

Push or Pull: Partners At Howrey Head for the Exits

Continued from page 1

ship or a sense of direction. The firm's West Coast contingent has seen several notable departures in recent months, with the announcement last week that Irvine-based patent litigator Russell B. Hill left for Sheppard Mullin Richter & Hampton marking at least the eighth partner exit in the state since the beginning of the year.

Robert Ruyak, Howrey's Washington, D.C.-based managing partner and CEO, said the recent cuts were part of the strategic restructuring to weed out less productive partners while bulking up busier practice areas, and said Howrey is well-positioned for a comeback. He disputed the criticism that too rapid growth contributed to the firm's recent troubles.

"The whole idea has been to be very focused, invest our money in strong areas of litigation and for 10 years it worked pretty well," he said. "We're continually trying to strengthen that. That's been our history, it's served us well throughout the first decade of 2000 and we still think it will. We need to make some adjustments in terms of getting the right people."

Some former Howrey partners who were there during its boom years predict that could be an uphill battle, as they sensed the firm overextended itself with foreign growth in the last decade and set itself up for a decline even before the recession hit.

Former partners and legal observers say Howrey is coming under more fire now because, unlike many of its peer firms, it did not implement large-scale attorney layoffs last year, making it an outlier in 2010. The firm saw a big financial boost in 2008, when many other firms were starting to feel the crunch of the recession. Because of that, Howrey avoided the deep cuts that many others resorted to in 2009.

"We were kind of against the grain in 2008," said Ruyak, "because we had a lot of large cases continuing on from prior years." One especially large, 13-year case in which Howrey won \$76.5 million for Fifth Third Bank of Western Ohio finally wrapped up that year and provided a big boost in the form of deferred fee payouts, which are typical for the all-litigation firm.

In February, Howrey reported a five-year low in profits per partner, which plummeted 35 percent, to \$846,000 in 2009 from \$1.3 million the year prior. Revenue dropped 16 percent, from \$573 million to \$480 million, giving Howrey "the worst AmLaw numbers reported in 2009," San Diego-based recruiter Larry Watanabe said.

Last year, management asked partners to ante up additional capital in June, and over the course of the year reduced partner compensation by 10 to 20 percent, according to varying accounts. Yet firm leadership maintained the firm was on solid ground, former partners say, and said as late as December that it was on budget. Still, some partners grew increasingly skeptical. The firm has yet to distribute K-1 schedules, the financial statements detailing partner profits, for 2009, which has led some of the recently departed partners to question if the final results will reflect even worse numbers than previously announced.

Ruyak said partnership statements will be delivered before April 15 and that it is not unusual to send them out close to the deadline. He also said that partners have always had access to detailed information on the firm's financial status.

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HOWREY

Howrey leadership has made no secret that it has been trimming ranks in an attempt to make the firm financially sound in 2010. In November, firm leaders say, they identified 30 partners nationwide who had lost significant amounts of business or were not as productive as others and offered them three courses of action: changing status, changing compensation or leaving the firm. It is unclear, however, whether the most recent departures have been the result of that process or even how many partners have left nationwide since the beginning of this year.

Departures in California so far include Katherine M. Basile, former co-managing partner of Howrey's Silicon Valley office, who took her trademark practice to Novak Druce + Quigg in San Francisco; white collar criminal defenders Terree Bowers and Mary Carter Andruess, who left for Arent Fox's Los Angeles office in March; Lester Brown and Thomas McMahon, who joined the insurance recovery group of Perkins Coie in Los Angeles; securities litigator David Lisi, who joined Reed Smith in Silicon Valley; intellectual property litigator Bob Laurensen, who joined Intellectual Ventures in Seattle in January; and Hill, who went to Sheppard Mullin's Orange County office last week.

Henry Bunsow, managing partner of Howrey's two Northern California offices, said three partners in San Francisco and Palo Alto were among those talked to in November, including Basile. The two others, commercial litigators, are still searching for new firms, he said.

Regarding Basile, Bunsow said, "For many years we looked at [the more prosecution-oriented trademark] practice and said, 'Gee does that fit with a litigation firm? This year we talked to Katy and mutually agreed it was probably not a real good fit.'"

Basile agreed Novak Druce was well-matched for her practice.

Ruyak said that white-collar defenders Bowers and Andruess, who both previously served in the

U.S. attorney's office in Los Angeles, "just couldn't get any traction" at the firm and left because they were not capturing the quality and quantity of work they wanted. "I didn't ask them to leave, but we had conversations," he said.

Bowers and Andruess dispute that. Bowers, a former U.S. attorney for the Central District, said Howrey still had \$3 million in receivables coming to the firm as a result of his work and that firm leadership urged him and Andruess to stay.

"The only conversation that Bob [Ruyak] and I had concerned providing me with a bonus to make up for the drop in partner compensation," Bowers said. "No one in the firm asked us or suggested in any way that we leave. To the contrary, there were significant efforts made to keep us at the firm."

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Andruess said her decision to leave "had to do with what I felt was a lack of leadership in the Los Angeles office, the lack of leadership in the firm and the financial instability in the firm, coupled with the fact that there were much better opportunities at other firms."

Joanne Caruso, who served as managing partner of the firm's Southern California offices, stepped down from the role at the end of February, though she remains on the firm's executive committee. She declined to comment. The offices are now led by complex commercial litigators Joanne Lichtman and Tyrone Childress.

Meanwhile Brown said he and McMahon, who went to Perkins Coie, were "not in that category" of partners who agreed to leave because of a lack of work.

Hill, the partner who joined Sheppard Mullin, was part of the firm-wide intellectual property group leadership and said he was doing well when he decided to leave. The departure in February of former Howrey intellectual property partner Matthew Moore to Latham & Watkins in Washington, D.C., partly inspired him to look elsewhere, he said.

Laurenson declined to comment on his reasons for leaving. The eighth former California partner, Lisi, did not return a phone call seeking comment on his departure.

The recent partner losses, voluntary or not, were precipitated by several factors that created a kind of perfect financial storm last year.

The nosedive can be traced back to 2008, the year when Howrey exceeded its own budget expectations while other firms floundered. Having avoided layoffs, Ruyak said, the firm was hit hard in 2009 when client pressure to reduce rates, longer than anticipated payment collections and a slowdown in business left the firm with more resources than it needed.

"Our business, which was continually growing, flattened out," said Ruyak. "Then you end up with a lot of people who weren't busy." He added that in terms of rates and collections, "we were pretty good until the last two months [of 2009]. In the last two months we were kind of punked. That was more than any of us expected, I think, in terms of the collection side."

Not all former partners predict further distress for Howrey in the coming year. Thomas J. Nolan, a former partner who helped found Howrey's Los Angeles office, said he views 2009 as an exception for the firm, rather than the rule.

"I think 2009 is being taken out of context a little bit," said Nolan, who left Howrey for Skadden, Arps, Slate, Meagher & Flom in 2004. "In 2009 they missed their numbers largely because of pressure on billings and collections," as well as relying on contingency fees and other alternative fee arrangements, he said. "In 2009, the continuing cases did not mature completely, but should in 2010. Some years those investments mature quicker than in others, and I think that's what happened in 2009."

Despite losing a significant number of partners this year, Ruyak said the firm has added dozens of attorneys in the past few years in areas where the firm sees potential for future growth, including 15 partners when it acquired Thelen's construction and government contracts group, located primarily in San Francisco and Washington.

In June Howrey acquired Silicon Valley intellectual property boutique Day Casebeer Madrid & Batchelder, adding 25 attorneys, including nine partners. (One of the 25, partner Jonathan Loeb, departed in September for Dechert in Silicon Valley. Loeb said he left to find a better fit for his practice, which has shifted from solely patent litigation to a combination of litigation, patent prosecution, and strategic counseling for biotech and pharmaceutical companies.)

Howrey is cutting expenses substantially this year, Bunsow said, and he expects profits per partner to rise even if overall revenue stays the same in 2010. He conceded that cost cutting is something Howrey probably should have done earlier, but, he said, "you tend to let things slip a bit during the good years."

Noting the delayed effect of the economy on Howrey, Ruyak said, "I'm hoping we're not delayed a year coming out of it, but at this point who knows."

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SUSAN McRAE / Daily Journal

Excellence in Mediation

The Asian Pacific American Dispute Resolution Center honored mediator Jeff Kichaven with its Excellence in Mediation Award during its annual fundraiser on Thursday. The award was created this year to distinguish mediators who exemplify the best of what mediation can do for people. Founded in 1989, the center provides mediation services to underserved communities that face language, cultural and income barriers and collaborates with schools, businesses, churches and government agencies. Above, from left, Asian Pacific American Legal Center President Stewart Kwoh, mediator Jeff Kichaven, LAACO general counsel Charles E. Michaels, APADRC Executive Director Charles Chang.



From left, APADRC board member Gil Tong, mediator Marco Turk, Duane Morris attorney Ray L. Wong.

Second American Woman Charged In 'Jihad Jane' Domestic Terrorism Case

By Devlin Barrett
Associated Press

WASHINGTON — Federal prosecutors filed terrorism charges Friday against a pregnant American woman in the so-called Jihad Jane case. The two American women are accused of plotting online to attend a terror training camp.

Jamie Paulin-Ramirez flew from Ireland Friday to Philadelphia, where she was arrested by agents with the joint terrorism task force there. Her 6-year-old son flew with her and was placed in the custody of child protective service workers.

A U.S. official told The Associated Press that Paulin-Ramirez is pregnant. The official was not authorized to discuss that detail and spoke on condition of anonymity.

Paulin-Ramirez made a brief initial appearance in federal court Friday, and a detention hearing was scheduled for next week. Her lawyer could not immediately be reached for comment.

Last month, authorities in Ireland detained Paulin-Ramirez, originally from Colorado, and six others as they investigated an alleged plot to kill a Swedish cartoonist whose drawing had offended many Muslims.

Those seven suspects in Ireland were linked to Colleen LaRose, a 46-year-old woman who had traveled to Europe but was arrested last fall when she returned to the United States.

The new indictment charges that LaRose and Paulin-Ramirez, 31, separately traveled to Europe to support violent jihad, or Muslim holy war. The court papers also say that once LaRose was in Europe, she invited Paulin-Ramirez to join her to attend a "training camp."



Associated Press

Jamie Paulin-Ramirez.

Paulin-Ramirez, prosecutors charge, accepted the invitation and asked to bring her 6-year-old son with her. She and the boy traveled to Europe last September and on the day of her arrival, she married a co-conspirator whom she knew only from online discussions, authorities said.

Last August, the Paulin-Ramirez and LaRose allegedly had a computer conversation in which LaRose said "when our brothers defend our faith (and) their homes, they are terrorists ... fine, then I am a terrorist and proud to be this."

According to the indictment, Paulin-Ramirez replied, "that's right... if that's how they call it then so be it I am what I am."

When the initial charges were unsealed last month against LaRose, it marked one of only a handful of times the U.S. has filed terrorism charges

against a woman.

Prosecutors alleged that LaRose called herself "Jihad Jane" in Internet conversations, but she denied that when questioned by the FBI. She has pleaded not guilty in the case.

LaRose apparently spent long hours online in recent years while caring for her boyfriend's elderly father in a small eastern Pennsylvania town. The congressman who represents the district said she had cooperated with authorities after her arrest last fall, which went unannounced until the seven suspects in Ireland were detained in March.

Paulin-Ramirez's mother, Christine Mott, said she had heard that her daughter returned to the U.S. Friday. "She's in some serious, serious trouble," Mott said tearfully in a phone call from her home in Leadville, Colo.

Mott said she didn't know if her daughter was pregnant.

Con Man Busted for Impersonating Lawyer

Continued from page 1

for an undergraduate degree and New York University School of Law after that — before handing over \$4,000 in retainer fees.

S. Nelson, an attorney at the Federal Reserve Bank in New York, declined to comment.

In May 2006, the State Bar obtained an order in Los Angeles County Superior Court to close down A. Nelson's Los Angeles office under a law forbidding

the unauthorized practice of law.

Michael E. Nelson, the man whose firm name was used by A. Nelson, said he found out about the fraud a couple of weeks ago from the FBI.

"I said thank God it didn't cost us any money" or damage to the firm's reputation, E. Nelson said. His firm is now called Nelson Langer Engle. He said no clients had mistaken his firm for A. Nelson's outfit.

The investigation into A. Nelson's

impersonation of S. Nelson began after he was arrested and charged on counts relating to defrauding churches and banks under the name Anthony Zamora in the Northern District of Illinois. FBI agents found a California State Bar member card in A. Nelson's wallet. The Illinois case is still pending.

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