

# OF COUNSEL

Aspen Law & Business

## In this Issue

**In-House Compensation.** Recent survey numbers from ACCA and Altman Weil Pensa confirm better earning power for corporate counsel nationwide. Yet the real issue may be the gap between the cost of in-house and outside attorneys, and what that gap means for inside/outside relations. . . . . **Page 2.**

**IP Trends.** Until recently, patent interferences represented only one aspect of the perennially red-hot IP practice area. With GATT and NAFTA, however, this sub-specialty may turn out to be a gold mine. Only a few firms feature real expertise here. . . . . **Page 5.**

**Collaborative Software.** Today's e-mail is tomorrow's groupware. Law firms, particularly the larger ones, are achieving better project management with new multi-user retrieval and sharing systems from major vendors like Lotus and Novell. . . . . **Back Page.**

## Show-Me . . . Expansion?

### St. Louis Law Firm Managers Assess Regional Dynamics

The Gateway Arch, known as the "Gateway to the West," stands just a stone's throw from the Mississippi riverfront in St. Louis, symbolizing America's move to the Western frontier more than a century ago. For area law firms, this underlying theme of Midwestern expansion has a particularly complex and rich texture—expansion through merger, absorption, regional strategy, and, in some cases, natural growth.

The idea of strong law firm growth might seem enigmatic to anyone contemplating *St. Louis Post-Dispatch* headlines that ponder the city's woes on a regular basis. This past December, for instance, the paper devoted an entire section to the city's problems; the front-page headline warned, "Downtown St. Louis: Fading Fast." Yet, the several mid-size to large St. Louis firms that spoke with *Of Counsel* have recently experienced tremendous activity and, in fact, foresee continuing opportunity amid the malaise.

"We're optimists," says Thompson Coburn co-managing partner Thomas Minogue, citing several

recent improvements to the downtown area, including the Kiel Center (mainly a hockey and basketball venue), the Trans World Dome (home of the St. Louis Rams football team), and a new federal courthouse under construction, to be christened "The Eagleton Building" after a Thompson Coburn partner, former Senator Thomas Eagleton.

Minogue may have particular cause for optimism. Bryan Cave, the international megafirm based in St. Louis, no longer holds the honor of employing the most attorneys in the city. Thompson Coburn claimed it last April when Thompson & Mitchell merged its 184-lawyer corporate practice with Coburn and Croft's 70-lawyer litigation practice. The merger was also resonant for Coburn

*Continued on page 9*

**The Of Counsel 700 . . .**  
**We've reprinted this year's**  
**questionnaire for readers'**  
**convenience. Page 12.**

## St. Louis Law

*Continued from page 1*

and Croft because founder Richmond Coburn left Thompson & Mitchell nearly 50 years ago.

Thompson Coburn may be the best representative of the current St. Louis scene in terms of growth despite an uncertain market. The new firm has 224 lawyers in St. Louis, occupying in excess of 173,000 square feet of the Mercantile Tower downtown. Minogue (Thompson & Mitchell's former managing partner) and John Musgrave (Coburn and Croft's former managing partner) agreed to run Thompson Coburn together. Says Musgrave, "Tom's from the corporate transactional side, and I'm from the litigation side, and that gives us an appropriate depth of insight into those two major departments of the firm, and keeps things on an even keel."

"Actually, it gives each of us the ability to practice some law while we manage the place," adds Minogue. Among the firm's major clients are AlliedSignal Inc., Chrysler Corp., Digital Equipment Corp., Emerson Electric Co., Eveready Battery Co. Inc., Kawasaki Motors Corp., U.S.A., and Monsanto Co.

It's a strong client base, but not necessarily a stable one. For example, St. Louis-based Monsanto reengineered its legal department about 9 months ago, outsourcing the bulk of its legal work on a partnering basis with decisively fewer outside firms. Most of the work went to Chicago's Winston & Strawn firm, but Thompson Coburn retained a piece in the litigation area and will receive more work in the environmental area, says Musgrave.

In the meantime, Monsanto announced in December its intention to divide itself into two separate companies—a life sciences business with \$5 billion in sales, and a chemical business with \$3 billion in sales. "The spin-off of the chemical company may present new opportunities," Musgrave says, but adds that "it's too early to tell."

It's also too early to predict what effect the North Carolina-based NationsBank Corp. will have on the St. Louis area after its purchase of St. Louis'

Boatmen's Bancshares Inc. for \$8.7 billion. Minogue describes Thompson Coburn's banking/financial practice as the deepest in St. Louis, remarking that "... there are always changes in the marketplace, [but] our firm is strong and diverse enough to deal with them."

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Many St. Louis law firms, not just the multi-office Bryan Cave, have strong national clients like NationsBank, as well as international clients. According to Musgrave, St. Louis firms can easily garner work from the coasts because of the city's central location in the country; flights to either coast last no longer than four hours. Even more significant, he cites the generally lower Midwestern legal rates as attracting clients based far from Missouri.

Neil Huber, partner in charge of client development at St. Louis' Peper, Martin, Jensen, Maichel and Hetlage, agrees that the relatively low Midwestern legal rates serve as the primary draw for out-of-town clientele. "We've worked with larger firms and never feel that they're better than we are," he says. "But they're also charging, in some cases, double what we charge." The marketing tactic is to remind clients that, for the price, they get the services of an experienced Missouri partner rather than an inexperienced New York associate.

In last year's *Of Counsel 700* survey (June 1996), Peper had associates rates ranging from \$80 to \$135, and partners billed from \$140 to \$235. What was then Thompson & Mitchell reported \$70 to \$155 for associates and \$130 to \$325 for partners.

### IP Fervor

Like Thompson Coburn, Peper, Martin has achieved growth via merger, in this case by joining the ranks of general practice firms around the country that have acquired intellectual property boutiques. On January 1, 1997, Kalish & Gilster, a 10-lawyer, 90-year-old IP firm in St. Louis joined Peper, Martin, which, to demonstrate the impor-

tance of the new practice, then renamed its whole IP group "The Kalish & Gilster Intellectual Property Group."

Partner Ralph Kalish calls the merger a "natural evolution. . . . We had been taking a look at the marketplaces and where we wanted to be for the year 2000. Our practice is international in scope—over 200 countries—and we needed some broader-based administrative and litigation support. Also, the boundaries of our field were getting blurred, and we were blending into other disciplines that we didn't feel qualified to work on."

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Peper, Martin's managing partner, Ronald Schowalter, boasts that, "given the areas of expertise and the clients that Ralph's firm had, we now have a level of expertise and experience that I'll match up against anybody on either of the coasts."

Recalling the horror story of Chicago's Isham, Lincoln & Beale and Reuben & Proctor—a merger that blew up after only two years—Huber stresses that cultural fit is "absolutely as important as the client." Indeed, the unprecedented merger activity occurring in the Midwest over the past few years, affecting Kansas City at least as much as St. Louis, may raise unprecedented cultural problems for firms more accustomed to stability than their counterparts in other parts of the country.

"St. Louis is a conservative, low-change-type area," argues Huber. "Things that emerge every day in New York and other big cities in terms of people leaving firms and mergers didn't happen here until probably the last six or seven years."

Huber says Chicago's Sonnenschein Nath & Rosenthal probably helped spur some of this activity after entering the St. Louis marketplace in 1990, when it lured top partner Francis Gaffney from Bryan Cave. A portion of the legal work of the McDonnell Douglas Corp., a long-time Bryan Cave client, went along to Sonnenschein as well.

McDonnell Douglas continues to spread work around to a number of St. Louis firms, including Peper, Martin. Schowalter says that Peper, Martin should feel little, if any, effect from the recent McDonnell Douglas merger with Boeing Co. since its work for McDonnell is local in nature—mainly in labor/employment law.

Robert Buenger, client relations director at Bryan Cave, comments that the McDonnell Douglas/Boeing deal represents a "superb opportunity" for St. Louis. However, he adds (as do many others) that it's "too early to tell" what effects it may have on the legal market. It would seem, though, that as an international law firm, Bryan Cave could be particularly well-positioned to exploit opportunities created by a merger of such global dimensions involving its old client.

With the Monsanto bifurcation and the NationsBank takeover, Schowalter sees real opportunity. "Our relationship with NationsBank is through our Florida offices," he says, hoping that will mean a headstart for Peper over other St. Louis firms once the NationsBank signs begin replacing those of the local Boatmen's branches. (Peper, Martin operates three satellites in Fort Myers, Punta Gorda, and Naples, Fla.)

## Consolidation Through Growth

As in other parts of the country, much of the growth in St. Louis' legal market will actually mean fewer firms as new mergers occur and clients continue to reduce retention numbers. Edwin Noel, managing partner of Armstrong, Teasdale, Schlafly & Davis, agrees that "the smaller corporate firms are going to continue to consolidate because they can't continue to service the needs of their clients." These needs, he adds, extend to international law, intellectual property, and securities law.

In St. Louis, Armstrong, Teasdale's strategy is to focus on the mid-cap and smaller corporations emerging from behind to replace the large businesses that are leaving. Thus, the firm's guiding hallmark: "no dominant client."

Noel describes a dual agenda. First, focus on Midwest-based companies in need of a full spectrum of legal services. Second, provide services to coastal companies, and especially to the growing

number of foreign companies entering the U.S. market. Much of the latter work comes from referrals, many received through the Lex Mundi network, Noel says.

Armstrong, Teasdale's situation is additionally complex because the firm has a growing office in Kansas City—a stronger economy than St. Louis, but also a more volatile legal market. Armstrong recently exploited that volatility after merger talks with Kansas City's Watson & Marshall broke off. The latter dissolved and Armstrong hired most of the orphans as laterals. (*See Of Counsel*, December 2-16, 1996, page 2.)

Noel speaks highly of the new hires. Among them were Laurence Tucker, the immediate past president of the Missouri Bar, described by Noel as bringing a super-practice of "about half of the insurance companies that have ever written insurance in the Missouri or Kansas area," and James Duncan, who brings IBM Corp. and Kansas City Southern Railway with him.

Armstrong, Teasdale has expanded internationally, even as it's grown regionally, maintaining a small office in Shanghai to counsel small to mid-sized U.S. companies interested in doing business in China. According to Noel, these companies, which don't feel comfortable with megafirms like Baker & McKenzie, are a natural global clientele for firms like his own.

## Regional Strategies

Yet such international adventures may be a side issue in this city, Bryan Cave notwithstanding. If anything, the growth of the Kansas City market has particularly underlined the need for St. Louis firms to pursue regional strategies. For example, litigation boutique Brown & James has offices in Kansas City, Belleville, Ill., and Springfield, Mo., as well as St. Louis.

Managing partner Charles Rice says the firm "perceived a need" for a Springfield office, mainly from the number of requests the firm had been receiving for referrals there. "That market has been pretty much untapped by St. Louis," he adds. "We opened about four months ago, and it's been a tremendous success."

Husch & Eppenberger has likewise pursued regional opportunities around and beyond Interstate 70. After opening its Kansas City office in the early 1980s, the firm expanded to Missouri's state capital, Jefferson City, and then finally to Springfield in 1997. With that, the firm's systematic expansion strategy—to operate offices in every major Missouri business center—had reached fruition.

*'There's clearly a difference in what I'll call the attitude,' Conran says. 'I think St. Louis much more looks to the east, and Kansas City much more looks to the west.'*

The Springfield expansion occurred through a merger with Farrington & Curtis, a firm Husch's management committee chair, Joseph Conran, describes as a "reluctant bride." Farrington was a small full-service firm, "but in these days and times," says Conran, "when you have five partners and five associates, it's extremely hard to cover the waterfront." Among other things, Husch brings environmental law expertise to the small firm, whose clients have needs in that area.

Like other managing partners interviewed, Conran is well aware of the pronounced instability in the Kansas City market where Husch has over 30 lawyers. Conran also acknowledges a stylistic difference between the show-me state's two major cities. "There's clearly a difference in what I'll call the attitude," he says. "I think St. Louis much more looks to the east, and Kansas City much more looks to the west. But I don't know how that impacts the legal market."

It may be that any assessment of this local legal market will have to await numerous impending developments. How the McDonnell Douglas/Boeing deal or other corporate mergers will shake out in St. Louis remains to be seen. But, the real story in St. Louis, and one that may take even a few more twists in the years ahead, seems to be the inexorable growth of stronger law firms in a paradoxically weakening urban economy.

—James Dee

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