

NJ Powerhouse Firms Win Big In Shrinking Legal Market

By **Martin Bricketto**

Law360, New York (June 13, 2014, 7:04 PM ET) -- A contracting legal market has meant tough times in the Garden State, but the 11 firms on Law360's New Jersey Powerhouse list held steady by capitalizing on the state's traditional industries and harnessing new opportunities in areas of health care and real estate, plus scoring high-profile wins in mass tort cases and the state's gay marriage struggle.

With work in practice areas as diverse as the Garden State itself, these 11 firms have stood out for their sizeable presence in the state and significant accomplishments in regional work over the last two years:

NEW JERSEY POWERHOUSES	
Firm	New Jersey Head Count
Archer & Greiner	163
Ballard Spahr	22
Cole Schotz	85
Drinker Biddle	103
Duane Morris	35
Gibbons	159

Goldberg Segalla	20
McCarter & English	176
Morgan Lewis	35
Reed Smith	50
Sills Cummis	140

The list includes homegrown heavyweights like McCarter & English, Archer & Greiner, Gibbons and Sills Cummis that each have more than 100 attorneys in New Jersey as well as firms that have established satellite offices in the state with as few as 20 attorneys. Some firms such as Drinker Biddle and Duane Morris sprouted across the Delaware River in Philadelphia before eventually developing a national and international presence.

The legal hubs of Newark and Princeton host more than half of the firm's 19 New Jersey offices — six in Princeton and four in Newark — while others are spread from northern towns such as Hackensack and Florham Park to southern locations such as Cherry Hill and Haddonfield.

Traditionally, a concentration in the state of the pharmaceutical, telecommunications and other important industries have helped local firms thrive and enticed out-of-towners to dip their feet in the market. Some of those industries have slowed, but New Jersey remains rich with potential clients, especially for firms willing to adapt, according to attorneys.

“Because of our location and proximity to New York and Philadelphia and because of our dense population, this is always going to be fertile ground for business development, those people who are developing those businesses are going to be in need of really good lawyer talent,” Gibbons Chairman and Managing Director Patrick Dunican said.

New Jersey continues to serve as the home headquarters for 21 Fortune 500 companies, including Prudential Financial, Johnson & Johnson, Merck & Co. Inc. and Honeywell International.

“New Jersey is a state that is headquarters to a lot of big companies, and a lot of the time legal issues are what we call 'home issues,' and as result New Jersey would be the venue where a lot of the litigation takes place,” said Ward Bower, a principal of Altman Weil Inc. “They're going to want New Jersey firms to do it, and that's going to give rise to demand for big firms.”

Lower Costs Draw Outsider Firms

While there is a need for local expertise, competition from the outside is fierce. New Jersey has been a destination for outsider firms looking to not only serve local clients but also reduce costs, according to

Bower. That's particularly true for practice areas such as labor and employment that are subject to heavy price competition, he added, offering the example of a New York firm physically locating such attorneys in New Jersey.

"In that way, because of the price competition and the client pressures on hourly rates, they can charge less and still make the same margins they would if they were charging more in New York City," Bower said.

Still, Bower said that New Jersey as a legal market has been static and that local firms have found themselves pitted against bigger brands from New York and Philadelphia when it comes to new business.

Such "encroachment" has indeed meant a tougher arena for legal services, according to Sills managing partner Max Crane.

"I think there will be plenty of work, but I think we're going to have to share more of it with not just New York and Philadelphia firms, but firms that are headquartered all over the country and have outposts here," he said.

Some attorneys said they expect that competition to mean further contraction for big firms. However, there's still room to grow in areas such as intellectual property, health care and development, especially in light of the incentives bill that Gov. Chris Christie and state lawmakers hammered out last year, according to Archer & Greiner President Christopher R. Gibson.

"You certainly have seen a fair share of belt tightening and a fair share of consolidation, certainly nobody in New Jersey is immune from those types of pressures, and clients have become much more demanding and much more focused on the cost of legal services," Gibson said. "I doubt that we're going to see the growth that we've seen historically, but that doesn't mean there's no opportunities. There are plenty."

Pharma Gives Firms Room To Shine

Amid the belt-tightening and increased competitive pressures, firms that made the Powerhouse list have managed to distinguish themselves in part by defending New Jersey-based pharmaceutical giants over alleged injuries from their products.

Reed Smith and Archer & Greiner last year helped Merck win a crucial summary judgment ruling in seven bellwether cases in a mass tort targeting a subsidiary's NuvaRing contraceptive, while Sills Cummis teamed up with Hollingsworth LLP to score trial and appellate victories for East Hanover-based Novartis Pharmaceuticals Corp. over its bone medication Zometa.

Life sciences companies have also relied on such firms for transactional work, such as Duane Morris representing Madison-based Quest Diagnostics Inc. last year in its \$485 million sale of royalty rights from the commercialization of a cancer therapy drug to Royalty Pharma, and their real estate development needs, as evidenced by Gibbons' work for Bayer Healthcare Pharmaceuticals on its new national headquarters in Whippany.

Still, much of the work that's generating fees for firms may go comparatively under the radar, according to Ralph J. Lamparello, managing partner of Chasan Leyner & Lamparello PC and the immediate past

president of the New Jersey State Bar Association.

“You'll be blown away at the number of commercial disputes in NJ over companies that are worth multiple millions of dollars,” he said.

Local Firms Break New Legal Ground

The state's legal market also draws its strength from the reputation of its courts and jurisprudence, and firms in New Jersey have long been at the forefront of shaping the law, Lamparello added.

“When I've spoken to other members from other states, they always talk about how, going to law school, you study the cases from New York, you study the cases from Massachusetts, Illinois and New Jersey. Later on, California came into the picture,” he said. “I think that's a reflection on the fact that New Jersey has always been in the advance guard of the law.”

In one such groundbreaking decision, Gibbons helped secure a ruling that forced Christie's administration to allow same-sex marriages.

In a win for same-sex couples that the firm represented, Superior Judge Mary Jacobson in September found that classifying such couples using a label distinct from marriage impacts their ability to obtain federal marriage benefits in violation of New Jersey's constitution and a state Supreme Court decision that same-sex couples had to be afforded the same rights and privileges as opposite-sex couples.

Gaming, Education Offer New Opportunities

With the state's roll out of online gambling, gaming continues to be a revenue generator for firms despite Atlantic City's troubles. Even that turmoil can mean important legal work, such as Cole Schotz's handling of the Chapter 11 bankruptcy for the Atlantic Club Casino Hotel.

Aside from the gaming industry, another huge opportunity for powerhouse firms was a recent higher education restructuring in the state — reportedly one of the largest in U.S. history — that was intended to boost medical education and research and included folding much of the University of Medicine and Dentistry of New Jersey into Rutgers, with the exception of University Hospital in Newark and the School of Osteopathic Medicine in Stratford.

McCarter & English served as Rutgers' principal outside transactional counsel, while Sills Cummis represented the state treasurer as special counsel. Gibbons served as lead counsel to Glassboro-based Rowan University, which took over the School of Osteopathic Medicine.

For Sills Cummis, that representation reflects the health care expertise, among other practice areas, that the firm developed over time to address a changing legal market and client needs, Crane has suggested.

“In this firm, we have very few rules, and almost all of those rules have exceptions,” he said. “The reason for that isn't because we're inherently unruly. It's the fact that business exigencies demand it.”

--Editing by Jocelyn Allison.