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ORANGE COUNTY BUSINESS JOURNAL

Ask the Experts

Q&A

With the economy still in a downward spiral, the law industry is one of the few in a

position to benefit from it. Local firms are grabbing new business in bankruptcy litigation and from opportunistic buyers. The Business Journal's Jessica C. Lee talked with partners at the largest law firms here and asked how the economy will impact their and their clients' businesses. The following are their edited responses.

Shivbir Grewal, partner, Stradling Yocca Carlson & Rauth LLP

Since mid-September, businesses have been impacted by a general slowdown in demand for goods and services, a credit squeeze and difficulty in attracting equity capital. Since public companies have seen a steady erosion of their stock prices, they find it unattractive to raise equity at current levels, which a number of publicly traded entities feel is below their true worth. I don't see this scenario changing until the credit problems (housing, credit card, student loans, etc.) are worked out, the government stops printing money (i.e., gets a handle on the deficit), consumer confidence returns and jobs start getting created again.

On the other hand, companies that have acquisition capital should find a number of bargains available. Foreign companies are



Grewal

also looking to pick up good acquisition targets in this market. Venture capital is still available, although the bar has been raised for the quality of deals VCs are willing to invest in, and valuations have come down. The one sector that appears to be still vibrant is the life science sector in which we have seen a number of transactions funded at relatively good valuations.

Craig Barbarosh, managing partner, Pillsbury Winthrop Shaw & Pittman LLP

We are facing a unique economic environment of rapidly increasing unemployment coupled with significant elimination of jobs, very high levels of consumer debt and the lowest level of home equity since World War II. We are also seeing significant de-leveraging of corporate balance sheets coupled with corresponding asset depreciation. These factors are aggravated by the continued illiquidity in the credit markets, notwithstanding historical low interest rates.

The practical effect of all of this is to reduce consumer discretionary spending at a time when businesses are forced to sell assets at declining values and remove debt from their balance sheets when new credit is unavailable. This environment creates incredible pressure on businesses in every industry and every sector. As a result, businesses without substantial cash reserves and conservative balance sheets will be challenged for the foreseeable future.



Barbarosh

John O'Hara, managing partner, Newmeyer & Dillion LLP

With respect to the Orange County economy as a whole, economists appear to agree that we are currently in a severe recession and that 2009 will be another down year in terms of employment, housing prices, residential construction, commercial construction, tourism and corporate profits. The debate seems to be whether OC will start to see signs of the beginning of a recovery late in 2009 or not until some time in 2010. Time will tell.

This economic malaise will probably have a negative effect on the majority of OC law firms in 2009 in terms of hiring, partnership offers, rate increases and overall profitability. The negative effect will probably be more pronounced in firms that are weighted more toward transactional work than litigation. In past downturns, litigation has tended to increase.

Mark Wine, partner, Orrick Herrington & Sutcliffe LLP

Our experience tells us that regardless of the economic conditions, companies will protect their vital intellectual property rights—and often more aggressively in a downturn. We expect, however, that clients will increasingly look to hire IP counsel



O'Hara



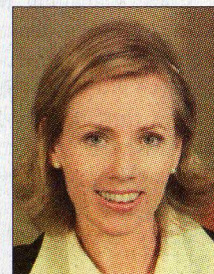
Wine

whose experience translates into efficient litigation management as well as excellent results. Reliable budgeting and expense control will be more important than ever in this difficult economic environment. Although we remain optimistic about another strong year in IP litigation, we are very well aware of our need to demonstrate to our clients a high degree of efficiency and creativity in our litigation strategy and execution.

Nicole Whyte, managing partner, Bremer Whyte Brown & O'Meara LLP

Like most other industries, today's economy has impacted the way in which legal professionals conduct their practices. We have seen the issues facing the work force at large on a first hand basis. Our firm has focused on diversifying its practice over the past few years in order to become better adapted to dealing with issues facing our clients.

Our clients are experiencing different pressures than in the years past. Consequently, different and unique cases are coming into our firm, which require more creativity than ever before. Many of the new issues presented in these cases are directly related to the financial pressures people and businesses are experiencing nationwide. This, coupled with the financial realities of litigation, requires us to be very forthright with our clients regarding their potential ability to withstand the financial commitment of certain cases.



Whyte

