

MONDAY, MAY 9, 2011

LAW FIRM BUSINESS

## The Little Palo Alto Firm That Did

At 50, Wilson Sonsini Looks at Where it Came From, and Ponders How it Will Face Global Challenges

**By Jill Redhage**

Daily Journal Staff Writer

PALO ALTO — On a Thursday in March, Larry Sonsini worked out on his rowing machine while listening to the CNN morning news. The lean, physically fit 70-year-old perked up at a news item about Stanford University's proposal to build a billion-dollar research and engineering campus in New York. Mayor Michael Bloomberg had solicited proposals for how the city could diversify its economy by stimulating technology innovation.

"That's who we are," Sonsini said in an interview later that day. "We've got to be a part of it."

Wilson Sonsini Goodrich & Rosati PC turned 50 this year — it was founded in 1961 as McCloskey, Wilson & Mosher — and Sonsini's conviction over the years about the firm's identity has led it to pioneer and sustain a novel law firm business model. Its ultimate goal is to serve as corporate counsel to technology companies, playing a role in every stage of their life cycles, and to be the dominant U.S. law firm in that market.

Sonsini, the chairman and former CEO, said he didn't model his law firm after any other,

'It would be shortsighted to think what's happened in Silicon Valley over the last 30 years means it's Silicon Valley uber alles. But do you have to drop a flag in every location?'

— Jeffrey D. Saper

although other firms have followed his lead. Instead, he learned how to run the business by watching his clients. The result has been an organization that looks less like a typical law firm than a microcosm of Silicon Valley itself — a place full of ambitious entrepreneurs trying to gain traction for their own ideas.

Its vision remains unchanged. "One of the



Courtesy of Wilson Sonsini Goodrich & Rosati

Name partners outside Wilson Sonsini headquarters, left to right, John Goodrich, John Wilson, Mario Rosati, and Larry Sonsini.

most important aspects of our growth," Sonsini said, "has been the consistency of what we're about."

But forging one's own path presents a particular challenge — there's no one to show you what to do next. As the firm fights to preserve market leadership in the globalizing technology sector, it must establish itself in new

markets to continue to thrive. Yet it's behind the curve in going global: Its two foreign offices — in Shanghai and Hong Kong — are mere fledglings.

Staring into its future, the firm's longtime commitment to technology companies and the Silicon Valley market raises questions: Will it be able to compete head-to-head with

# Wilson Sonsini Reaches 50 and Ponders Its Future

international law firms as a latecomer on the global stage? Can it maintain its entrepreneurial culture as it moves into new markets?

Moreover, as technology permeates every other industry in fundamental ways, can there really be such a thing as a technology-company law firm?

Confronting these issues are longtime leaders such as Sonsini, but also the new guard that will hold the reins in the years to come.

## The Beginning

In 1978, Roger L. Mosher broke off and took a chunk of the firm with him. That's when John A. Wilson and Sonsini hammered out a business model in Wilson's office, scaling their vision for a firm different than all others. Soon, they had the personnel who would build it and serve as its foundation 30 years later.

"The partners realized that unless they started scaling really quickly in terms of expertise, we were not going to be able to keep up with these companies that were growing so fast and getting very sophisticated," said CEO Steven E. Bochner, "and we were going to lose ground to other firms."

By the mid-1980s, the firm had made key hires in litigation, particularly securities litigation. It also added environmental law experts and beefed up its corporate department. The scaling continued in the 1990s and 2000s with intellectual property, life sciences, clean technology and antitrust.

The addition of certain lawyers over the years made it clear there would be life after



Courtesy of Wilson Sonsini  
Larry Sonsini at his desk in 1988.



S. Todd Rogers / Daily Journal  
Jeffrey Saper, Wilson Sonsini vice chairman

Sonsini. According to Mozghan Mizban, a San Francisco-based legal consultant, the fixation in the market on whether Wilson Sonsini could survive without its longtime head led the firm to formalize a succession plan that made room for other natural leaders, such as Bochner and John V. Roos, who succeeded Sonsini as the firm's second CEO in 2005.

larger companies instead of doing public stock offerings and building their companies themselves. In that scenario, the firm would sell off most of its clients.

Boris Feldman, who became Wilson Sonsini's first securities litigator in 1986, argues it's agnostic about client size. "You represent many startups. A lot of them fail, a lot of them are acquired and a couple go public," he said. "Some bust through to the upper circle, and some don't. You can look at us and say, 'Gee, they're selling off a lot of clients.' But nobody's replenishing the number of public companies at the rate we are."

Other critics question the very concept of a technology law firm model. As technology evolves and infiltrates every industry, it will increasingly become a piece of every law firm's practice, a phenomenon that could render Wilson Sonsini's model less compelling.

But some legal consultants disagree that the model will become moot. "Industry focus is clearly a viable business strategy," said Ward Bower of legal consulting firm Altman Weil Inc. "Although technology is pervasive, it's not the [research and development] and innovation that's pervasive. It's the application."

Bower predicted that information technology would be an important industry for as long as the life of any practicing lawyer. That means Wilson Sonsini could double its age before having to worry about its business model.

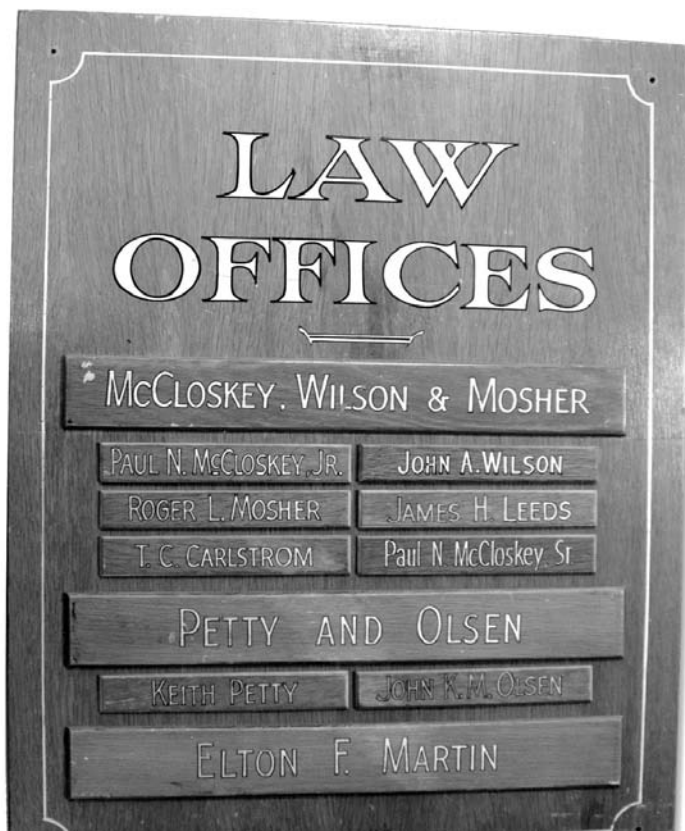
## 'Our Thing'

The firm created its identity by inaction as much as action. It hasn't staked flags in every major legal market. It hasn't chased down cli-

## Firm Foundation?

As the decades passed and the firm grew alongside the industry it served, it added offices, practice groups, lawyers and industry expertise. It now employs roughly 600 lawyers in nine offices. Careful growth has helped it maintain consistent financial health through boom and bust economies, and its profits per equity partner in 2010 were \$1.5 million.

Yet critics of Wilson Sonsini's model predict the firm will have an inventory problem if increasing numbers of venture capital-backed companies choose to satisfy investors by selling themselves to



ents outside of the tech world, even though it has some. It doesn't handle insurance matters, mass torts or public finance. Such decisions have helped the firm preserve its identity and advantage in its market.

"Many firms start from spin-offs of other law firms and adopt other firms' metrics," Sonsini said. "That didn't exist here because I've never been at another law firm. I don't even know what another law firm is like — thank God. That probably would have screwed it up."

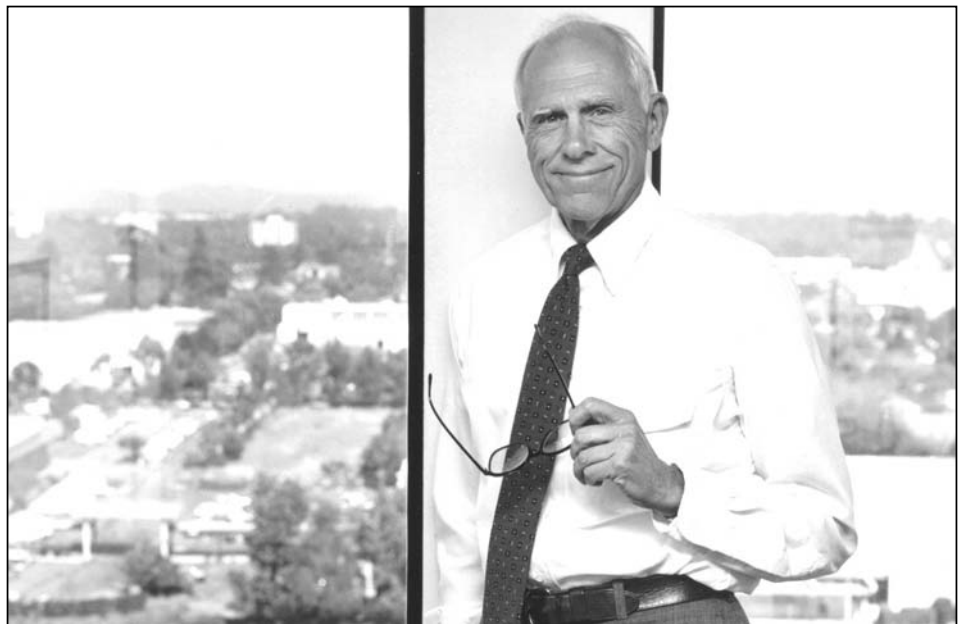
Other law firms tried to follow in Wilson Sonsini's footsteps, but its first-mover advantage and enduring focus helped it stay on top.

"We were surprised how long we were left alone in this market in many of these practice areas," said Bochner, the CEO.

Wilson Sonsini's first two competitors left the pitch. Founded in San Francisco, Brobeck, Phleger & Harrison LLP chose to focus on Silicon Valley around 1980 and competed head-to-head with Wilson Sonsini until its dissolution in 2003. Ware & Freidenrich also was a major player in the Valley from the early 1980s until 1994, when it significantly changed forms through a succession of mergers, ultimately being absorbed into 3,500-lawyer DLA Piper.

Two other Silicon Valley law firms — Fenwick & West LLP and Cooley LLP — replicated Wilson Sonsini's business model and remain significant competitors locally, but they're distinct in a few key ways: With 270 lawyers and four offices, Fenwick hasn't chosen to scale its operations in the same way as Wilson Sonsini. And Cooley — which has 600 lawyers, nine offices and headquarters in Palo Alto, just like Wilson Sonsini — hasn't retained a technology focus as strictly as its competitor has, nor has it captured as much mature-company work.

Nevertheless, the competition in Silicon Valley remains fierce, stoked by the constant influx of out-of-state law firms and relevant incumbents like Latham & Watkins LLP, the new home of six Wilson Sonsini IP litigators. Legal



The late John Wilson in his Palo Alto office.

Courtesy of Wilson Sonsini

### Office Openings

Kirkland, Wash. (Now Seattle) (1998)  
 Austin (1999)  
 San Francisco (1999)  
 Reston, Va. (2000) Moves to Washington D.C. (2006)  
 New York (2001)  
 Salt Lake City (2001) (Closed 2007)  
 San Diego (2004)  
 Shanghai (2007)  
 Hong Kong (2010)

### Noteworthy IPOs

Behavioral Research Laboratories (1968)- the firm's first IPO  
 Coherent Radiation (1970)- Sonsini's first IPO  
 ROLM Corp. (1975)  
 Apple Computer Inc. (1980)  
 Netscape Communications Corp. (1995)  
 Agilent Technologies Inc. (1999)  
 Google Inc. (2004)  
 Tesla Motors Inc. (2010)

observers said those departures left a hole in the firm's IP platform, but added that it's already recruiting aggressively to fill that gap and has a bench of IP specialists to tide it over.

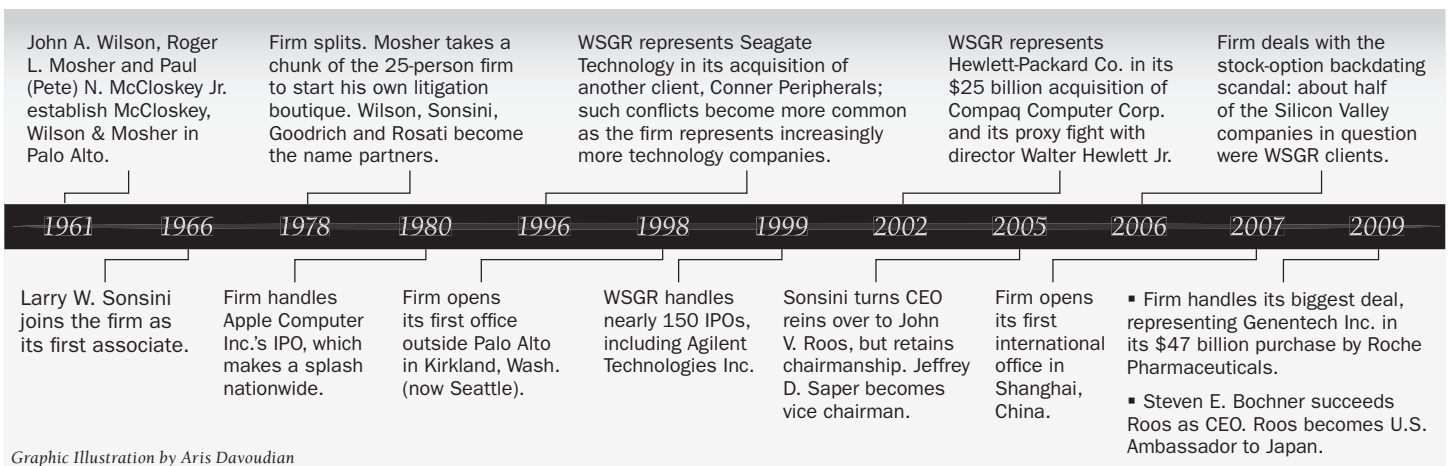
### Entrepreneurialism

In Silicon Valley, entrepreneurs have free rein to innovate. The venture capitalists provide guidance and serve as gatekeepers for the ideas that get a chance to grow. So it goes at Wilson Sonsini.

"A ton of what we do bubbles up from the bottom," said Katharine A. Martin, a corporate partner who joined the firm in 1999 from what was then Pillsbury, Madison & Sutro LLP. "Management has its hand on the helm and is watching over everything, making sure we're going in the right direction and not a million different directions. But the reality is that our system relies on that grassroots [culture]."

The firm's expansion outside California in the 1990s illustrates that culture. Patrick J. Schultheis, then a young partner, wanted

## Wilson Sonsini Over the Years



# Wilson Sonsini Arose As Silicon Valley Was Christened

By Jill Redhage / Daily Journal Staff Writer

**P**ALO ALTO — In 1966, Life Magazine ran a 1940 photo of the Phi Delta Phi fraternity at Yale Law School. At least 13 noteworthy individuals had emerged from the group of 77 men, including two U.S. Supreme Court justices, a U.S. senator, the governor of Pennsylvania, the deputy Secretary of Defense and the Secretary of the Army. It also included future U.S. President Gerald Ford and Robert Sargent Shriver Jr., creator of the Peace Corps and President Lyndon B. Johnson's "War on Poverty."

Two heads to the right of Ford stood John A. Wilson, who worked as a lawyer for the Atomic Energy Commission in the 1940s and later at a firm in Cleveland, Ohio. He had moved to California by 1957 to work in-house for Hiller Aircraft Corp. and just a few years later helped establish two of Silicon Valley's founding institutions.

"In 1961," Wilson later wrote in recollections, "the firm of McCloskey, Wilson & Mosher was formed to carry out the 'full-service' plan." By 1969, Wilson had also co-founded Mayfield Fund, which became a prominent venture capital firm.

In 1966, soon after Wilson hooked up with Roger L. Mosher and Paul "Pete" N. McCloskey Jr., the firm gained its first associate from UC Berkeley School of Law, Lawrence W. Sonsini. (Sonsini went on to become chairman and CEO,



S. Todd Rogers / Daily Journal  
Steven Bochner, CEO of Wilson Sonsini.

a post he relinquished in 2005. He retains the chairmanship.)

By 1971, the firm had added its other two name partners. John B. Goodrich joined in 1970 to start a tax practice, and Mario M. Rosati signed on the following year to build a trusts and estates practice.

The idea of creating a market-oriented law firm began with Wilson, but the firm's business model crystallized in 1978 when Mosher broke off from what was then Wilson, Mosher & Sonsini to form a litigation boutique, taking with him at least three of the firm's 25 lawyers. Wilson and Sonsini met to figure out their next step.

to move to Seattle, while then-associate Paul R. Tobias hoped to return to his home state of Texas. Both lawyers wrote business plans for capturing technology company clients in those markets, then pitched them to the partnership and brought their ideas to fruition. The firm now employs some 40 lawyers in each office.

Of course, a firm full of independent thinkers can lead to conflicts of vision. In one notable example, Craig W. Johnson, the firm's eleventh lawyer, left the firm in 1993 with \$8 million in business to create Venture Law Group, a corporate law boutique for startups. His desire to focus more intently on startups and to open up shop on Sand Hill Road alongside the venture capitalists wasn't shared at his old firm.

In the end, the firm tries to balance innovation with consistency. "As a firm leader, you hope that you can convey a sense of strategy and spirit and culture and that that message resonates with people," said Jeffrey D. Saper, the vice chairman. "But you can't radically change your compensation system or radically change culture to adopt to a specific person."

But what about a specific group? Say, Indian lawyers? Entrepreneurialism may not be unique to Silicon Valley or the U.S. as a whole, but that fact alone won't make it a cinch to

replicate Wilson Sonsini culture abroad.

"Each market has its own idiosyncrasies," consultant Bower said. Many U.S. firms are having a hard time gaining traction in China, for example, because lawyers who are well versed in both Chinese and Western business cultures are still scarce.

At least some say the firm should have no trouble adapting.

"I don't think their culture is defined by their location," said Blane R. Prescott, a longtime San Francisco legal consultant who is now CEO of a law firm based in Denver. "I think their culture is defined by the industry they serve."

## The Next Play

Wilson Sonsini's looming challenge is how to remain central to its clients' affairs as technology companies become ever more global and Silicon Valley is no longer the most important hub for the industry.

"It would be shortsighted to think what's happened in Silicon Valley over the last 30 years means it's Silicon Valley uber alles," Saper said. "But do you have to drop a flag in every location?"

Legal consultants say Wilson Sonsini's slow international growth has so far served it well.

As Sonsini remembers it, he and Wilson sat down in Wilson's corner office on the ninth floor of the Palo Alto Square offices on Page Mill Road, which looked out over the area recently coined Silicon Valley. The Rolm Corp.'s 1975 stock certificate hung on the wall — the computer maker and later telecommunications company was one of the firm's first key clients. Sonsini, whose wife had just given birth to their third child, asked Wilson what they were going to do.

"We're going to be fine," he remembered Wilson saying. "What do you want to do?"

Sonsini told him he wanted to build something and that he liked the path they were on of tailoring a firm to fit the technology industry. He recommended they create a litigation group and add a securities specialist, preferably out of the Securities and Exchange Commission. By 1979, they had hired Jeffrey D. Saper out of the SEC. He is now the firm's vice chairman. By 1984, the firm had lured Bruce G. Vanyo, now of Katten Muchin Rosenman LLP, from the high-end litigation boutique McCutchen, Doyle, Brown & Enersen LLP to start its litigation practice, along with Steven M. Schatz, a tenacious litigator and former assistant U.S. attorney.

"We were fortunate that we had this vision at an early time," Sonsini said, "when the venture industry was really getting its legs and developing its vision."

According to Prescott, 90 percent of law firms who go global dilute their quality and brand in the process. Meanwhile, Mizban said many firms have been able to cultivate strong foreign practices remotely, building capacity while staying profitable.

But eventually there's a turning point, Mizban said, when clients expect their law firm to have manpower on the ground, invest in the local market and build deeper and broader relationships in the region.

Firm leaders realize they must continue to expand globally if the firm is to retain key clients and market share.

"We don't have it fully baked," Sonsini said of its growth plans. He pointed to Asia, India and Israel as possible markets for the firm's expansion, as well as the East Coast of the U.S.

Martin, the former Pillsbury partner, said she's confident the firm will go global and that its culture and business model can be successfully exported.

"We're different than a lot of other firms, so it's not like there's just a natural path. But this firm has grown from being a little Palo Alto law firm 50 years ago to what we are today," she said. "I have all the faith in the world that that's where we're headed."