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Technology, Code Changes Alter How Firms Operate

Due to changes in technology and in the law, conducting business on the world stage is no longer limited to the largest of companies. Similarly, practicing law on the world stage is no longer limited to the large law firms.



GUEST
COLUMN

KEITH TODD ZIMMET

Like all businesses, the business of law constantly changes. Not long ago, only the largest law firms could afford the extensive law library needed to assist clients operating in numerous states. In addition, many square feet of costly office space was required to hold such libraries. Today, online legal services make such extensive resources available to even solo practitioners with the click of a mouse or the push of button, requiring no more space than a mobile phone or PDA.

Less than a decade ago, large business transactions required law firms to employ numerous paralegals and legal secretaries to organize the distribution of multiple drafts of lengthy legal documents to dozens of recipients. The completion of such large business transactions required clients, lenders, investment bankers and their respective counsel to fly to a central location for the "closing," which forced law firms to maintain large and costly conference rooms in the most luxurious and expensive buildings. Today, the distribution of legal documents occurs primarily via email, often from the attorney's own computer without the assistance of a secretary. Final versions of documents are locked in a PDF format and transmitted electronically for signature. No travel time, airfare, hotel rooms or showcase conference rooms are needed. More often than not, the formal, in person, "closing" has become a thing of the past.

Changes in the practice of law go beyond changes in technology. For most of the past half-century, the evolution of the Uniform Commercial Code changed the way American businesses and law firms operated. Adopted in all 50 states, the UCC facilitated the expansion of interstate transactions and the creation of national companies. Today's relative uniformity of commercial law throughout the country has resulted in small- and medium-sized firms being able to assist clients in transactions that would have been handled only by large law firms a

generation ago.

The demand for uniform commercial laws is not limited to America's borders. Indeed, many nations have modeled their laws on our Uniform Commercial Code, and international conferences at the United Nations have requested the creation of a Uniform International Commercial Code. As international transactions increase, small and medium sized law firms now find themselves assisting clients in international matters.

All these changes have dramatically affected the business of law. Relatively small law firms are now able to assist clients in multi-state and international matters. Because lawyers typically are not licensed to practice law in all 50 states, there are certain legal hurdles that the attorney must overcome when involved in multi-state transactions or litigation. However, these hurdles are surmountable, and more and more small law firms find themselves working in matters crossing state and national borders.

Still, if General Motors and Ford want to merge, they will call upon the services of a large law firm to facilitate the merger. A small, regional law firm does not yet have the sufficient resources necessary to handle the merger of the largest, multi-national corporations. But these relatively few "mega-matters" represent only the largest transactions, and mega-firms are battling each other for market share. This has caused a consolidation in the legal industry. Whereas 10 years ago the largest law firms were comprised of hundreds of attorneys, today they are comprised of thousands. Some have predicted that, like the accounting industry, in the next decade this consolidation will continue until there are only 15-30 such mega-firms in the entire world able to handle these mega-matters.

But these types of mega-matters are not the typical transaction facing most businesses or most law firms. The vast majority of day-to-day legal services required by any of the Fortune 500 companies do not involve merging with another Fortune 500 company. Indeed, the benefits of technology and changes in the law now permit small and medium size law firms to compete with the mega-firms and provide the same quality service on traditional matters for companies of all sizes. In those day-to-day matters where the client is more "rate sensitive," small and medium size firms often have the competitive advantage.

Keith Todd Zimmet practices business, real estate, finance and commercial law in the Encino firm of Lewitt, Hackman, Shapiro, Marshall & Harlan, which he joined in 1991. Zimmet is a graduate of the California State University Northridge and the University of Southern California.