

Is Change Now Unstoppable for Law Firm Billing?

By Miriam Rozen

August 16, 2017

It took less than 15 years after Steven Kobre and Michael Kim founded Kobre & Kim for the New York-based firm to break into The Am Law 200.

Within another five years, Kobre said, the rest of the country's top grossing firms will have learned a lesson his own firm picked up early on: It pays to embrace alternatives to the billable hour.

"Five years from now everybody is going to be doing it," Kobre said of law firms inking nontraditional billing deals with clients.

His forecast follows an announcement from David Howard, Microsoft's deputy general counsel for litigation, that his company wants 90 percent of the legal work performed by its outside firms to be compensated under alternative fee arrangements. Other major companies, such as GlaxoSmithKline, have also begun to shun the billable hour in many cases.

Kobre sees AFA's sweeping the industry soon despite the disruption such a shift could cause for big firms. "Typically, larger firms have more difficulty executing on these arrangements. Too many people need to sign off," he said.

Kobre's 97-lawyer firm, which he founded in 2003, ranked 191st among The Am Law 200 this year with \$101 million in revenues. The firm has thrived on alternative fee arrangements, Kobre said, with its lawyers proposing nontraditional billing in 50 percent of its matters. At present, 25 percent of the firm's active matters are being compensated through alternative fee arrangements, he said.

Because alternative fee arrangements can be "value-based," Kobre said, they are much more attuned to the post-2008 economic climate for legal services.

The billable hour is a concept that dates back to the 1800s, Kobre said, when firms could more easily tolerate inefficient associates.

Unlike some other litigation boutiques that have embraced alternative fee arrangements—often in the form



Photo: Rick Kopsch/ALM

Kobre & Kim's Steven Kobre.

of contingency deals and success fees—Kobre & Kim has a leverage model that makes it look more like large firm: It has about 69 associates and other non-equity lawyers, compared with 28 equity partners.

The firm still offers services on a billable hourly rate because some clients aren't ready to make the switch, Kobre said.

But Microsoft's move will change things quickly. "It's consequential that they have done it in such a public way," Kobre said.

Miriam Rozen covers the business of law with a focus on law firm-client relationships. Contact her at mrozen@alm.com. Twitter: @MiriamRozen.