The Legal Intelligencer

Why the Phila. Region Got Three New Litigation Boutiques Last Month

Is it the economy? Rate pressures? Or just an entrepreneurial spirit?

By Lizzy McLellan | July 03, 2019

Three new law firms are open for business. (Photo: Arsenie Krasnevsky/Shutterstock.com)

The spirit of entrepreneurship was in the air last month, as several longtime litigators left established firms to launch their own boutiques.

The latest wave of litigation spinoffs started with Philadelphia plaintiffs lawyers David Senoff and Hillary Weinstein, who left Anapol Weiss to open First Law Strategy Group in Philadelphia. They officially launched the firm June 2.

Then came John Stapleton, who opened Stapleton Law LLC in South Jersey on June 4, after 14 years of practicing at Hangley Aronchick Segal Pudlin & Schiller in Philadelphia.

And later in the month, Peter Muhic left Kessler Topaz Meltzer & Check to join forces with Peter “Tad” LeVan of LeVan Law Group. The two established a new firm, MLA Dispute Resolution, which they described as a mediation boutique looking to make the dispute resolution process more efficient.

“Being someone who runs a small business I do get it. It goes beyond rate structure to cost structure,” said Philadelphia-area legal recruiter Steven Kruza of Kruza Legal Search. At a small firm, “your profit margins can be as small as they need to be to attract certain clients [and] you don’t have to make certain numbers and fit within the construct of a certain rate structure or economic model.”

Dan Scott of Angott Search Group, a recruiter based in the Midwest, said he, too, knows the benefits well from his experience recruiting for firms that were once budding boutiques.

“When you’re making a call to try to recruit for those types of firms, what you’re saying to the lawyer is: ‘Are you benefiting from having 600 lawyers around you? … Because you’re paying for it,’” Scott said.

He estimated that partners at large firms typically take home 35% to 40% of each dollar billed. But a smaller firm founder or partner may be able to take home closer to 60%.

Only looking at those numbers, “if you have a relatively self-contained practice, you’d be crazy to stay in a large firm,” Scott said. And while spinoffs have not been limited to litigation, it is often easier to staff more leanly on litigation matters, Scott said.

The new Philadelphia-region ventures were inspired in part by some sort of niche services or interest, and sometimes it was difficult to pursue that work under the former firms’ business models. For instance, Senoff said public policy cases have become a growing focus of his practice, and he wants to do more election-related work on behalf of political campaigns, as well as appellate work on behalf of other plaintiffs lawyers.

“It’s hard with a larger firm, where there are much different obligations to others who may not share the same interests that I do in those public policy-type cases, to take as many on as you might like,” Senoff said.

Muhic and LeVan are hoping to shorten the time it takes to mediate disputes, benefiting clients on both sides, using their deep knowledge of the process from their experience as litigators.

And Stapleton said he will continue to handle business litigation, but he also wants to expand the public service and pro bono side of his firm.

Scott said those niche practice areas probably aren’t driving lawyers to spin off, but they are a side benefit. The other perk, he noted, is being able to create a firm culture from scratch.

David Pudlin, CEO of Hangley Aronchick, mentioned the same as he reflected on Stapleton’s departure last month.

“When you found your own firm, you put your name on the door, you set up your own rules and culture. I can see why one would want to do it, even if you’re doing well and you’re happy,” Pudlin said. After all, he did the same thing 25 years ago, along with several other partners that founded Hangley Aronchick. While he didn’t wish for Stapleton’s departure, he said, the move to do the same was “in the spirit of our firm.”

Kruza said some of the recent launches may also have been pushed along by favorable business conditions.

“I think during a good economy you’re going to see more of it, and when things tighten up I think you’re going to see some people go back into the confines of a safe operation,” Kruza said.

But that may not always be the case, Scott contended. He said profitable lawyers may be even more keen to spin off in a bad economy, when they look around and notice that they’re supporting partners who are bringing in less revenue.

So should law firms be worried about their successful partners getting bitten by the entrepreneur bug? Both Kruza and Scott said it’s difficult to know how often firms fight to keep a lawyer who is considering spinning off—when those efforts are successful, there’s no news, and no reason to call a recruiter.

Kruza estimated it’s likely uncommon that a firm would fight hard.

“Most of these organizations don’t want somebody there who doesn’t want to be there,” he said. “Usually heavy-hitters and highly valued lawyers are well taken care of.”

Still, Scott said he makes sure to follow up with small-firm founders two to four years after they leave the safety of an established law firm, to see how things are going. About half the time, the once-entrepreneurial lawyer says they have tired with the administrative burdens of running a business, and would welcome an opportunity to rejoin a bigger operation.

But the other half of the time, Scott notes, the founder says, “‘I can’t believe I ever worked for the man.’”

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Litigators Vow to Streamline Dispute Resolution With New Mediation Firm (https://www.law.com/thelegalintelligencer/2019/06/26/litigators-launch-mediation-firm-aiming-to-streamline-dispute-resolution/)

Stapleton Law Launched in Mount Laurel By Former Hangley Aronchick Partner (https://www.law.com/njlawjournal/2019/06/26/hangley-aronchick-partner-leaves-to-form-new-firm-in-south-jersey-399-28302/)
