

Select '**Print**' in your browser menu to print this document.

Copyright 2010. ALM Media Properties, LLC. All rights reserved.

Page printed from: <http://www.law.com/>

[Back to Article](#)

Smaller Law Firms Catch a Break in Market Crisis

Peter Page
The National Law Journal
04-17-2008

Investors burned by an estimated \$230 billion in losses reported in recent months by many of the best-known Wall Street institutions are flocking to law firms that specialize in suing big financial houses.

But it's not just the big firms ringing up the business.

Midsize and small-firm attorneys specializing in banking and finance litigation say investment calamities -- epitomized by the [collapse of The Bear Stearns Cos.](#) -- create the opportunity for them to step in because the big-name Wall Street law firms that represent major banks and brokerage houses would have conflicts of interest if they took these cases.

The work pouring through the doors includes claims stemming from the demise of Bear Stearns and its pending fire-sale acquisition by JP Morgan Chase & Co., the unraveling of complex debt instruments built with subprime mortgages and countless other matters related to write-downs and losses that have made headlines.

"Virtually every bank has a piece of the subprime collapse, so there is a lot of litigation popping up, and the big firms are conflicted out of that," said Peter Calamari, managing partner at [Quinn Emanuel Urquhart Oliver & Hedges](#).

A LITIGATION EDGE

[Kobre & Kim](#), with 19 attorneys in New York and Washington, is representing institutional clients such as Deutsche Bank A.G.; Fluxo-Cane Overseas Ltd., a major Brazilian sugar exporter; and Telinor Telefonía, a major shareholder in a Mexican telecom utility, with \$2.7 billion at stake in claims related to the financial reverses of prestige investment and banking houses, said partner Steve Kobre.

Five of the six partners in the firm are former federal prosecutors, and many other attorneys are former state prosecutors, Kobre said. The entire practice is litigation.

"It's a challenge to have a rigorous litigation practice and a robust transactional practice because of the conflicts," Kobre said. "Look at the subprime meltdown. There are so many parties involved in the transactions. You have the bonding agencies, the underwriters, bond insurers, banks, issuers. Law firms have created committees specifically to go after subprime [litigation] work but also to be aware of the conflict issue."

The exclusive focus on litigation at small firms is a tremendous advantage in court, Kobre said. "It is rare to find civil litigators who have substantial trial experience," he said. "Seasoned trial lawyers have a substantial advantage against your typical adversary who is either afraid to be in the courtroom or hardly ever is in the courtroom."

The four-attorney New York firm [Rich & Intelisano](#) is handling numerous claims related to Bear Stearns, plus auction rate securities cases against Merrill Lynch & Co. and Morgan Stanley that are under arbitration through the Financial Industry Regulatory Authority, said partner Ross B. Intelisano.

"You are going to see a lot more work for smaller firms with Bear Stearns and the market falling apart," he said. "Our niche is representing high-net-worth individuals and institutions in disputes with financial firms. It is the

small firms, like ours, that represent individual investors in these scenarios. We are constantly going up against the big boys."

[Girard Gibbs](#) in San Francisco, a 15-lawyer firm that is "100 percent litigation," has been retained by banks in Germany and France anxiously watching the demise of investments they had believed were low risk, said partner Daniel C. Girard.

"The focus is what they see as pending defaults in a number of areas of their bond portfolio," Girard said. "The large European banks tend to be fiduciary investors with particularly large holdings in the debt securities that are most affected. We're nimble and surprisingly capable of navigating the bureaucracy of a large client."