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Small Firm Comes Into Its Own

After three years, a group of former Quinn Emanuel attorneys have a successful firm in their own right.

Industry Watch

For Breakaway Quinn Group, Vision of a Small Firm Led to Fast Growth

By Susan McRae

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LOS ANGELES — You might say they started out small.

During their first year together, two of the partners at Baker Marquart Crone & Hawxhurst doubled up in one office. They wore noise cancellation headphones to tune out each other's telephone conversations. When they landed a big case, which they did early on, they kept making excuses that their conference room — actually a converted file room — was busy that day and ended up taking most of their depositions in the opposing counsel's offices.

Three years later, the partners — Ryan G. Baker, Jaime W. Marquart, Daryl M. Crone and Jerry Hawxhurst, all alumnus of Quinn Emanuel Urquhart Oliver & Hedges — are pulling in \$1 million profits per partner.

They've also moved into larger quarters.

Initially dubbed a mini Quinn, Baker Marquart is quickly coming into its own. Although it continues to get referrals from its connections there, they comprise less than 20 percent of new business. And as Quinn Emanuel keeps growing and taking on bigger cases, the ones Baker Marquart is able to take from it also have grown.

And while the partners still handle the \$20,000 to \$50,000 case, more often their complex civil litigation, from intellectual property issues to entertainment to antitrust matters, falls into the \$500,000 to \$2 million range and higher — such as a \$48 million arbitration settlement for Dr. Pepper Snapple Group last year in a distribution contract dispute and an \$8 million arbitration award in a stock options case.

The firm also won a confidential settlement on behalf of Blockbuster Inc. during the second week of trial in a Dallas court in a consumer dispute. The firm continues to represent the video rental chain in a series of potential class actions in federal court involving the company's "no late fees" promotion.



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Attorneys Jaime W. Marquart, left, Daryl M. Crone, Jerry E. Hawxhurst, and Ryan G. Baker. Three years after leaving Quinn Emanuel to launch their own firm, they are pulling in \$1 million in profits per partner.

"So I think we're very scalable," Hawxhurst said. "We can do smaller matters, but at the same time, we can handle a lot of the big matters."

The firm had its beginnings in June 2006, when Quinn Emanuel senior associates Baker, Marquart and Crone told founder John Quinn they wanted to leave and form their own litigation group. Quinn, who had done the same thing himself two decades earlier, gave them his full support.

Like many lawyers striking out on their own, the trio was motivated by a desire to do something less institutional and to control their own destiny. Quinn counsel Hawxhurst, 47, who joined the partners eight months into their practice, had the most to risk, with four young children, his wife and a mortgage. Crone, 33, is also married with one child on the way. Marquart, 35, and Baker, 36, are single.

"I had several long conversations, as I'm sure we all did, with partners at Quinn

Emanuel and other big firms about how things were, and a lot of them would say, 'Well, you can control your own fate here,'" Baker said. "But the reality is the firm had grown so fast that the opportunities those partners had taken advantage of were not necessarily there anymore.

"We've got friends and colleagues who are even more marginalized than we had expected they would be, even though they may have made partner at other big firms, because the position of junior partner now, in this economy, isn't what it was, let alone the people who were passed over.

"There's never been a doubt in my mind about the decision I made with all these guys."

The lawyers took a one-year lease on 1,600 square feet of modest office space on the city's Westside. Their sole employee was office manager Renee Max, who had been Quinn Emanuel's marketing director.

They didn't use a consultant or accountant to help them through the process, relying instead on their own knowledge, experience and understanding culled from over a year of talking to colleagues who had accomplished similar undertakings. They knew basically what was needed — although some details, like finding the right phone system (they eventually shelled out for the best), finding and discarding various software programs — would become an ongoing learning process.

To kick-start their enterprise, they cut a retainer deal with a client to provide a set number of hours of general legal counseling in exchange for a flat fee that would cover their operating expenses for the first few months. More than half their work in the beginning came through referrals of friends and colleagues at their former firm.

"The first thing Ryan and I did was set up a spread sheet," Marquart said. "We said, all right, this is how much we need to live with no income for six months, to keep the lights on and exist with absolutely no revenue.

We did that, we banked it, all three of us.

"We were prepared to have nothing. We were prepared to exist with these nontraditional relationships, like outside general counsel," Marquart said referring to the flat fee arrangement. "And we never had another one like that. We ended up just getting traditional work."

By the fourth month, the three partners were at full pace, working and billing as many hours as they could handle, through strictly traditional, hourly work.

Four months later, Hawxhurst came on board, sharing office space briefly with Marquart until the partners moved to their current location, a suite of offices that overlooks the Westwood federal building. Since then, the firm has hired two of counsel, one part-time lawyer and employed a summer intern for two years running. The support staff, in addition to Max, consists of a paralegal, a part-time law clerk and a receptionist. They hire contract lawyers when needed.

They envision expanding in the future, ideally to 20 to 25 lawyers, including 10 to 12 partners.

The firm has no managing partner. They meet once a week to share thoughts and insights about each other's cases, so everyone knows what's going on. They also share in the administrative duties, dividing them as it plays to their particular talents. Marquart, a math and science undergraduate who learned to count cards at casinos, was a natural to oversee the accounting-related matters.

Crone, who with Baker had briefly set up a stock investment venture during law school, is savvy with technology issues. Baker and Hawxhurst handle personnel.

And, despite the tight economy, the firm carries no debt, not even a line of credit. Moreover, the partners have raised their hourly rate to \$385 to \$450, from the initial \$300, to no complaints from clients. They have offered some blended billing in a few cases and preferred client discounts on occasion. They've also taken on a handful of contingency matters, all successfully.

"Since the start of the so-called downturn, this entire year I can't think of an instance of

a client pushing back on a cost or billing," Marquart said. "They pretty much rubber stamp them. I do think receivables are taking a little bit longer to come in, but not anything significant."

One of the most important ways the firm has helped clients save money in this economic climate is by not employing unnecessary staffing on cases. They credit Quinn Emanuel

for teaching them to litigate aggressively but sensibly, to not overlawyer, to take one deposition instead of 10 and to not be afraid to tell a client not to file a lawsuit when they think the client shouldn't, even if it means not earning a fee. They did this recently and received a call from the referring law firm praising them for advising the client to take no action.

"You never know when you're building your reputation," Hawxhurst said. "The reason we have people contacting us ... is they trust us to know what's going on."

Bryan Stevenson, vice president and associate general counsel for Blockbuster in Dallas, worked with Hawxhurst at Quinn Emanuel and continued with him after he left to join Baker Marquart.

"Jerry is a great attorney, and I wanted to keep working with him" Stevenson said. "He's smart, aggressive, very hardworking. The firm produces a high-quality work product, and I'm pleased with the results."

Another client, Darren Julien, president and CEO of Julien Auction House in Beverly Hills, credits Hawxhurst with "saving the company" earlier this year, by defending it against efforts by Michael Jackson to halt an auction of his personal property from Neverland Ranch. Julien, who said he was referred to the firm by an entertainment lawyer, said Hawxhurst was able to obtain a settlement that was agreeable to all sides.

"The way he handled it there was no question that a large law firm couldn't have

been more effective," Julien said. "Basically, he saved us with his advice."

After three years of near steady work, the lawyers are beginning to trust themselves to relax somewhat through the slow times, knowing the next case will soon come along. Several big cases, in fact, are on the horizon, including one that they're not able to talk about yet, but say surely will have an AmLaw 100 firm on the other side.

"I think when we started out we may have had the idea that, 'Oh, well, we may end up working less than planned or have more of a lifestyle,'" Baker said. "That really hasn't been the case."

Most new clients come through referrals; new cases come half through referrals and half from repeat clients. They spend a lot of time doing lunches and dinners with lawyers and staying in touch with clients. When something new in the law comes up that they think a client might be interested in, they'll send out a memo with each partner's comments.

"You never know where the next case is going to come from," Crone said. He said the firm began doing work for Oracle after a lawyer friend from high school called him and knew a friend who knew a friend at Oracle that sent the firm a case.

The partners credit some of their success to having worked together and known each other well, both as friends and colleagues. Besides the Quinn connection, Baker and Crone were Harvard Law School classmates, and they knew Marquart, who graduated from Harvard Law two years ahead of them. Marquart also was an undergraduate at the University of Texas at Austin, where Hawxhurst earned his law degree.

"We've been lucky in the sense that we've had an opportunity to get to know each other over a number of years," Baker said. "We all had worked together, so we were able to come together and find synergy, and I think that has been really invaluable. That's what makes us function."

For lawyers thinking about striking out on their own, the partners say the first thing is to be as good a lawyer as you can. Second, is to tap into all your resources to learn how to run a firm from the business side. And, third, is having the entrepreneurial drive.

"You have to be willing to do everything in the office, willing to show up, to make copies, make coffee, potentially run something down the street, do business development lunches, do legal research, write briefs and argue them," Baker said. "You have to be a jack-of-all-trades."

"A lot of people lose their edge for that," Hawxhurst added. "They're above it. You can't be above anything if you start a firm."

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Ryan G. Baker,
Partner, Baker Marquart
Crone & Hawxhurst