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LAW FIRM BUSINESS



From left, litigation partner Bart Williams, firm patriarch Ronald L. Olson and corporate partner Mary Ann Todd.

Hugh Williams / Special to the Daily Journal

50 YEARS ON

How Munger Tolles defied the rules and built a national law firm

By Andrew McIntyre
Daily Journal Staff Writer

LOS ANGELES — Labor Day weekend 2012 was shaping up to be a routine holiday for Ronald L. Olson. He was anticipating a labor-free weekend ... perhaps some golf ... or maybe a walk along the beach.

Then the phone rang. Grupo Mexico SAB de CV, one of Mexico's largest companies, was

calling Olson to say it wanted his law firm, Munger, Tolles & Olson LLP, to do an independent review of Grupo Mexico's options on the heels of a \$2 billion judgment against the company that the Delaware Supreme Court had upheld a week earlier.

That judgment, from a 2011 ruling by the Delaware Court of Chancery, said Phoenix-based Southern Copper Corp. had over-

paid Grupo Mexico by \$1.3 billion when it purchased Industrial Minera Mexico SA de CV from Grupo in 2005 and that, accounting for interest, Grupo owed Southern Copper \$2 billion.

Olson left the golf clubs in the bag.

"We assembled a team that devoted themselves, I would say 18 hours a day throughout the Labor Day weekend," Olson said.

'The best source of new work is the work on your desk.'

— Charlie Munger

Munger Tolles helped Grupo Mexico assess its situation in preparation for the company filing a motion a week after Labor Day against the Delaware Supreme Court's ruling.

Despite Munger Tolles' size and footprint — 175 lawyers in offices in Los Angeles and San

Munger Tolles at 50

Francisco — it draws some of the most significant work from some of the world's largest and most complicated companies. That fact is evidenced by Grupo Mexico's decision in the middle of a crisis to reach out to Munger Tolles.

There are other examples:

- Following the 2010 Gulf of Mexico oil spill, Switzerland-based oil giant Transocean Ltd. called Munger Tolles;

- When Bank of America Corp. and Wells Fargo & Co. needed help in the middle of the mortgage-backed securities crisis, those corporations called Munger Tolles;

- In the aftermath of Hurricane Katrina, Shell Oil Co. was facing a series of class actions. The call went to Munger Tolles.

"It's a problem-solving culture," explained firm litigator Brad D. Brian. "I think what we are really good at is getting some really smart people in a room and working together to solve problems."

This year, the firm's 50th, has been an occasion for the partners to examine how Munger Tolles became one of the most sought-after firms in the nation and how those principles might serve them in the future.

On the one hand, the firm was built on a set of ideas and notions contrary to what many law firm leaders consider essential for growth. Munger Tolles has never expanded outside California, has maintained a roughly 1:1 partner-to-associate ratio and doesn't market itself as a specialist in any particular area.

But its client base and roster of matters tell a tale of success. Corporate partner Brett J. Rodda points to client KB Home as an example. Munger Tolles was able to expand from initially doing

mergers and acquisitions work for the company to handling the homebuilder's corporate governance work and much of its litigation.

"It wasn't because we had a homebuilding practice and reached out to homebuilders," Rodda said.

Kent Zimmermann, a Chicago-based management consultant at Zeughauser Group, said Munger Tolles achieved its success by being especially disciplined about its growth and the clients and matters it takes on.

"As a result," Zimmermann said, "they are in the enviable position of frequently being shortlisted for non-rate-sensitive work."

Building a new firm

What's now known as Munger, Tolles & Olson was born out of a desire by three partners at Musick, Peeler & Garrett to strike out on their own. Charles T. Munger, E. Leroy Tolles and Roderick M. Hills invited two younger Musick Peeler lawyers — Richard D. Esbenschade and

"They are in the enviable position of frequently being shortlisted for non-rate-sensitive work."

— Kent Zimmermann,
law firm management consultant

Frederick B. Warder Jr. — to join them in starting a new firm. Hills' wife, Carla A. Hills, an assistant U.S. attorney, soon joined them. The group also brought on another lawyer, Jamie Wood, and the firm opened in temporary space in downtown Los Angeles on Feb. 1, 1962.

The founding partners "didn't take very much business from the other firm," recalled Esbenschade, who retired from Munger Tolles earlier this year. But the firm did launch on a foundation any law firm would envy, having cemented a relationship three years earlier with what would



Daily Journal photo

In an undated photo, corporate partner Robert E. Denham poses in the Munger Tolles library.

become one of its most important clients.

In 1959, Charlie Munger traveled to his native Omaha, Neb., where he met Warren E. Buffett, who had recently started an investment firm, Buffett Partnership Ltd. The pair later joined forces to create one of the most powerful partnerships in the history of American business. The Buffett-Munger partnership, which now presides over the conglomerate Berkshire Hathaway Inc., has had more than a financial impact on Munger Tolles.

"The way we think about strategic planning, the way we think about focusing on what's being delivered to the client — a lot of that comes very much out of the experiences that we've had with Berkshire and things we've learned from Berkshire," said corporate partner Robert E. Denham, who has handled many of Berkshire's biggest transactions. "Berkshire had an intellectual and values kind of influence on the firm way disproportionate to billings."

The Berkshire imprimatur has also given the law firm cache to draw other national and international clients that might otherwise have chosen a larger firm. In short, hiring the firm Berkshire Hathaway uses has a certain appeal.

In 1965, the year Charlie Munger left the firm to pursue investment management full time,

Charles E. Rickershauser Jr., a former clerk to U.S. Supreme Court Justice William O. Douglas and former special adviser to the U.S. Securities and Exchange Commission's corporation finance division, joined Munger Tolles, boosting its corporate practice. Rickershauser, who had formerly served as California Commissioner of Corporations and would later become chairman of the Pacific Stock Exchange, did securities work for Buffett Partnership from the start. And Munger Tolles lawyers handled the corporate work for Berkshire Hathaway from the earliest days of the company. Among the deals they handled were:

- the 1972 purchase of See's Candies Inc. for \$25 million;
- the 1998 acquisition of International Dairy Queen Inc. for \$590 million; and
- the 2009 purchase — for \$44 billion — of Burlington Northern Santa Fe Corp.

The Burlington Northern acquisition is Berkshire Hathaway's largest to date.

Munger Tolles also guided Berkshire's \$5 billion investments in Goldman Sachs Group Inc. and in Bank of America in 2008 and 2011, respectively, and its \$3 billion investments each in General Electric Co. in 2008 and Dow Chemical Co. in 2009, all efforts by Berkshire to help the economy during the recession.

Munger, Tolles & Olson LLP

Founded: 1962

Offices: Los Angeles, San Francisco

Lawyers: 175 (85 partners, 90 associates/
of counsel)

2011 gross revenue: \$204 million



Lawyers at Munger Tolles gather for a holiday meal in December 1969, seven years after the firm's founding.

Courtesy of Munger, Tolles & Olson

Hiring the best

Attracting great corporate clients was an obvious objective of the partners from the firm's earliest days, but hiring the right lawyers was paramount.

"The best source of new work is the work on your desk," Charlie Munger used to say — the firm's partners have adopted that quote as a mantra. Do good work and clients will come, the idea goes.

From the start, the partners vowed to hire only the best and brightest. They recruited heavily from the nation's top law schools — a practice that continues today. Sixty-two of the firm's 175 lawyers graduated from Harvard Law School or Yale Law School.

The partners sought out federal clerks, especially those who worked for circuit judges and U.S. Supreme Court justices. Eighteen of the firm's lawyers

are former U.S. Supreme Court clerks, 14 are former assistant U.S. attorneys and 70 percent held at least one federal clerkship. The last traditional lateral hire from another law firm was in the mid-1990s — and the firm doesn't place much value on portable books of business.

Munger Tolles has managed to lure this level of talent, despite the fact that its profit per partner is below that of many of its rivals. Munger Tolles' profit per partner was \$1.35 million in 2011, compared to \$4.46 million at Wachtell, Lipton, Rosen & Katz and \$3.10 million at Cravath, Swaine & Moore LLP.

But the partnership track at Munger Tolles, often as few as five years, is shorter than those at most firms — some firms' partnership tracks are 10 years. And Cravath and Wachtell are far more leveraged than Munger Tolles. Cravath has a 1:4 partner-

to-associate ratio, and Wachtell's is 1:2.

Lawyers choose the firm knowing they will get to work on substantive matters early on and will be allowed to take on meaty pro bono issues.

"It's worked so far. And there are no signs it's not working," Denham said.

Rainmaker

In 1968, Munger Tolles made what would turn out to be its most significant hire: Olson.

A self-effacing, small-town Iowan and former clerk to Chief Judge David L. Bazelon on the U.S. Court of Appeals for the D.C. Circuit, Olson settled in Pasadena a safe distance from the glitz and glamour of Hollywood. But Hollywood liked his style and gave him the case that made him one of the nation's all-star lawyers — and significantly raised Munger Tolles' profile.

In 1975, the Writers Guild of America, West Inc., television writer and producer Norman M. Lear and other plaintiffs filed a lawsuit challenging a Federal Communications Commission rule that prohibited the broadcast of violent and sexual content between 7 p.m. and 9 p.m. In the so-called "family hour" case, which went to trial in 1976, Olson successfully argued the ban violated the First Amendment.

"As soon as we met him, we — and especially Norman — knew that he would be a fabulous lawyer for the case," Geoffrey Cowan, an expert in mass media law who referred the TV producers to Olson, said in an email recently. "And he exceeded our expectations."

At stake in the case were significant limitations on speech and programming for writers and producers, said Robert J. Thompson, director of the

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Syracuse University Bleier Center for Television and Popular Culture. The FCC rule was “essentially annihilating entire categories of programming that could be done,” he said.

The national media packed the courtroom daily, eager to follow the developments of the milestone case that would help to write the future of prime-time television. The trial gave 35-year-old Olson a national platform to showcase his courtroom skills. Speaking as he often did in a parlance of “down-home simplicity,” Olson at one point asked the judge to be courageous and ignore the potential negative reaction from the public if the rule were stuck down, Cowan wrote three years later, in 1979. “It did not sound arrogant, partly because Olson was still the man from small-town America, the place where people weren’t embarrassed by the word ‘crud,’” he wrote.

Olson and Munger Tolles had taken center stage.

“That [family hour case] gave us a profile that we never had before,” Olson said. “And we started building from there, and I would say got opportunities in most of the major industries that were important in the West.”

Olson established himself as an old-fashioned counselor, someone who could give sage advice and solve problems, not just litigate.

“He’s extraordinary at very quickly focusing on what’s important and ignoring all the static,” said John B. Frank, managing principal of Oaktree Capital Management LP, the largest private equity firm on the West Coast. “Most people do get confused by the forest. [Olson] understands what the tree is and focuses intently on the tree. He sees the big picture very readily. That really impresses clients,” said Frank, who was an attorney at Munger Tolles from 1984 until 2001.

Esbenshade said of Olson: “He’s not pretentious. He doesn’t

really try to show he’s the smartest guy in the room. But he may be, and he gives good answers.”

The aerospace defense industry was one industry Olson and other partners at the firm quickly tapped into. Munger Tolles represented Northrop Grumman Corp. during litigation and congressional investigations that ultimately led to the creation of the Foreign Corrupt Practices Act of 1977. Another was the oil industry. The firm represented Atlantic Richfield Co. and Union Oil Co. of California in significant litigation.

And Munger Tolles continued to represent entertainment industry clients, working on regulatory battles involving the networks and later the cable industry. The firm has counted as clients the major motion picture studios, as well as NBC Universal Inc., ABC Inc., Sony Music Entertainment Inc., Universal Music Group Inc., Warner Music Group Corp. and EMI Group Ltd. Olson’s victory in the family-hour case came on the heels of change in firm leadership. Co-founders Roderick and Carla Hills left Munger Tolles in 1974 to join the Ford administration. Roderick Hills was White House counsel and then chairman of the SEC. Carla Hills headed the U.S. Justice Department’s civil division and then became the first woman to serve as U.S. Secretary of Housing and Urban Development. She was the U.S. trade representative under the first President Bush.

As much as Charlie Munger or Olson, the Hills were archetypes the firm wanted its lawyers to replicate. Both went to top law schools. Roderick Hills clerked for Justice Stanley F. Reed on the U.S. Supreme Court. Carla Hills had been a federal prosecutor. Both sat on numerous corporate boards and were active in civil and charitable organizations. And even today, nearly four decades after their departure, the Hills are still discussed at the firm with a reverence on par with the way its lawyers

Notable alumni

Founders

Carla Hills, former U.S. Secretary of Housing and Urban Development; former U.S. trade representative
Roderick Hills, former chair, U.S. Securities and Exchange Commission
Charles Munger, vice chairman, Berkshire Hathaway Inc.

Judges

Anne Egerton, Los Angeles Superior Court
Diane Johnsen, Arizona Court of Appeals, Division One (vice chief judge)
Carolyn Kuhl, Los Angeles Superior Court
Christian Markey Jr., Los Angeles Superior Court (retired)
Rita Miller, Los Angeles Superior Court
Lester Olson, Los Angeles Superior Court (retired)
Mark Rindner, Anchorage Superior Court, Third Judicial District
Paul Watford, U.S. Court of Appeals for the Ninth Circuit

Government leaders

Alan Bersin, chief diplomatic officer and assistant secretary of international affairs, Department of Homeland Security; former commissioner, U.S. Customs and Border Protection
Charles Rickershauser Jr., former chair, Pacific Stock Exchange

Diplomats

Jeffrey Bleich, U.S. Ambassador to Australia; former special counsel to the President
Vilma Martinez, U.S. Ambassador to Argentina

Business leaders

Robert Adler, executive vice president and general counsel, Edison International
John Frank, managing principal, Oaktree Capital Management LP
Simon Lorne, vice chairman and chief legal officer, Millennium Management LLC; former general counsel, SEC

Academics

Eric Green, professor, Boston University School of Law
Gregory Morgan, vice president and general counsel, Massachusetts Institute of Technology
Monroe Price, professor and former dean, Yeshiva University Benjamin N. Cardozo School of Law; director, University of Pennsylvania Annenberg School for Communication Center for Global Communication Studies

discuss Charlie Munger and Olson. In September, when the firm marked its 50th year with a glittering reception in Los Angeles, the Hills were there.

But the couple’s decision to move to Washington, D.C. created an opening for what would be Olson’s eventual rise to patriarch of Munger Tolles. And after Rickershauser announced late in 1985 he was leaving the firm to start a Los Angeles office for another law firm, Olson’s name was added to the shingle.

Growing the firm

In the late 1980s, the firm started to reposition itself as a player on the national stage. Up to that point, Munger Tolles had still been “largely an L.A. firm,” Brian said. “I don’t think it’s really until the early 1990s that that really changed.”

In large part, the national attention was a recognition of the founders’ original plan. By hiring the best people they could find and focusing on delivering quality legal services, word



Courtesy of Munger, Tolles & Olson

Surviving founders at Munger Tolles' 50th anniversary celebration in September. From left, Ronald Olson, Richard D. Esbenshade, Roderick M. Hills, Carla A. Hills and Charles T. Munger.

about Munger Tolles had spread far beyond California. Among some of its national matters in that era were:

- Anchorage, Alaska-based Alyeska Pipeline Service Co. and most of its oil company owners in civil litigation and the criminal investigation following the 1989 Exxon Valdez oil spill;
- Salomon Brothers Inc. in the early 1990s investigation into its treasury bond scandal; and
- New York-based Merrill Lynch & Co. Inc. in the mid-1990s Orange County bankruptcy case.

And another thing happened: Denham, who by then had been at the firm for 20 years, five as managing partner, decided to move to New York to become general counsel of Salomon. Within a

year, he was named chairman and chief executive officer of Salomon, where he remained until 1997, when Travelers Group agreed to purchase the venerable investment firm.

By happenstance or because of Denham's profile in New York, Munger Tolles began to get more nationwide financial-sector work in the 1990s. In 1993, it represented Wells Fargo Bank N.A. in a Montana U.S. District Court case in which Simmons Oil Corp. sued Wells Fargo over the financial services company's handling of the sale of an oil refinery's debt. The case went to the Montana Supreme Court in 1997.

In 1998, the firm worked on the bankruptcy of Oregon-based lender Southern Pacific Funding

Corp. in U.S. Bankruptcy Court in Oregon. And in 1999, the firm represented Paine Webber Group Inc. in a securities case in U.S. District Court in Texas.

Blockbuster national work continued to come the firm's way over the following decade.

In the first half of the 2000s, Munger Tolles represented The Boeing Co. in the criminal and civil investigations and civil lawsuit against Lockheed Martin Corp. over allegations Boeing obtained thousands of pages of documents from Lockheed related to bids and designs for the U.S. Air Force's Evolved Expendable Launch Vehicle program.

And then came that call after Hurricane Katrina that resulted in Munger Tolles representing Shell

in a series of class actions. In one, heard by the U.S. Supreme Court, homeowners in Mississippi claimed global warming had caused the hurricane and that various oil companies had been partially responsible for global warming. By extension, the oil companies were responsible for Katrina's damage, the homeowners alleged. Munger Tolles helped Shell obtain a victory.

More recently, the firm represented The Yucaipa Companies LLC in the investment fund's \$2 billion restructuring of Iceland's largest logistics and shipping company, Eimskipafelag Islands hf.

Partners at Munger Tolles believe the firm's approach — placing a premium on attracting top talent and using a laser-like focus to get results — is the reason it

Munger Tolles at 50

continues to get good clients and good cases.

Munger Tolles takes “a very uncynical approach to practice,” litigator Marc T.G. Dworsky said. “Our job is not to make money off our time but to solve [clients’] problems.”

Frank, managing principal at Oaktree, agrees.

“A lot of law firms approach the practice of law as a business. Munger Tolles still thinks of it as an honored profession, and that’s how they go about their work,” he said.

The firm’s hourly rates are “very competitive,” said Russell

firms, advises Edison International on day-to-day securities compliance work, and the firm represented Southern California Edison in the energy crisis of the early 2000s.

There is, though, another ethos at the firm that as a business development tool has been second only to the work. Lawyers from the firm’s earliest days are encouraged to be civic-minded by sitting on the boards of corporations, educational institutions and non profits.

Olson sits on the boards of Berkshire Hathaway, Washington Post Co., Edison Inter-

civic-minded. Younger lawyers have followed suit. Malcolm A. Heinicke serves on the board of the San Francisco Municipal Transportation Agency, and Hailyn J. Chen, a litigator who joined Munger Tolles in 2005, sits on the board of the Girl Scouts Greater Los Angeles.

The firm has a long tradition of providing pro bono work, often taking on complicated, time-consuming and sometimes controversial topics that other law firms might decline to take.

Following the police beating of Rodney King that led to riots in Los Angeles, John W. Spiegel served pro bono as general counsel for the Christopher Commission, which investigated the actions of the police.

More recently, a team of Munger Tolles attorneys worked

I think what we are really good at is getting some really smart people in a room and working together to solve problems.

— Brad D. Brian

pro bono with civil rights groups to challenge Arizona’s controversial immigration law.

The firm’s lawyers joined the National Center for Lesbian Rights in defending California’s new law that bans so-called “reparative therapy” for gay minors.

And just last month, Munger Tolles joined the American Civil

Liberties Union to challenge a Pentagon policy that bars women from serving in ground combat.

Staying all-California

As Munger Tolles gained national attention, it very well might have assembled a plan to do what many firms in similar situations did: hit the gas pedal on expansion and open offices in other parts of the country or world to be close to other industry sectors.

Not Munger Tolles.

It has time and time again defied the notion that a firm has to expand in order to succeed, turning down numerous merger offers. The partners say they never considered establishing a presence in Omaha to be close to Berkshire Hathaway. They did consider setting up shop in New York or Washington, D.C., the latter stemming from interest from its appellate attorneys and former U.S. Supreme Court clerks and from a desire to bring Carla and Roderick Hills back to the firm. But partners say they never found it necessary to expand outside of California to attract national work or top talent.

“I don’t think it’s necessary for us to expand to succeed,” said Heinicke. “That’s just not in our DNA.”

Case and point are the calls Munger Tolles got during the financial crisis and after the Gulf of Mexico oil spill. The firm represents Bank of America in



Daily Journal photo

Munger Tolles senior litigator Brad D. Brian in 1985.

C. Swartz, senior vice president and general counsel for Southern California Edison Co.

One factor impacting rates, say clients, is Munger Tolles’ practice of assigning young lawyers to do significant tasks. Robert L. Adler, an attorney at Munger Tolles from 1975 to 2008 and current executive vice president and general counsel for Southern California Edison holding company Edison International, said the firm’s practice of entrusting major responsibilities to young associates has resulted in client savings.

“As a client, you get fresh thinking at a lower rate,” he said.

Munger Tolles, among other

national, City National Corp., Mayo Clinic, RAND Corp. and California Institute of Technology. Denham sits on the boards of Oaktree Capital Group LLC, Chevron Corp., New York Times Co. and Mexico-based beverage giant Fomento Economico Mexicano SAB de CV, which bottles Coca-Cola Co. beverages across Mexico and Central and South America. He is also chairman of the John D. and Catherine T. MacArthur Foundation. And Brian sits on the board of the RAND Institute for Civil Justice and the Joffrey Ballet, among other groups.

But it’s not just the more senior members of the firm who are

Major clients

- Bank of America Corp.
- Berkshire Hathaway Inc.
- Edison International
- Oaktree Capital Management LP
- Southern California Edison Co.
- The Boeing Co.
- The Yucaipa Companies LLC
- Transocean Ltd.
- Universal Music Group Inc.
- Warner Bros. Entertainment Inc.
- Wells Fargo & Co.

the \$10 billion mortgage-backed securities fraud suit American International Group Inc. brought against the company last year. In that case, AIG alleges \$10 billion of its \$28 billion in losses was caused by Bank of America and others misrepresenting the value of residential mortgage-backed securities that Bank of America sold. Last year, Munger Tolles helped Wells Fargo reach a \$125 million settlement in a class action that alleged the lender misrepresented some \$36 billion in securities it sold in 2005 and 2006.

Following the Gulf of Mexico oil spill, Deepwater Horizon rig owner and operator Transocean and other corporations faced a slew of lawsuits from hundreds of thousands of businesses and individuals, from hotel operators to restaurants to fishermen, claiming the oil spill caused economic loss. Munger Tolles represents Transocean and some of its subsidiaries in U.S. District Court in Louisiana and elsewhere. The firm also represents Transocean in ongoing criminal investigations.

Another reason the firm refused to build new offices is its tight-knit culture, which includes Thursday “sherry sips,” gatherings in the conference room after work where the lawyers have a drink and a bite to eat. (Beer and wine, not sherry, are served at these gatherings.)

It would be hard to “noodle problems and bounce ideas” off of partners in offices across the country, Brian said. “If you’re playing a football game, you’ve got to trust the left tackle. You’ve got to know who that person is.”

In the past few years, as Silicon Valley has become one of the few bright spots in the nation’s economy, opening an office in Palo Alto might have been prudent.

Not for Munger Tolles.

Yet the firm managed to grab some marquee work from tech firms there.

Munger Tolles represents Electronic Arts Inc. in the company’s copyright suit against Zynga Inc. over Zynga’s game “The Ville” and represented Yahoo Inc.’s independent directors in Microsoft Corp.’s failed bid for the company.

The firm counts Facebook Inc., Microsoft and Apple Inc. among its tech clients for litigation work.

“I don’t think our location has held us back [in Silicon Valley],” said corporate partner Mary Ann Todd. “San Francisco is pretty darn close. Obviously, some firms would say it’s too far away.”

Gregory P. Stone, a trial lawyer whose clients include Rambus Inc. and Intel Corp., summed up the opinion about Silicon Valley held by many at the firm: “I wouldn’t rule it out as something we might some day do. I

wouldn’t rule it in as something we will do.”

Munger Tolles beyond 50

Every January, partners at Munger Tolles pore over a grid that lists all of their names, and they are asked to insert the compensation they believe they are due for the prior year and how much money they believe their partners should receive from the profits.

“It’s the most humbling thing I’ve ever done here. Maybe the most humbling thing I’ve ever done, period,” said trial lawyer Bart H. Williams. “The minute you start thinking that you’re big and bad, all you need to do is listen to the successes and the things that the other people here have done.”

The firm has gotten to where it is today by eschewing traditional approaches to management. Unlike the top-down management most firms operate under, Munger Tolles is a consensus-driven firm, with debate and discussion a part of most decisions it makes. Almost all the committees — which decide everything from whom to hire to which pieces of art to hang on the walls — are open to everyone, from the biggest rainmaker to first-year associates. But far from having a detrimental effect, Munger Tolles’ culture — call it participatory, democratic, collegial or even counter-cultural

— has allowed the firm to thrive, partners say.

“It’s comical. The consensus decision-making is the most inefficient, tedious and frustrating way to make decisions that you can imagine,” said Rodda. “I wouldn’t have it any other way.”

Can Munger Tolles continue this system of consensus as it grows?

“We have a firm that is working very well right now and has worked very well for decades,” said Heinicke. “I think as we get to more directed management and maybe less of a consensus on some of these things, we need to go slowly so that we’re sure we’re not causing unintended damage and we’re preserving some of our basic ideals.”

Said litigation partner Carolyn Hoecker Luedtke, “It’s hard to grow in size but maintain your principle of only hiring the very best of the best and keeping the 1:1 ratio.”

Since 2008, the firm has held steady between roughly 175 and 180 attorneys; its lawyer ranks grew by more than 40 percent from 1997 to 2008. “I don’t think we’re close yet to a size where it becomes too hard to maintain that, but there is probably a size when the things that make us who we are wouldn’t quite work,” said managing partner Sandra A. Seville-Jones.

As the firm moves beyond 50, will its unique culture be enough

High-profile corporate

- Salomon Brothers Inc. during its treasury bond scandal
- Edison International during the early 2000s rate crisis
- Independent directors of Yahoo Inc. in connection with Microsoft Corp.’s unsolicited offering for the company
- Berkshire Hathaway in its \$44 billion acquisition of Burlington Northern Santa Fe Corp. and its \$5 billion investments in Bank of America Corp. and Goldman Sachs Group Inc.
- The Yucaipa Companies LLC in connection with the \$2 billion restructuring of Eimskipafelag Islands hf., Iceland’s largest shipping and logistics company

High-profile litigation

- Writers Guild of America West Inc. and other plaintiffs in the “family hour” case
- Merrill Lynch & Co. Inc. in the wake of the Orange County bankruptcy
- Shell Oil Co. in a U.S. Supreme Court victory following Hurricane Katrina
- Bank of America Corp. and Wells Fargo & Co. in mortgage-backed securities litigation
- Transocean Ltd. and some of its subsidiaries following the Deepwater Horizon oil spill

Munger Tolles at 50

to sustain it? Looming large is the fact that Charlie Munger, who no longer has a formal role in the firm but is a giant attraction for many would-be clients, is 88. Olson is 71, and Denham is 67. Firms do “need some engines, some individuals who go out and really can generate business,” as Dworsky puts it.

‘A lot of firms have called me and asked about how we do things. And I say, ‘I’m not recommending it for every firm. But it works for us.’

— Alan V. Friedman

Partners say Olson and other senior partners have sought to make client introductions, believing that developing the next generation of leaders is key to the firm’s successful future.

“He [Olson] was the person who opened the door for me and made it clear to me that they were my clients if I could pull it off,” said Dworsky. “Ron was selfless enough to understand that it was in the interest of the firm to let that happen ... the firm depends on my generating opportunities for other people.”



Courtesy of Munger, Tolles & Olson

Charlie Munger and Warren Buffett, vice chairman and chairman of Berkshire Hathaway Inc., are major clients of Munger Tolles.

But in a culture that has never put a premium on business development skills, there isn’t a lot of concern. Most of the firm’s lawyers continue to believe that the work they are doing today will be sufficient to attract great cases and talented colleagues in the future.

“A lot of firms have called me and asked about how we do things. And I say, ‘I’m not recommending it for every firm,’” said of counsel Alan V. Friedman, who joined Munger Tolles in 1968. “And I’ve explained how we do it. Sometimes eyes roll. But it works for us.”

Charles T. Munger, a founder of Munger Tolles, is the chairman of the Daily Journal Corporation, publisher of this newspaper. Brett J. Rodda, a partner at Munger Tolles, is the Daily Journal’s corporate lawyer, and the Daily Journal is a client of other lawyers at the firm.