

# Law Firm Fees Defy Gravity, Annual Survey Shows

**As the recession gathered, legal fees grew, and one firm broke the \$1,200 per hour barrier**

Leigh Jones  
The National Law Journal  
December 8, 2008



Image: Mandy Pritty / Digital Vision

Despite the rancid economy of 2008, attorney billing rates continued their escalation trend, with nearly 71 percent of law firms reporting an increase in the amount that they charged clients compared with 2007. This figure represents law firms that increased their average and median billing rates firmwide.

Also this year, partner billing rates broke record highs, with one firm exceeding the \$1,200 mark and another rising above \$1,100 per hour.

This year's results of *The National Law Journal's* annual billing survey indicate that, although law firms upped their rates at a slower pace compared with last year's increases, they still exacted a higher price for their labors from clients, even amid an unraveling economy.

The survey was based on information provided by 127 law firms that responded to billing questions submitted as part of the NLJ 250, *The National Law Journal's* annual survey of the nation's largest law firms. Of those 127 law firms, 109 provided billing information both this year and last, from which year-over-year comparisons were derived. The survey period ran from Oct. 1, 2007, to Sept. 30, 2008.

The average of this year's average firmwide billing rates, which include partner and associate rates, climbed by 4.3 percent.

The level of increase for average firmwide billing rates was lower than the increase last year of 7.7 percent, compared with 2006. At the same time, although 70.6 percent of

firms increased their average and median billing rates this year, 75.2 percent increased those rates last year, compared with 2006.

The continued uptick in legal expenses means that law firms should expect clients, especially in a worsening economy, to hire more attorneys in-house and to rely more heavily on "flexible staffing," said Pamela Woldow, general counsel and principal of Altman Weil Inc., a law firm consultancy. In addition, clients, such as pharmaceutical companies, that in the past did not demand alternative or varied fees will be "negotiating harder" for better deals on legal services, Woldow said.

The average of the average firmwide billing rate for 2008 was \$363 per hour, compared with \$348 in 2007. The average of the median firmwide rate this year was \$350 per hour, compared with \$347 per hour last year.

### **MOST EXPENSIVE HOURLY RATE: \$1,260**

The most expensive hourly rate came from White & Case, which reported that the high end of its partner rate was \$1,260 per hour. The firm's average partner billing rate was \$747 per hour. With 2,205 attorneys, White & Case is ranked No. 6 on the NLJ 250.

In a written statement, White & Case said that the high end of its billing rates was "representative of only two potential billing scenarios for clients" and "[did] not take into account a number of key factors, including blended rates and rates negotiated with specific clients."

Coming in second was Dorsey & Whitney, where the high end of the partner rate was \$1,180. Dorsey's average partner rate was \$505.

The top rates at Dorsey & Whitney were charged by two international tax partners practicing in London, said firm spokesman Bob Kleiber. The firm declined to identify the partners charging that rate.

The two law firms also reported the highest associate rates, with White & Case charging \$920 per hour at the high end of the range and Dorsey & Whitney charging up to \$820 per hour for associate work. The average associate rate at White & Case was \$456 per hour. The average associate rate at Dorsey & Whitney was \$301 per hour. The \$820 fee charged at Dorsey & Whitney applied to one associate practicing in the firm's London office, Kleiber said.

Regarding average partner billing rates, 86.2 percent of the firms charged more this year than last year. The average of the average partner rate this year was \$451 per hour, while the average of the median partner rate was \$435 per hour.

Regarding associate rates, 80.7 percent of the law firms responding to the billing survey both in 2007 and 2008 raised the high end of associate rates. The average of the average

associate rate for these firms was \$282 per hour. The average of the median associate rate was \$274.

## **OTHER HIGH FLIERS**

Two law firms besides Dorsey & Whitney and White & Case reported partners who charged four-figure rates. They were Pittsburgh-based Buchanan Ingersoll & Rooney, at \$1,020, and Chicago-based Jenner & Block, at \$1,000.

Several law firms came close to the \$1,000 mark on the high end of the partner rate range. They were New York-based McKee Nelson, at \$995; Washington-based Patton Boggs, at \$990; Cooley Godward Kronish of Palo Alto, Calif., at \$980; Locke Lord Bissell & Liddell, at \$975; Chicago-based Winston & Strawn, at \$975; Venable of Washington, at \$950; Loeb & Loeb, at \$925; Washington-based Hogan & Hartson, at \$900; and Reed Smith, at \$900.

Alternative and variant billing systems were popular among many law firms. Of the 127 firms that responded to billing questions, 66 reported that they received at least a portion of their revenue from alternatives and variations. "Variations" to the billable hour mean discounted fees or blended hourly rates, while "alternatives" include fixed or flat fees.

Many law firms derived most of their revenue via variations. They included Husch Blackwell Sanders, at 98 percent; Ogletree, Deakins, Nash, Smoak & Stewart, at 92 percent; and Akerman Senterfitt, at 90 percent.

Law firms relied on alternatives for a smaller portion of revenue, compared with variations. Firms with high percentages of revenue derived from alternative billing included Denver-based Holland & Hart, which reported 33 percent, and McKenna Long & Aldridge, at 30 percent.