

FRANCE



AERIAL VIEW OF PARIS

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FRENCH CONNECTIONS

The French legal market is known for its preponderance of successful niche practices and independent firms, an approach which remains popular on the continent. But as mainland Europe faces new challenges with the Eurozone crisis just how far can the leading French boutiques and independent firms be held up as successful models?

Anastasia Hancock reports

OFFERING flexible and reactive responses to economic shifts, boutique firms and independent players are generally low on overheads and high in PEP, and these specialist offerings have fared well in the downturn. The model remains comparatively more popular across Europe, especially as the legal market struggles to adapt to a new global financial climate. However, critics argue that these outfits will never wield the clout to make a real impact on the market, and large international firms will always garner the most enviable deals available. As clients grow more and more sophisticated and competition becomes tougher, which models are emerg-

ing as real contenders for the top slots in the French legal market?

RELATIONSHIP ADVICE

Europe continues to feel the impact of the recession as the debt crisis deepens, and the inevitable effect on the legal market is the emergence of a survival of the fittest mentality. A more competitive climate is obvious, and clients have inevitably become increasingly savvy in their selection of local counsel. However, the result has also prompted a new enthusiasm for niche practices, independent firms and boutiques with a small equity

FRANCE

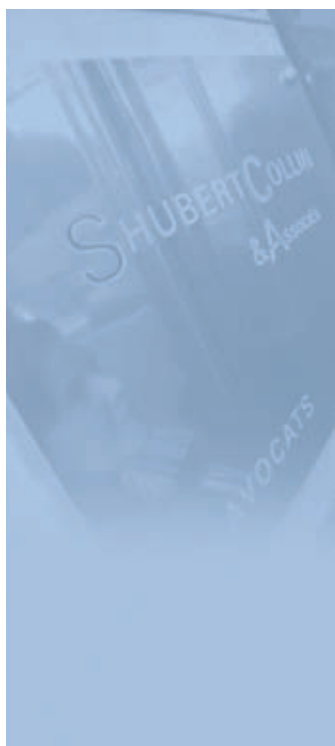
partnership. It's a model that is beloved in France and rather than battering down the hatches, independent firms are endorsing a lucrative model that promotes reactivity, low costs and partner-heavy structures which has kept clients loyal. They claim that the independent firm model is tougher than ever in Europe's financially uncertain times.

GCs are balancing important deals with low liquidity the upshot of which is a more sophisticated and hard-to-please client who is in a position to make demands on law firms. Independent players are quick to promote their nimble, flexible approach – both in terms of fees and advice – and have fast garnered the attention of clients. However, top international firms not only have the resources, but the global reputation to back up their product. GCs and law firms looking to refer work are spoilt for choice in this environment, and firms are increasingly driven to prove they have what it takes to get their hands on the top tier instructions. As Jacques Buhart, partner at McDermott Will & Emery points out 'international corporates have to justify to their board why they use a specific law firm and they need such law

firm to be referenced in international rankings and have a high reputation brand'.

With increasingly sophisticated GCs, the French market is ideal for a discerning client as it is particularly receptive to the establishment of a full range of firm models. 'In comparison to other markets or industries, the French legal market remains very divided' continues Buhart. 'This market fragmentation and the limited size of the key players continue to provide excellent opportunities for firms wishing to enter the market or improve their position'.

Gary Shubert, co-founder of Paris-based law firm Shubert Collin & associates, explains that it is not as simple as reputation preceding any other factor, and that companies, even large publically-listed companies, vary greatly in their approach to choosing a foreign law firm. 'There are companies that systematically want, or need, a well-known 'branded' law firm. In other companies, the general counsel is looking beyond the brand for a firm which will provide legal services to respond to all of the French subsidiary's needs on a long-term and, hopefully, more cost-effective basis. Very often, if not



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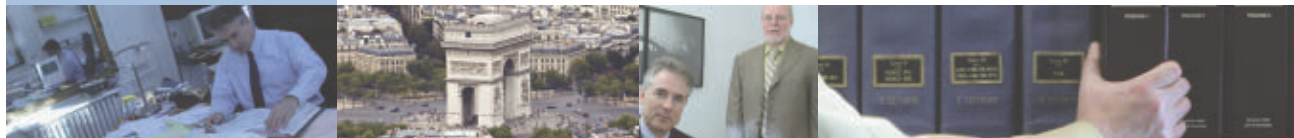
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FRANCE

generally, the legal needs of the French subsidiary are diverse but are not necessarily complex. That is, great specialized knowledge is not necessarily required’.

Shubert claims that, in his own experience, the most pressing requirement is good communication skills. ‘Local counsel who can communicate clearly and knowledgeably with US counsel and in-house legal staff’ are crucial, he says. ‘These skills, while often available in a large, international law firm are also available in a small firm with an international clientele’.

There is little doubt that this market has opened its doors to boutique firms, and this particular trend is showing no signs of abating. A combination of issues has come together over time to create a successful climate for these niche practices. As Christian Bouckaert, managing partner of Bouckaert Ormen Passemard Sportes (BOPS) points out, one of the main factors is historical. ‘Avocats are part of what we call *profession libérale* and some may have a hard time to find their place in large organisations. This may also be because of the French libertarian culture: some may have difficulties in having to report to overseas headquarters. There is certainly a dislike of the ‘Big Brother’ effect that may exist in some firms. Another reason is that the reporting and non-legal work may be more important in large international law firms. Some lawyers may therefore prefer to devote their time to legal work rather than to management or financial issues’.

However, that is not to say that historical development of the law legal market in France eschews the international model – far from it. As Lionel Lesur, senior associate at McDermott Will & Emery which opened its doors in the capital earlier this year, explains, the legal market is a ‘bee hive of opportunities for international law firms, particularly Paris, where 40% of these lawyers are situated and where three quarters of the turnover generated by legal services is made. It remains one of the most attractive marketplaces in Europe. As well as being a highly prized location for foreign firms seeking to gain a foothold in the old continent, it also has a large number of strongly competitive independent French law firms’

In fact, as Magenta’s Sylvain Justier adds, in many instances, the development of the boutique has sprung up from the influx of global offerings available in the market. ‘There has been an apparition in the market of a new generation of lawyers, formerly working within top tier full service firms, who have decided to launch their own structure. The fact that boutique firms’ lawyers have also been in a position to develop strong

professional relationships with clients while practicing within top tier full service firms is also to be taken into account’.

Shubert also notes how crucial it is to build up loyalty, an issue, he says, that can be more easily facilitated in a smaller firm. ‘Smaller French companies are generally reluctant, more so than US companies, to confer a significant role to outside lawyers. They tend to be intimidated by big law firms and wary of the cost structure. Smaller firms, I believe, allow these small French companies, to feel more comfortable and to create a more personal, long-standing relationship with individ-

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ual lawyers. In addition, their legal needs do not tend to require the very specialized legal expertise available at bigger law firms’.

The issue of relationship building is particularly significant in the Paris legal market, and the demand for personal contact with partners is something that is steadfastly crucial. Christoph Maurer, managing partner at Marccus Partners does point out that ‘in France the individual contact between a specific lawyer and his client might be more important than in the US or the UK where clients tend to choose law firms according to brand status’. However, brand status certainly has its part to play when it comes to the top deals. ‘This is only true for mid-market transactions. Larger deals, with very few exceptions, tend to go to large international firms’ he adds.

This growing popularity of the niche has certainly not gone unnoticed by the international firms, and a trend for some global players opening boutique offices in Paris. Recently, this has been exemplified by major US players such as King & Spalding and Foley Hoag which have opened offices in Paris solely to operate arbitration activities.

HIGH DEMAND

To blithely affirm that boutiques offer the personal contact that international players do not is far too simpli-

FRANCE

fied. As Magenta's Vincent Jaunet explains 'although personal factors may also interfere, companies are usually looking for the best available deal when selecting legal counsels'. Although it is still a relatively young corporate legal market compared to that of London, say, the French legal business offering has developed quickly and widely. Given that the complete range of law firm models now exists clients are finely attuned to exactly what they need from their counsel.

'For the sake of efficiency or in case of an urgent matter, they may also turn to more regular advisors without considering alternative offers' says Jaunet, adding that as certain issues do not always require the intervention of full-service firms. As long as clients are 'confident in the quality of the advice that will be rendered – such comfort being sometimes established through the consultation of league tables- they are keen on selecting boutique firms'.

The evolution of the French market in recent years has revealed a migration of partners from the raft of international firms that flooded the market a few years back, towards already established niche practices, creating very valid offerings that trade off the partners' impressive pedigree. 'The legal market in France appears globally stable. Only its high-end has witnessed in the last couple of years the apparition of numerous boutiques, launched by former partners or senior associates from top tier full service international firms' notes Magenta's Edourd Sarrazin. Buhart agrees; 'In addition partners' movements from one firm to another have continued to be significant in number last year'.

This is a trend that has been adopted by some of the French legal market's senior practitioners. As Olivier Laude, one of the founding partners at Laude Esquier Champey, points out, despite reputational benefits, there can be some restrictions involved in the management of the foreign office of an international firm. 'I was managing partner of the Paris office of LeBoeuf Lamb (now Dewey & LeBoeuf), and I made the decision to establish my own boutique offering which currently counts ten lawyers specialized in litigation and arbitration. The decision was an easy one for me – I wanted the freedom from conflicts, which couldn't always be guaranteed at a larger international firms, and I value the referrals that we often get here at an independent firm. Overhead costs are not so much a concern, but the real issue for me is the sense of freedom I have now managing a boutique firm'.

This sentiment has been echoed by some of France's young generation of lawyers operating in the post-

recession legal market, which like its global counterparts, did see its fair share of redundancies while associates keen for partnership were increasingly deferred. 'Younger lawyers want more from their careers and their lives now- the balance is so much more important. They don't want to be at the mercy of the US management, but to be able to progress to partner quicker' adds Laude.

Bouckaert agrees, claiming that this work/life balance factor is more of a factor than ever in the movement of the young generation of lawyers, especially since the financial downturn swept across Europe. 'Niche law firms are able to attract talent because they can offer equilibrium, since there are not subject to objective and guidelines fixed abroad. They are more flexible in term of organisation. They are also attractive because lawyers can practice their speciality in a law firm which praises this area of law. There is sometimes some dissatisfaction in working in a large firm in a department which is merely a service department'.

Xavier Marchand, who founded niche public law firm Carakters, was confident about his move to set up a boutique – despite the inherent risks involved in starting a new firm – because 'the French market is very receptive to niche firms, and I see this trend continuing. I have experience in much larger firms and wanted to establish a boutique for many years', he adds, explaining that the key is 'hyper specialization, which allows one to know perfectly the market's constraints under which our clients operate. The small size of the team promotes a closer contact with clients for a much reactive service'.

HISTORY LESSONS

The French market is certainly accessible to boutiques and independent firms, whether this is because 'for newcomers, the initial investments required are quite modest; unlike UK firms in London, which have a lot more lawyers, the size of elite firms in the French market is much more reasonable' as Buhart points out, or because 'traditionally, the French legal practice was a boutique firm, made up of a small number of partners who were not interested in merging on an international scale'. However, while the market is receptive, it is endemic of its evolving nature. Buhart says that 'the average size of French business firms has grown and French partners have realized that if they want to get the interesting jobs or be short-listed, they must have some sort of international structure', although he does maintain that 'full-service, boutique and independent firms co-exist successfully on the French legal market'. ■