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Why some law firms won't make it through Covid-19



By [Brian Bandell](#) – Senior Reporter, South Florida Business Journal
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Many law firms in South Florida have lost significant business due to Covid-19, which could threaten some of the companies' survival, experts say.

Layoffs, furloughs and significant reductions in compensation for attorneys have been the most recent effects resulting from the slow down in business.

Greenspoon Marder, Akerman LLP, and Holland & Knight are some of the largest firms in South Florida to make these cutbacks. But some local firms, like Kelley Kronenberg Law, report they have maintained staffing levels or showed some growth.

[Etan Mark](#), a partner at Miami-based Mark Migdal & Hayden, which specializes in commercial litigation, said the firm hasn't suffered because it has many ongoing cases that are billed in creative ways, such as through monthly fees. Firms that bill by the hour for litigation work will see a big decrease in revenue, he said.

The primary difference between companies cutting back and those that haven't depends on the firms' specialty areas, said [Bob Jarvis](#), a law professor at the the Shepard Broad College of Law at Nova Southeastern University.

He added that many firms that focus on industries now mostly shut down are in danger of going out of business in the coming months if most sectors don't bounce back, especially small firms without a bank willing to support them.

“The pandemic will cause law firms that were teetering to fall over the edge,” Jarvis said.

Attorneys who focus on transactions, such as real estate deals or corporate mergers, have little to work on right now as fewer new deals are pursued and those on the table are being delayed or canceled. Even when law firms complete work, some clients may be unable to pay them on time because of financial distress, Jarvis said.

On the other hand, labor and employment attorneys are probably quite busy advising clients on how to operate amid the challenges of Covid-19, or how to reduce labor expenses.

Meanwhile, bankruptcy attorneys are in a holding pattern as companies and creditors wait to measure long-term affects, although Jarvis said he expects more bankruptcy activity soon.

[Michael Fichtel](#), CEO of Davie-based Kelley Kronenberg Law, said his firm is doing well because it has a diverse book of business.

Its division representing banks in foreclosure hasn't had much work, since there's a moratorium on foreclosures in Florida. Yet, there's plenty of business in other areas, such as representing insurance companies. In fact, it hired 21 employees since March 23.

Personal and bodily injury attorneys, however, are hurting because fewer people are on the roads, resulting in fewer claims, Fichtel said.

Since trials have been placed on hold, that has provided more leverage to defense teams – and the insurance company clients they represent – since plaintiffs aren't able to send the cases to trial anytime soon. The effect is delayed or lowered settlements, he added.

The true threat for many firms is a financial model that creates vulnerability to a sudden loss of business.

At the end of the year, firms often distribute profits to partners, then start the new year with a thin bank account and a loan to tide them over until billings come in. Often, they count on a certain number of judgments, settlements or billable hours to come in during the year in order to repay the loan, cover operating expenses, and ultimately have cash left over, Nova Southern's Jarvis said.

“The owners of law firms, the partners, are doing what partners have always done in bad times and that’s cut,” he said, adding that slashing staff expenses, including salaries, is also common.

Howard Wolkowitz, an author who advises law firms on how to build wealth and win new clients, said many equity partners aim to protect their profits by cutting staff and junior associates.

The partners at large firms are often “rainmakers” focused on bringing in business, as opposed to working directly on cases, and their compensation is based on the firm's profits. Without much new business coming in, the only way these partners can continue profiting is by cutting expenses, he said.

Jarvis said he believes that business for firms should pick up when the courts and more parts of the economy reopen. In fact, a wave of litigation linked to Covid-19 could be on the horizon, and creditors could start going after borrowers once the state lifts its moratorium on foreclosures.

“In the big picture, the legal industry will not only be fine, it will do better than fine when the pandemic ends,” Jarvis said. “But that doesn’t mean every law firm will be fine.”