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[Previous](#)

[Next](#)

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Bellwether Cravath, Swaine & Moore says year-end bonuses will be within the same range as last year

By Eli Wolfe

Cravath, Swaine & Moore LLP announced its year-end bonus amounts for associates on Tuesday, revealing that they will be within the same range as 2015.

According to a firm memo, the bonuses will again be \$15,000 to \$100,000 depending on an associate's class.

Cravath, which enjoys a reputation as a trendsetter in the legal market, caused a stir among law firms in June when it bumped the base salary for its associates from \$160,000 to \$180,000, prompting dozens of other firms to do the same.

According to attorneys and legal recruiters who spoke with the Daily Journal, it would have been highly surprising if Cravath — or any firm, for that matter — had decided to raise its bonuses on top of a base salary bump.

By Tuesday evening, Milbank, Tweed, Hadley & McCloy LLP and several large firms had matched Cravath's bonuses for associates.

According to Aaron Jacoby, the managing partner of Arent Fox LLP's Los Angeles office, Cravath's decision to not raise bonuses may have eased pressure felt by other firms to match Cravath. But he noted that in the current legal market salaries are the primary driver for attracting talented associates, not bonuses.

"It's not a shrinking legal market, but it's not a growing market either," Jacoby said. "That's why firms are competing for the best legal talent, which may be why Cravath raised its salaries in the first place."

Newport Beach legal consultant Peter Zeughauser said Cravath had a strong performance this year, but the lack of sustained growth in the legal market would have made an increase in bonuses a risky play.

"Demand for [legal] services remains too unpredictable quarter to quarter to merit back-to-back base pay and bonus increases," Zeughauser said.

It's also unclear how many firms would have been able to match an increase in bonuses given the significant economic effects of this summer's salary hikes. Larry Watanabe, a legal recruiter for Watanabe Nason LLC in Solana Beach, said many of the country's top-tier firms are struggling to recoup profits following their decision to match Cravath's base salary.

"Firms have done well this year, not great," Watanabe said. "But you're going to see a lot of AM Law firms who are not going to move up the ranks because of these associate expenses."

Exacerbating the plight of these firms is the fact that clients are increasingly reluctant to shoulder part of the burden in the form of higher fees. James Lee, the managing partner for LTL Attorneys LLP, said companies that would normally rely on larger firms have turned to his firm after growing frustrated with big firms trying to pass through costs in growing increments.

"Clients are highly suspicious and skeptical about the reason for rate increases," Lee said, adding that the compensation for attorneys is "unbelievably high."

According to Watanabe, associates aren't getting a free ride. He pointed out that firms are increasingly willing to cut loose associates who fail to meet the performance goals that justify their enhanced salary.

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Wednesday, November 30, 2016

Weekly Appellate Report Podcast

Thanksgiving encore presentation: Kirk Jenkins (Sedgwick LLP) chats about his firm's new blog quantitatively analyzing 16 years of state appellate rulings; Prof. Scott Dodson (UC Hastings) discusses his recent book *The Legacy of Ruth Bader Ginsburg*



00:00 / 75:50



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Criminal

Review judge finds no bias in Massullo's handling of criminal case

A bid by San Francisco Public Defender Jeff Adachi to remove Superior Court Judge Anne-Christine Massullo from a criminal case has been soundly rejected.

Environmental

Citing new law, cities revive suits against Monsanto for water contamination

Five California cities have reopened litigation against chemical manufacturer Monsanto Co. over water contamination.

Criminal

OC public defender seeks to oust DA from another case

A hearing is underway in Orange County to determine whether the district attorney's office should be removed from a 10-year-old murder case because of allegations of altered investigative reports and information withheld from defense lawyers.

SoCalGas pleads guilty to misdemeanor in emotionally charged hearing over Porter Ranch

Southern California Gas Co. pleaded guilty to one misdemeanor charge Tuesday during an emotional hearing related to the Porter Ranch leak.

Corporate

Alternative fee arrangements will grow in 2017, survey says

As companies begin to consider business strategies for 2017, the use of alternative fee arrangements looms large as most chief legal officers who responded to a recent Association of Corporate Counsel survey said they plan to either continue or increase their use of AFAs.

Law Practice

Bellwether Cravath, Swaine & Moore says year-end bonuses will be within the same range as last year

Cravath, Swaine & Moore LLP announced its year-end bonus amount for associates on Tuesday; they will be within the same range as 2015.

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"Not everyone is going to follow through and for good reason," Watanabe said. "I think the majority of the firms that followed through on salaries will follow through on bonuses."

Jeffrey Sklar, a founding partner of Sklar Kirsh LLP, said that by keeping bonuses steady while salaries increase, firms like Cravath may be able to maintain a margin of profits in the future. But, he added, trying to gauge how changes to bonuses and salaries will affect the legal market is like reading tea leaves.

"Will the associates be satisfied with their overall compensation package or will firms see more movement if bonuses don't keep pace?" Sklar said, noting it's a question with no easy answer. "These are the pressures that law firms face every day."

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The SEC after Obama and White

There has been much speculation about how the Securities and Exchange Commission might operate differently during the Trump administration. By **Nicolas Morgan and Thomas Zaccaro**

Constitutional Law

Property law and the Scalia legacy

Let others worry about the impact of a new justice on issues of race, marriage or bathroom access, I'd like to focus your attention on something closer to home, as it were: property rights specifically, how Justice Antonin Scalia's property legacy will fare. By **Michael M. Berger**

Administrative/Regulatory

An environmental opening under Trump

Given Trump's platform, does any environmental hope remain? Counterintuitively, our recent political history suggests that the answer is "yes." By **Claudia Polsky**

Law Practice

Discovery sanctions appeals can be tricky business

When it comes to appeals, 1 plus 1 does not necessarily equal 2 or, more precisely, an order that imposes one sanction of \$2,001 and another sanction of \$3,000 is not the same as an order that imposes a sanction of \$5,001. By **Alana H. Rotter**

Judicial Profile

Philip L. Soto

Superior Court Judge
Los Angeles County (Monterey Park)

Litigation

Turtles settlement could be as high as \$99 million

The amount ultimately depends on the result of appeals in California, Florida and New York.