
INTERNATIONAL COLLABORATION OF LEGAL FIRMS

MILLY HUNG

Thirty years ago, in the 1990s, it was still relatively rare for mega law firms to have an established global reach. Together with the globalisation of legal education and a relatively mobile workforce of legal talent, the internationalisation of law firms has solidified the tightening of cross-border legal collaboration. Participants like us at Stevenson, Wong & Co. in Hong Kong have accumulated a great wealth of experience, be it high-profile or day-to-day work, in this competitive cross-border legal service arena.

To discuss how the process of law firm internationalisation works in practice, I will briefly discuss a few general learning points from how law firms from Mainland China and foreign countries establish their presence in the legal territory in Hong Kong and how they collaborate, interact and collide. Some of our encounters and experiences may indicate more general patterns.

Motivations

Much like various other types of professional services firms, such as architecture, engineering consultancy, auditing and management consulting, law firms attempt to go global for a few main reasons:

1. Following the Client. By establishing local branch offices or participating in global legal networks, law firms can sit close to their clients providing one-stop solutions for fulfilling both clients' physical and psychological needs.

2. Market Seeking. Drawing on their existing competitive advantages, such as brand image, reputation, existing legal experience, law firms can repeat their model and expand into foreign markets to service domestic clients, in a similar way to how franchises work.

3. Oligopolistic Interaction. Like Coca Cola and Pepsi competing in every corner of the world, giant law firms replicate and follow their competitors to maintain a comparative level of influence and to gain economies of scale. As law firms' structures and internal systems become more sophisticated, major overhead costs (including know-how, management, practical training, databases and IT security) can be shared across offices to benefit from economies of scale.

4. Strategic Asset Seeking. Essentially this refers to seeking the intangible assets that the law firm is currently lacking but is strategic to their expansion and growth.

Undoubtedly, if a law firm has multiple offices globally, its (potential) clients are likely to have more confidence in the firm, particularly since the firm has the ability to effectively manage a global scale operation and tend to have a more mature system and know-how which lets it survive.

Cross-Border Collaboration Models

There are mainly four methods that foreign law firms can work across international borders and collaborate with lawyers in host countries:

1. Establishing Foreign Branches. Establishing branches can avoid a lot of trouble linked with devising a new hybrid management style and a multi-cultural internal policy required for associating with local law firms. However, the relative price of setting up a branch is less economical.

2. Contract-Based Association. This type of association between foreign and local law firms is mainly based on an agreement between the foreign and local law firm under which fees, profits, premises, management or employees are shared.

3. Partnership-Based Association. This is achieved by establishing a new and single entity in the host country composed of partners or capital or both contributed by all the related law firms. The new entity may bear a merged title of all the related law firms. It is common that the dominant body of the association will take up the brand image and name of the merged office. While the name denotes ‘partnership’, it entails more of the actual commitment and joint venture elements of the cooperation, as the actual legal form varies across local practices.

4. Global Legal Network. To participate in a global legal network consisting of different jurisdictional law firms is the method of international collaboration which is both the simplest and has the lowest entry cost. A referral fee or disbursement arrangement can be

negotiated between foreign and local law firms while serving clients with diversified global legal needs. Compared to a firm with international offices which also requires sharing a portion of the profits to the headquarter and other offices involved in the cross-border projects, the mechanism of sharing profits under a global legal network between firms is straightforward.

Foreign Firms Entering Hong Kong

The Hong Kong legal market, while seemingly saturated, is always packed with ambitious new firms which aspire to expand their local influence on the global market. As of today, there are thirty-five foreign-registered associations for legal practices in Hong Kong. Most of the foreign-registered law firms have their headquarters in the People’s Republic of China.

Among these PRC firms attempting to expand their Hong Kong legal market, the leading companies have already become formally registered Hong Kong law firms and developed their special legal characteristics. Over numerous years of development, several associated local firms have merged completely with their associated foreign firms. Their names, corporate image, work practices and governance have been freshly rebranded into new international entities.

Milly Hung is a Partner in the Litigation, Disputes Resolution & Arbitration and Employment Department of Stevenson, Wong & Co. She has over 20 year’s experience to advise on litigious matters both in civil and criminal cases to the local government, foreign and PRC corporate entities or individuals, specialized in the practices of employment and commercial fraud, aviation and transport, insurance and personal injuries in Hong Kong.
