

Downturn kills law firm

BY TAMI MIN
DAILY NEWS STAFF WRITER

Brobeck Phleger & Harrison, an international law firm that opened offices in the University Circle development with fanfare last

FAILURE PROVIDES LESSONS/PAGE 10

year, announced its plans to shut down, sending a chilling message about the state of Silicon Valley's economy.

Brobeck's offices at 2000 University Ave. in East Palo Alto, housed 83 attorneys and 59 staff members, who are now out of jobs

along with about 1,000 other employees. Brobeck ran 14 offices around the globe and built up a first-class list of clients including Cisco Systems Inc.,

See BROBECK, page 11

Daily News Saturday, Feb. 1, 2003 11

NEWS

BROBECK

FROM PAGE 1

Intel Corp., LSI Logic Corp., Nike and 3M.

The city of Palo Alto also used the firm to handle Pacific Gas & Electric Co. matters. The city set aside a total of \$900,000 out of the utilities budget to pay for this work. The firm will continue to represent the city in PG&E's bankruptcy proceedings, Palo Alto Senior Assistant City Attorney Grant Kolling said yesterday.

"We will ensure we fulfill our commitments to clients," Brobeck spokesman John Pachtner told the Daily News yesterday.

Sending word

Brobeck spokeswoman Mara Brazer of the East Palo Alto office said attempts to contact clients about the news began Thursday, when the announcement of the firm's closure was made through a series of videoconference calls.

The focus now is making sure the work for clients is being done, Brazer said. "As partners transfer work and clients to new law firms, some staff will go with them."

The firm was originally located at 2200 Geng Road in Palo Alto. Even though its new offices at University Circle were on the west side of the Highway 101, the street address was an East Palo Alto one with the same ZIP code as its Geng Road location.

Brobeck attorneys began meeting with the firm's banks in San Francisco yesterday and those talks will continue through this weekend, Pachtner said. "Brobeck

will likely wind down its operations according to a process that will be defined in the next few days."

One of the decisions that could be made next week is the closing dates of the East Palo Alto and other offices, Pachtner said.

Firm rode tech bubble

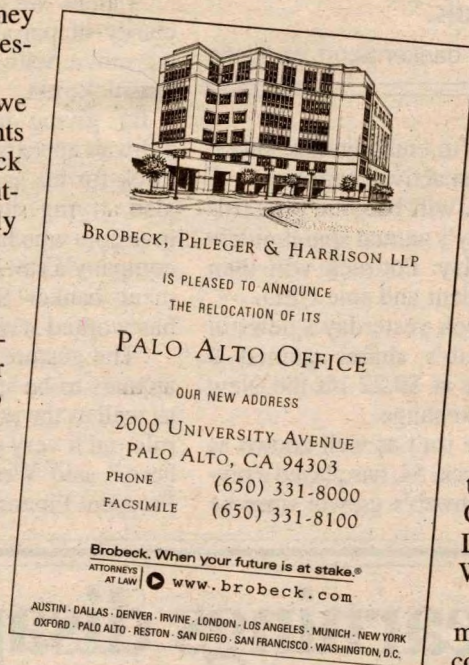
The decision that sent shockwaves throughout the Bay Area was made because of a "combination of a number of factors," Pachtner said. Those include a continuing down economy, the troubled technology sector — which was "very important to Brobeck's business" — and the departure of partners to other law firms. The final blow was when negotiations to merge with East Coast law firm Morgan, Lewis & Bockius failed Wednesday.

Add all this up and it made it "unlikely that we could generate sufficient income to continue as a freestanding law firm," Pachtner said.

Important business

When Brobeck opened up its new offices in the University Circle development, it took out ads in the Daily News and was a star tenant for the new East Palo Alto project.

Although Brobeck didn't bring sales tax revenues into municipal coffers, the office was a "significant employer" in the area, which includes Palo Alto, a town full of practicing attorneys, said Sandy Salerno, acting city manager of East Palo Alto.



Real estate glut grows

BY TAMI MIN
DAILY NEWS STAFF WRITER

With Brobeck, Phleger & Harrison packing up and moving out of five floors at the University Circle development, thousands of empty square feet will be added to an already hollow market.

In the Palo Alto area alone, 28 percent of offices stood vacant as of last month, said Rob Schwartz of Colliers International, a commercial real estate company that tracks occupancy rates.

Part of redevelopment

The international law firm moved into a big chunk of the 2000 building at University Circle just last year, and developers boasted Brobeck, Phleger & Harrison as an anchor tenant. The area once known as Whiskey Gulch in East Palo Alto was transformed with the construction of the prominent University Circle towers, a notable spot visible from Highway 101 on the Peninsula. Large portions of the office towers remain empty and under construction at the site.

The firm had already started downsizing in November 2001. With a downward-spiraling tech economy, Brobeck began offering "separation incentive" packages to hundreds of its attorneys worldwide.

"Those associates who accept a buyout will receive a lump sum equal to their base salary through April 15, 2002," a news release published in the New York Law Journal said in 2001. "Brobeck Phleger associate salaries start at \$135,000 for first-years."

When the firm made the announcement

Luxury hotel chain Four Seasons is slated to move into a building and it's unclear if Brobeck's announcement has any impact on this plan. University Circle developer Linda Law did not return phone calls to the Daily News yesterday.

Three office buildings, totaling 460,000 square feet, are being completed now on the property.

With a major tenant like Brobeck leaving, "there's a big implication," Schwartz said. That's "another 100,000 (square feet) on the market," Schwartz estimated. At the very least, "it has an impact on the project psychologically."

Prices may drop

The greater issue is the overall economy, Schwartz said. Large amounts of empty spaces create a "dampening effect on rents."

Jon Michaelson, an attorney with Palo Alto's Coudert Brothers, said he doubts another law firm will be casting eyes toward the University Circle building.

"There's a glut of space on the market," Michaelson said.

about its new offices last year, it was promoted as a Palo Alto location, which grated on some people.

At the time, managing partner Molly Lane said, "We've called ourselves the Palo Alto office for the last 25 years." After the office moved, the firm didn't give a lot of thought to the address "as much as we should have," Lane said then. After attorneys heard about the community's reaction to the address issue, the firm immediately began adding "East" in front of "Palo Alto" throughout its Web site.