

Law firm mergers heat up again

BY JIM MIDDLEMISS

For Law Times

A recent spate of consolidations in the legal community has once again put mergers on the radar screen of Canada's independent law firms.

In the past few months, Vancouver's Bull Housser & Tupper LLP merged with Norton Rose Fulbright LLP, while IP boutique Dimock Stratton LLP joined DLA Piper (Canada) LLP, which swallowed Davis LLP last year.

In September, MacPherson Leslie & Tyerman LLP and Aikins MacAulay & Thorvaldson LLP hooked up to form a regional, Western-based powerhouse.

These mergers show that independent law firms continue to fall prey to global and regional mergers.

University of Calgary Faculty of Law dean Ian Holloway says we are in a new phase of mergers.

The first in the 1990s built out the national law firms.

The current wave is building out the international law firms or larger regional firms.

He says law firm leadership needs to critically examine the benefits.

He's worried some of the mergers he's seen in the past few years lack strategy and some are more like a couple "having a kid to save the marriage."

So, what is the path ahead for independent law firms? Can they still stand alone in a merging world or should they throw their lot in with bigger entities? What's the advantage in doing so?

Maria Scarfo, managing partner at Toronto law firm

Blaney McMurtry LLP, says her 125-lawyer firm has tired-kicked merger offers over the years. So far, she says, "We don't see any advantage to it."

Those inquiries have come from a variety of firms, she said, including an international firm.

"It wasn't attractive at all," she says, adding that one set of discussions "made me run away very quickly."

Part of the issue is that Blaney McMurtry LLP has little history of growing through mergers. Its growth has been organic. So a merger would be a major shift, notes Jim Edney, a partner at Blaney who has participated in such discussions. Mergers have "not been part of our strategy," he says.

Edney adds that Ontario is a "lucrative" market, and when his firm has had discussions with others "we couldn't see what they were going to give us."

Contrast that approach with the former Fraser Milner Casgrain LLP, which merged with an international firm in 2013 and is now part of the fast-growing Dentons LLP.

Chris Pinnington, chief executive officer of Dentons Canada LLP, says his firm has experienced a number of positive outcomes from taking the plunge into the waters of an international firm.

For example, he says, from a recruitment standpoint, the merger has proved beneficial and provided a "competitive advantage," critical in a business that relies on people.

When Heenan Blaikie LLP blew apart, a sizeable chunk of the practice moved to Dentons.



Maria Scarfo says her firm has considered merger offers over the years, but it didn't proceed with them.

Pinnington attributes that to the platform it was able to offer. "It has expanded our opportunity to recruit top talent across Canada."

The size and scale of the firm has given it the heft to build out its brand, he adds, pointing to the Acritas Global Elite Brand Survey, where Dentons is now in the top 10.

"It has enhanced our standing in Canada," he says.

It's also helped the firm generate business domestically and globally. For example, it now has access to requests for proposal in which it might not otherwise have been asked to participate.

Elliott Portnoy, Dentons' global CEO, says a law firm is not truly international unless it has a Canadian arm.

"If you are not in Canada, you are missing an important piece of the legal marketplace," he says, so the merger has added to Dentons' overall bench strength and

its ability to service clients and land work abroad.

Portnoy questions the path forward for small and mid-sized firms.

"Right now, our profession is characterized by stagnant client demand and competition from new market entrants.

"If you are a new lawyer coming into the profession, the last place I would want to be is a small or mid-sized law firm," he says.

Edney, however, points out that not every client needs an international law firm. He says 80 per cent of his firm's top 100 clients fall within 25 kilometres of Blaney's office.

"We can service their needs," he says.

U.S. law firm consultant Altman Weil, Inc. has tracked 68 U.S. law firm mergers so far in 2016, the majority of which involved less than 100 lawyers. Mergers are on pace for a record year.

Thomas Clay, a consultant at Altman Weil, says the key to survival for independent and mid-sized firms in a consolidating market is differentiation.

What is it that sets a firm apart from the pack? "The change curve has gotten so much steeper," Clay says of the evolving market for legal services. "Clients look at things that differentiate service providers from each other."

That could be through "technical expertise," "service methodology" and delivery or even geography.

It's "being the trusted advisor," he says, where mid-tier firms can excel.

"It always goes back to making sure you know what you are trying to do and have a plan," Clay

says.

One of those plans, of course, is succession, particularly with the greying of the bar.

That was one factor of many that drove Dimock Stratton LLP to look for a merger partner and become a significant Canadian IP arm of DLA Piper (Canada).

Ron Dimock, who spent 29 years at Sim Hughes Dimock LLP and another 22 at Dimock Stratton, says "consideration was given to the evolution of the firm" and long-term plans.

He is 67 years old now and plans to practise for "several more years," but the question was where would be the best place for that to take place to benefit all the partners going forward, given an evolving legal market, particularly when it comes to the firm's specialty, intellectual property?

Dimock notes that pharmaceutical litigation, which has driven patent law for the last two decades, is expected to drop off due to legislative changes. The pharma manufacturers, he says, "are not as litigious as they were."

As well, IP law has become very international in scope. While the firm had discussions with many others, it landed on DLA Piper (Canada), which he says was made more attractive by the acquisition of Davis LLP by DLA Piper LLP (US).

It was also a chance for the group to become a key part of the IP needs for the entire firm, and DLA Piper (Canada) was willing to take in the whole group, though a few lawyers were expected to remain on their own.

"We really like what we do and we like doing it together," Dimock says. **LT**