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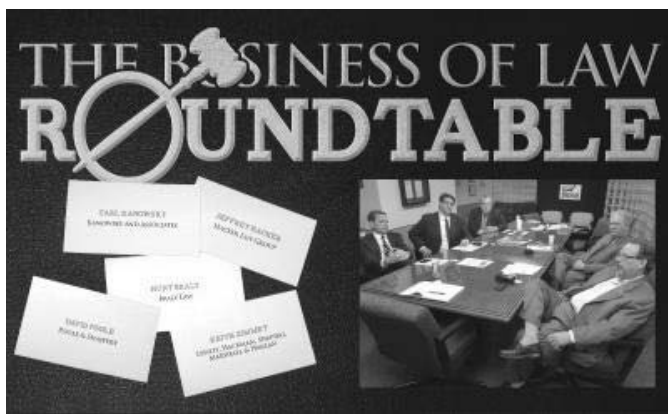


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The Business of Law Roundtable

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For those of us who did not go into the business of practicing law, we've grown up watching dramatic primetime television shows from "Perry Mason" to "L.A. Law." But the riveting moment, in which a jury or judge pronounces the "Guilty" or "Innocent" verdict, is the culmination of a tremendous amount of time spent doing research, taking depositions and in discovery. And actual verdicts occur far less than imagined.

Successful firms work hard to reach compromises or settlements and avoid going to court if possible until other options have been exhausted. And successful lawyers strategically work to keep their own clients out of court.

But the practice of law is not all law. In fact, it's a business and for a private firm to remain successful, it has to work hard at being smart and successful as a business as well.

To explore the challenges of in the business of practicing law the Santa Clarita Business Journal invited the principals of five successful law firms to a roundtable discussion. Joining us for the discussion were David Poole of Poole & Shaffery, Keith Zimmet, of Lewitt Hackman, Shapiro, Marshall & Harlan in Encino, Carl Kanowsky of Kanowsky & Associates, Jeffrey Hacker of Hacker Law Group and Hunt Braly, Braly Law.

How have you seen your practice change over time or how has it shifted into a niche specialty area of law?

Poole: I started out with the Attorney General's office, so in the public sector but in a litigation context. But moving into the private sector, the focus has been on business and complex litigation matters. It's involved everything from patent litigation to business disputes and generally a lot of times if there's a dispute that arises in employment or one of the other areas our firm covers, I often will be the lead trial attorney on that sort of thing. I'm still basically doing what I started 31 years ago, just hopefully better.

Kanowsky: When I first got started I was working for a large manufacturing firm in Sacramento and we had about 500 employees and we had factories on the West and East Coasts. It gave me a good intro to what it's like to own and run a biz but I moved there to doing litigation and now mainly transactional.

Hacker: I've been practicing in this Valley since 1983 and a lot has changed. When I first came out here I had been practicing law in a highly regarded and prominent Westside law firm, and I did a lot of civil litigation. When I came out there were maybe 15 lawyers in Santa Clarita – and primarily solo practitioners, with maybe one or two law firms. There weren't any firms that specialized in one area; they were generalists, and over time that has evolved, as had my practice.

Braly: For the first 10 or 11 years I worked for state government, for the former Police Chief and former State Senator Ed Davis. After he retired I went into private practice and it was just natural that I went into government issues. I've been a registered lobbyist in Sacramento since that point of time, representing clients like Castaic Water Agency. I evolved into a niche of helping landowners, businesses, vacant property owners, who wanted to get things approved by local government. That's evolved to include most of Southern California, although our emphasis is L.A. County. And it runs the gamut of a small property owner that just wants an office building built to large projects.

What about your client mix? Where are your clients from?

Poole: We have a lot of clients out of state that have a significant business presence in the state. We have a lot of local business, regional businesses. So geographically, probably the majority of them are based in California but we certainly have a significant portion out-of-state. In terms of how they come to the firm, we get referrals from other professionals and frequently from clients.

Kanowsky: The majority are from L.A. County. One thing we've seen in the last five years or so is with the Internet, the people who are looking for counsel are looking on Google to begin with, so we're getting calls from all around the country on specific issues. We talk to them; we see what their issue is. Normally when someone calls from out-of-state, they have business or property in California they need assistance with.

Braly: It is almost all a referral base. Running a Yellow Page ad or Google ad for this type of law won't get you many people. We will get calls from major law firms in San Fernando Valley, West L.A., downtown, where they represent someone who is developing up here or has property up here or has an issue up here and they want someone who understands the local rules, the local city.

Zimmet: (Being located in the San Fernando Valley) you're dealing with a much larger area and you're dealing with a certain anonymity that comes with a larger population. But most of our business comes from referral. So at the end of the day it's a relationship business. You do high-quality work for existing clients, they have a host of relationships themselves, and they'll be referring clients to you.

How does one go about building a law practice, particularly in California, where there are so many more lawyers than other states, and does it differ because in Santa Clarita it's a newer area?

Kanowsky: Opening up a practice here is not like West L.A., where you're competing with tens of thousands of other people doing exactly the same thing and you're fighting to get some sort of recognition, some sort of ability to be separated from the pack. Out here what I found is one of the best ways to get started is that you have to show the other business people that not only are you a good attorney but that you're involved with the community, you're concerned with the community, you're willing to put time into those sorts of things. Not only do you meet people that way, but they look at it and say, "This guy is for real."

How has technology changed the business of law?

Zimmet: I think technology has become the great equalizer. The ability to do research online, the ability to send and receive very large documents, has made the necessity to be in downtown Los Angeles, or Century City or even New York less important than it used to be. All of the closings that we used to have that would fill out conference room after conference room – it doesn't exist anymore; we do the closings electronically. The world is smaller now. It doesn't matter where we are.

Poole: The filing and motions now are much easier electronically with Court Call. With that, we can appear in a court hearing by calling in most court appearances, which is great for attorneys because you're not spending six hours on the road, and it's great for clients because you're not charging for that time.

Hacker: It's a terrific tool to save both time and money, both for lawyers and more importantly for their clients on routine appearances. Courts will set case management conferences to ask what's going on in a case. For the life of me, I can't understand why that's just not handled by paper, or phone or both. But you'd be flabbergasted at how many judges insist on lawyers appearing in person. My take is anything that can be done to sort of streamline the process and costs should be looked into.

Are there any drawbacks in the field of law due to technology?

Zimmet: For every positive there's a negative. Everybody expects everything so quickly. Documents go back and forth very quickly. Clients can reach you 24/7 and they expect a response very quickly. The communication by email and by text, sometimes things can be misunderstood. You don't get the human emotion reaction you get by talking to people.

Poole: Some of that can be mitigated by other technology. We have a downtown office in L.A. and we'll do a conference with all the attorneys on video conferencing so we can actually see what's going on. So it allows us to have good cohesion as a firm and good communication. So technology has even addressed some of that.

Hacker: I like the fact that you now have TVs in the courtroom, you have cameras in the courtroom. The downside to that, though, is you get a lot of grandstanding. It's not always a true reflection of what's going on in the courtroom. You've now got this "punditism" deciding cases that need to be decided by jury or judges. Everyone wants information instantaneously but trials are not an instantaneous situation; it's a process. And in my experience, when people don't want to be on the jury, their preconceived notions are formed by what pundits are telling them about these mega trials that get all this publicity.

The other downside to technology is I don't get much time off, even when I'm on vacation. There used to be an off switch.

Braly: I spend about 80 percent of my time in front of government officials – city council, county supervisors, etc. Technology has been great for us because before you'd have a 400-page report that you'd be reporting from. Now (with PowerPoints, maps and graphs) you can zoom in and show the decision makers and the public what this project really does.

How, if at all, has the economy affected your practices?

Braly: Since I focus on land use, obviously with the real estate depression, people who were going to try to get projects approved ended up either not getting the financing or just had other challenges. So for about a three-year period there was some tough situations. Recently, people understand that now is the time to either get investors, or in some cases financing, to get projects approved because there is a lack of projects ready to go when the recession is finally over – and it will be over.

Kanowsky: Fortunately we have a strong core of very stable business clients that tend to keep us going. So, in that way, it's not hurting the practice, but for about three years now that I've gotten two to three calls a day about foreclosure and short sales. And that definitely is a result of the economy. A percentage of them become clients and some of them we can help. If you give them some ideas of action plans, I find a lot of them come back later when they have something I can work with them on. The L.A. County Bar has gone after a dozen attorneys around the state that have been taking advantage of people in these situations so we try to refer them to nonprofits and others that can help them.

Zimmet: It's the same economics in the SFV. I think because we have a diversified practice within the law firm that it's more about shifting what departments became busier. The employment department became very busy and when the market crashed in 2008, there was a lot of guiding companies through layoffs, downsizing. Our family law departments became very busy – a lot of high-end divorces. It's been a very good year, but a lot more depressing types of business.

Poole: As the economy has gone down, the number of people who are filing claims for wrongful termination has grown. I think desperate people do desperate things. One thing that has been a positive is with less cash around, people getting in business disputes are a little more pragmatic, a little less willing to do long-term litigation battles. A lot of times they are more amenable to an early dispute resolution alternative.

Hacker: People have started putting off legal services. If you wanted to get a copyright or trademark, updating your will, people were putting that to the side because they just didn't have money for it.

Poole: But good legal advice can actually save business money. A prudent business person realizes that if they get some legal advice before they do something it can save them a host of problems or even millions of dollars. If not, they end up creating a lot more work for litigators in the world because that's frequently what we're doing, picking up matters where perhaps there wasn't as thoughtful of a legally compliant approach.

Explain the difference of attorney costs between the valleys and in Los Angeles.

Hacker: The rates that are here are for the most part are one-half or one-third of what you see downtown or on the Westside.

Poole: A lot of it is you're paying for a brand name. A lot of times, a general counsel of a large corporation – if it's a significant matter, if something goes wrong – he wants to say to the board of directors “Don't blame me, I hired the best.” And I think that's a lot of what's driving it.

But now companies think – for the case that's not the \$300-billion dispute, for a lot of other things – “we can go and get the same quality of representation for less.”

Zimmer: A 23-person law firm is not a big firm compared to the thousand-person multinational law firms. We're not going to get the AT&T merger, but the pressure on large corporations in terms of their budgets has allowed us to pick up a lot of larger clients where they realize they don't need to go to these larger firms for every one of their legal needs.

At first, we're a profession, second we're a business. So first, can you provide the client with the quality services that they deserve. If the answer is yes, then you can do it in a more cost-effective basis.

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