marketing role results from the importance of the financial institutions based in New York to the success of the foreign offices of these firms. The increase in the international and foreign activity of the non-New York firms has caused their focus to shift towards New York, the U.S. epicenter for international financial activity. These firms must compete for the attention and trust of the New York-based financial institutions in order to support their international presence.

B. De-localization

The third characteristic of the non-New York firms active in the foreign office market is the de-localization of firm identities. Firms that primarily identified themselves as locally connected now stress their international identities through their foreign and multiple domestic offices. This "de-localization" is symptomatic of globalization generally, and it is not surprising to find evidence of this here. It also may characterize domestic firms attempting to establish national as opposed to regional identities, but the internationally oriented non-New York firms are de-localizing in a particular direction.

This de-localization is characterized by a de-emphasis of the firm's home office location and staffing foreign offices with foreign-trained lawyers licensed to practice in the foreign locale. For firms in today's international market, the local home office identity has been replaced by an international identity. As a result of the importance of the New York-based financial institutions to the international economy, to the extent a firm identifies itself as connected to a particular location, it is often New York.

Prior to the mid-1980s, U.S. law firms generally identified themselves

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Yale, and international presence clearly position Orrick as a global player today and in the future."

180. See, e.g., Lawrence D. Blume, Why Have an Overseas Office?, N.Y. L.J., Nov. 30, 1998, at 16. Blume, the managing partner of Graham & James' New York and European offices at the time he wrote this article was written, wrote that "Graham & James . . . has historically considered itself a San Francisco or California firm. Today, it is an international firm, perceived by its clients as such, and its continued success depends on meeting this perception . . . Thus, its competition is largely not other San Francisco or California firms." Id.

181. See generally Yves Dezalay & Bryant Garth, DEALING IN VIRTUE 228 (1996) (describing the analogous effect of *lex mercatoria* in international commercial arbitration).
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by their home office locations. The home office dominated a firm’s other offices in terms of size and management, and the home office location even set a particular tone for the firm. Firms based in Chicago, for example, were considered “Midwestern” in attitude, perhaps translating into a more relaxed or friendlier work environment than Wall Street firms.

Home office location is sometimes difficult to discern in current marketing material; instead, firms refer to their several significant full-service offices. For example, Akin Gump’s website identifies all of its offices without any indication of the firm’s original or home office; the Texas origins of the firm are detectable only through the firm history page on its website. Website descriptions for other firms list office locations without emphasizing one locale over others. Rather, the emphasis is on the diversity of office locations. Law firm advertisements also blur geographic identity. A special supplement on Germany published by the International Financial Law Review, for example,

182. See Galanter and Palay, supra note 65, at 38.

Other firms identify their origins at the same time that global coverage is stressed: two examples are Gibson Dunn & Crutcher and Jones Day Reavis & Pogue. “Gibson, Dunn & Crutcher LLP has positioned itself for the global cooperation and interdependence that surely will be key elements of our society as we enter the next century. With 15 offices situated in most of the world’s important business centers, we have grown to one of the largest law firms in the world.” Gibson Dunn & Crutcher, The Firm (visited Mar. 31, 2000) <http://www.gdclaw.com/TheFirm/>. Gibson does identify its original home-base: “While our founding office is in Los Angeles, we have full-service capability throughout Southern and Northern California, in New York, Washington, D.C., Dallas and Denver.” Id. “Tracing its origins to 1893 in Cleveland, today Jones Day encompasses more than 1,100 lawyers resident in 20 locations and ranks among the world’s largest and most geographically diverse law firms.” Jones Day Reavis & Pogue, Overview, (visited May 15, 2000) <http://www.jonesday.com/html/overview.asp>.

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advertised Wilmer, Cutler & Pickering (Wilmer Cutler) as having offices in Berlin, Brussels, London, Washington, D.C., Baltimore, and New York (in that order). The text of the ad did not identify the firm as a Washington, D.C. organization, much less a U.S. organization. Bryan Cave’s advertisement in the IFLR’s Banking Yearbook emphasized its Middle East office locations. The text of the ad stated that “Bryan Cave offers a full range of legal services from its offices in the Middle East that are staffed with local, English and American attorneys, as well as from twelve other offices worldwide, including London, New York, Los Angeles, Washington, DC, Hong Kong and Shanghai.” The firm’s home office in St. Louis was omitted altogether. This indicates a substantial shift in the approach of the non-New York U.S. firms towards their potential clientele and towards themselves.

A second aspect of de-localization characteristic of international firms is the need for local expertise in their foreign offices. In the 1990s, more firms have added locally-licensed lawyers to their foreign

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187. See id. Certain non-New York firms use their marketing material to affirmatively distance themselves from law firms based in the same city by emphasizing their national identities. Shaw Pittman explains the ways in which it differs from other Washington, D.C., firms:

Shaw Pittman’s largest office is in Washington, D.C., but it has never been a traditional Washington law firm. Unlike most large law partnerships based in the District of Columbia, Shaw Pittman has from the start been focused on commerce... [B]ecause we help clients address business problems that arise in commercial centers all over the world, during the last two decades we have expanded geographically to meet the needs of our national and international clients.


188. De-localization is evident in law firm management as well. Many firms report that all offices are represented in the management structure; this phenomenon is not unique to firms with foreign offices. Gibson Dunn’s website, for example, explains that “our governance structure is dedicated to preserving our one-firm culture. Firm committees... draw members from across the firm’s offices and make decisions for the entire firm, rather than on behalf of any one office in isolation.” Gibson, Dunn & Crutcher, Recruiting (visited Mar. 31, 2000) <http://www.gdcclaw.com/recruitment/pdf/Recruit.pdf>. Other firms report similar universal attitudes. Lewis, supra note 7, at 11. (“As firms become increasingly global in their outlook, management structures are going to have to change. For example, [Thomas] Cole, [chairman of the executive committee at Sidley & Austin,] says he will ‘regard it as a measure of success when we disband’ the firm’s international operations committee.’). Even Shearman & Sterling has adopted a global attitude towards office location; Stephen Volk, chairman of Shearman & Sterling, divides his firm’s offices into two categories, New York and non-New York: “We don’t consider our offices foreign offices anymore. They’re all just non-New York offices.” Global Roundtable, supra, note 42, at 99.
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office staffs. This represents a dramatic change from the tradition of U.S. firms to offer only U.S. law expertise.\textsuperscript{189} The change perhaps may be seen as one from the internationalization of law firms to their globalization.\textsuperscript{190} This change was driven in large part by the opening of the British market to multinational partnerships and the resulting competition between U.S. and British firms. Many U.S. and U.K. firms now offer dual expertise in their New York and London offices, respectively.\textsuperscript{191} The shift from practicing only U.S. law to a practice that

\textsuperscript{189} See McCollam, supra note 3, at 15.

\textsuperscript{190} See Charting the New Legal Landscape, LAWYER, Apr. 26, 1999, at 10–11.

includes local law expertise goes beyond London, however. Paris offices of foreign law firms that were established before 1990 offer French law expertise, and German offices tend to combine U.S. and German licensed lawyers as well. English law capability is important because


192. Foreign lawyers, who were conseil juridique prior to 1990, automatically became avocat as a result of the merger of the professions of avocat and conseil juridique. See CONE, supra note 91, at 9:36; Roger J. Goebel, Lawyers in the European Community: Progress Towards Community-Wide Rights of Practice, 15 FORDHAM INT'L L.J. 556, 642 (1991–92). American lawyers became conseil juridiques if they were practicing in France prior to 1971. See CONE, supra note 91, at 9:12; see also Willkie Farr & Gallagher, Paris, Office (visited Apr. 10, 2000) <http://www.willkie.com/Offices/paris.html> ("All of the firm's lawyers practicing in France are admitted to the Paris Bar, with the exception of several American associates who are not permanently based in France"); Sullivan & Cromwell, Offices & Regions (visited Apr. 10, 2000) <http://www.sullcrom.com/display.asp?section_id=228> ("The [Paris] office currently has a staff of 20 lawyers, about half of whom practice French and European Union law.").

of the widespread adoption of English law in financial transactions. Local expertise is especially valuable for certain types of work, including project finance, in which local property and commercial law issues often are implicated. Lawyers need local expertise even if their investment banking clients do not: “Numbers are numbers, discounted cash flow analysis is the same worldwide, but the law is different.”

The role of U.S. lawyers in foreign offices also has changed as U.S. firms increasingly hire locally-licensed lawyers. U.S. firms traditionally established foreign offices by sending lawyers from the home office to set things up “over there.” Foreign offices were staffed exclusively with lawyers trained in the firm’s home office, which ensured quality control and supported the connection between the foreign and home offices. This approach is no longer common. For example, one U.S. firm boasts in the website description of its London office that all of its London lawyers are U.K.-licensed. While certain of these lawyers also may be U.S.-trained and licensed, the shift away from a U.S. focus is unmistakable. These law firms are following the pattern set by international financial institutions:

One of the things you see more and more as a financial institution becomes global is, for want of a better word, the local hires—the need to have insiders in the various countries involved. You see the need to develop people who will be long-time performers in a particular market, who understand what is going on in the market and will develop the kinds of relationships that are needed to get involved in and effectively do transactions.


195. Sidley & Austin, London Office (visited Apr. 10, 2000) <http://www.sidley.com/about/bio/london.asp> (“Our London office has approximately 45 solicitors . . . . We were the first American law firm to develop a major London office staffed almost exclusively by English solicitors.”).
The foreign lawyers and lateral hires who increasingly populate the foreign offices of U.S. firms may not have been trained in the U.S., much less at their firms’ home office. The absence of uniform or home-office training raises concerns about the quality of legal services offered in foreign offices. Prior to the 1990s, when it was less common to find foreign-trained lawyers in the foreign offices of U.S. firms, hiring local lawyers was considered a negative. The Baker & McKenzie firm adopted the practice of hiring local lawyers for its foreign offices much earlier than other U.S. firms, and the following comment is illustrative of the negative perception of Baker & McKenzie’s practice: “The problem... is quality control. Look at ‘Baker & McDonalds.’ There are some of their [Baker & McKenzie’s] offices which... you just wouldn’t touch at all. Part of the problem is Baker & McKenzie uses locals in all their offices, unlike other firms that send out their own people.” \footnote{Megalawyering, supra note 8, at 195. See Lawyers Go Global, supra note 4, at 81. (“Rivals sneer at Baker as a ‘franchise’ operation... ‘Baker has some good lawyers,’ says the head of one London firm, ‘but the quality varies tremendously.’”).}

Attitudes have changed in the 1990s, and, while quality control remains a concern, firms increasingly staff foreign offices with lawyers who have not “grown up” at the firm’s home office, or at the firm at all. A few U.S. firms still stress the home-office training of lawyers staffing their foreign offices; Cravath epitomizes this attitude, but it is present in other firms as well. \footnote{Cravath’s approach is explained in its website description of the firm’s international practice: “Virtually all our lawyers in Hong Kong and London are from our New York office, assuring clients that we will provide the same abilities in mergers and acquisitions, securities offerings, banking, tax and project finance at any location in the world.” Cravath, Swaine & Moore, Corporate & Tax Practice (visited Apr. 10, 2000) \textlangle}http://www.crayath.com/practice/intern.htm\textrangle; see also A Blip on Wall Street's Radar, LAWYER, Dec. 1, 1998, at 19–20 (Cravath believes that its “strength is that everyone is home-grown.”); Lawyers Go Global, supra note 4, at 80 ("We train our own talent," says Cravath's Mr. Joffe."). Clear also stresses uniform training in its firm brochure: “For more than 40 years, the firm’s legal staff has included European lawyers, most of whom received a part of their academic training in the United States and many of whom completed traineeships in one of the firm’s U.S. offices.” CLEARY GOTTLIEB, CLEARY GOTTLIEB FIRM BROCHURE (undated), available in the Career Services Office of Northwestern University Law School. A similar attitude is shared by Willkie Farr, see Willkie Farr & Gallagher, London Office (visited Apr. 10, 2000) \textlangle}http://www.willkie.com/offices/london.html\textrangle ("All of the firm’s attorneys practicing in the London Office are American attorneys admitted to practice in the State of New York who have worked at Willkie’s New York office.")., and Simpson Thacher, see SIMPSON THACHER & BARTLETT, SIMPSON THACHER FIRM BROCHURE 8 (1999), available in the Career Services Office of Northwestern University Law School ("In each of these practice areas [European, Asian and Latin American] the firm conducts a New York quality practice enabling young professionals to maintain their development regardless of location.").}

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describes its efforts to maintain quality control in its offices outside of Los Angeles:

We were pioneers in expanding law firms and have done so in a way that both preserves our culture and assures our clients of high quality, cost-effective services. We opened and expanded new offices without merging or acquiring another firm; rather, we relocated ‘home-grown’ lawyers and carefully screened and selected prominent individuals to join our new offices and practice groups in each community.199

But this practice, once the rule for nearly all U.S. firms, now is more the exception.

The growing challenge of staffing foreign offices is causing firms to reconsider their traditional insistence on U.S. credentials and home-office training. Many firms increasingly have turned to lateral hiring and acquisitions of groups of lawyers to satisfy foreign office staffing needs.200 Staffing needs in foreign offices contribute to the motivation for law firms to merge as well, since merger enables rapid acquisition of expertise.201 Law firms also tend to rely on foreign lawyers with U.S. graduate LL.M. degrees for their needs in foreign offices; the increasing numbers of LL.M. programs at U.S. law schools is evidence of this

201. A new journal, Worldlaw Business, published by Euromoney Institutional Investor PLC, which also publishes the International Law Review, is focused exclusively on issues of international law practice; the journal is filled with reports of mergers and acquisitions of groups of lawyers. See, e.g., Coudert Clinches Last Gasp Merger, WORLDLAW BUS., Oct. 1999, at 4 (reporting on the third merger of Coudert in three months). “The goal, according to [Coudert] managing partner Anthony Williams, is to have one-third of its lawyers in the US, one third in Europe, and another third in Asia.” Id. On the Clifford Chance merger with Rogers & Wells, see Michael Steinberger, Is Clifford Chance/Rogers & Wells The Next Wave, or Simply Overkill?, INVESTMENT DEALERS DIG., Aug. 9, 1999, at 12, 13, available in Westlaw, 1999 WL 19514181; Top Firms Stay Cool about Transatlantic Merger, WORLDLAW BUS., May-June 1999, at 6; Paul M. Barrett, Drive to Go Global Spurs Law-Firm Merger Talk, WALL ST. J., Mar. 18, 1999, at B1; Greg Burns, It’s a Whole New Law Game, CHI. TRIB., Oct. 10, 1999, § 5, at 1 (discussing changes in focus of law firms); see also Mark Skertic, Merger Mania for Law Firms, CHI. SUN-TIMES, Sept. 21, 1999, at A12.
trend. Even third-year law students report being asked whether they would join a foreign office immediately upon graduation, without any training period in the United States. The possibility of a new law school graduate being sent to a foreign office is a notion that would have been unthinkable to nearly all of the Table 1 firms as recently as the early 1990s. However, foreign office staffing demands are causing a shift in practices that may change the standards promoted by U.S. law firms regarding the education, training, and experience required for rendering high quality legal services. U.S. law firms may forego their traditional reliance on internal training and experience in favor of external “equivalents,” which might include education at a U.S. law school or training at another U.S. law firm.

V. Conclusion

Law firms have moved into foreign markets in increasing numbers over the last twenty-five years. This movement has been characterized by striking coordination; law firms moved to the same locations at approximately the same times. As the non-New York firms, through their foreign offices, seek to represent the clients that have been the mainstay of the New York firms, the movement of firms into new foreign locations may be characterized by an even greater degree of parallel activity, because the reorientation of the non-New York group will result in the alignment of their interests with those of the New York elite.

Internationalization has brought non-New York firms into direct


203. The combination of the influence of the U.S. law firms active in the international market, and the popularity of the LL.M. degree for foreign lawyers who desire a connection with U.S. law but who cannot gain direct entry to U.S. law firms, is extending the influence of U.S. law. LL.M. students report that even lawyers who intend to practice with foreign firms benefit from connection to the U.S. legal system.
competition with the New York elite through their foreign offices. Foreign offices lessen the differences that characterize law firms in their domestic activities, and in some cases, these differences essentially disappear. The nature of smaller foreign offices requires a different client base than the typically large and diverse U.S. law firm. The businesses active in foreign markets with significant need for U.S. lawyers revolve around financial services. Most of the non-New York firms involved in the foreign office movement traditionally have enjoyed a broad client base, in which financial services clients occupied only a limited role. Internationalization is causing a reorientation of these non-New York firms towards financial service businesses, which have traditionally been served by the Wall Street elite.

The competition that has resulted between New York and non-New York firms in their foreign office activity is accompanied by a shift in focus for non-New York firms away from their original home cities and towards New York, the U.S. center for financial services and home to global investment banks and other financial institutions. \textsuperscript{204} New York attracts U.S. firms with international practices, identified here by their foreign offices, as well as non-U.S. firms. At the same time, U.S. law firms that are not active in the international market are less likely to open New York offices. Their practices do not require the connection to finance that is made necessary by participation in the international market. Indeed, domestic firms without New York offices may still benefit from referral relationships with New York-based firms.

U.S. law firms active internationally also minimize their non-New York heritage, while emphasizing their national identities in marketing material. Firms de-emphasize their original locations, sometimes failing to identify their historic home cities in advertisements and on websites. This shift in image away from home city for external purposes will likely have internal ramifications as well. This is manifested in changes in the hiring, training, and licensing practices of these firms’

\textsuperscript{204} Both New York and non-New York firms compete for lawyers to staff their foreign offices, and increasingly compete for lawyers for their home offices as well. Hiring is competitive for recent law graduates and also for experienced lawyers, who often are hired to staff foreign offices.

As the number and size of large firms has increased, recruitment has become more competitive and more meritocratic, leading to changes in the social composition of the new recruits. The range of law schools from which the big firms recruit has widened, and recruitment has gone ‘deeper’ into each graduating class.

Galanter & Palay, \textit{supra} note 65, at 53.
foreign offices. As U.S. law firms participate in the international legal market, they lose the local distinctiveness that characterized their early years. Law firms in the international market compete by shifting their identities to a national model, \(^{205}\) with New York as the center of activity.

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\(^{205}\) This shift towards the national has not yet impacted licensing rules in the U.S., which remain within the jurisdiction of the states. The push for national licensing may increase with the support of U.S. firms and their promotion of national identities in their international activities. Such a drive also is likely to be influenced by negotiations for reciprocity agreements with the European Union, since differences among state licensing and ethical regulation of lawyers has made it difficult to reach a coordinated arrangement. And yet any movement towards national regulation of lawyers is likely to emphasize existing divisions within the U.S. bar, and meet resistance from those lawyers whose interests reflect the local. See generally John P. Heinz & Edward O. Laumann, Chicago Lawyers: The Social Structure of the Bar (1982) (discussing lawyers' career mobility); John P. Heinz, et al., The Changing Character of Lawyers' Work: Chicago in 1975 and 1995, 32 L. & Soc'y Rev. 751 (1998) (discussing the changes in the legal profession since the origin of the two-hemisphere hypothesis regarding the urban bar's division into two distinct sectors or areas of practice). The recent action of the American Bar Association on the issue of multidisciplinary partnerships is one indication of the division between the international and local segments of the bar. See Janet L. Conley, ABA Postpones Its Decision on Multidisciplinary Practice, N.Y. L.J., Aug. 11, 1999, at 1–2.