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SUPREME COURT RULING



PERNOD GIVES UP 'EXPENSIVE' TRADEMARK HUNT AFTER COURT REJECTION

America's top court has thrown out the latest appeal from French drinks company Pernod Ricard, ending a 17-year battle over the ownership of the famous Havana Club brand name in the US.

BUSINESS DEVELOPMENT



THE TENDER SPOT

Beauty parades for corporate legal services are taking off in Denmark. Randi Bach Poulsen describes the background to this development and warns fellow law firm managing partners of potential pitfalls

THE VOICE



THE RUSSIANS ARE COMING

Russian is almost the unofficial second language of London's commercial court. Anthony Riem and Trevor Mascarenhas attempt to explain why

BANKING LITIGATION



GERMAN BANK SETTLES MORTGAGE MISINFORMATION SUIT

Frankfurt-based Deutsche Bank has agreed to pay \$202 million to settle claims that it misled a US government

11 May 2012

Survival instinct

The eurozone may be in crisis, but that doesn't mean the continent's business law firms will drown en masse. Alison Hook argues that routes to success still exist

Growth is flat lining. Deficits are intractable. The mood of credit rating agencies and investors is bleak. At best, 2012 looks like a year of stagnation for many of Europe's economies.

What on earth can a transactional law firm in the crisis-hit Eurozone do to survive?

Restructuring work is the traditional port for mergers and acquisition lawyers in a recessionary storm. But while there is work out there, it is increasingly fixed price and low margin – not to mention thin on the ground.



Foreign investors

In the past, foreign investors may have been attracted to assets depreciated by relative currency movements. And indeed, Russian private investors are reported to be sniffing around the residential property market in Italy and tourist real estate sector in Spain. There is also some interest from China in buying into Italy's manufacturing expertise and from Mexico in business opportunities in Spain. But it seems that the time is not yet ripe for significant amounts of foreign money to see euro-priced assets as a risk worth taking.

This is not happening for a host of reasons – not least because the European Central Bank's sticking plaster solution to the 2011 sovereign debt crisis has left Italian and Spanish banks holding even more government bonds. This not only undermines general confidence in the eurozone – as banking crisis leads to sovereign debt crisis and back to banking crisis – but also means that the banks' ability to lend to the private sector has been crowded out in favour of lending to governments to help them pay the interest on their debt. None of this helps to stimulate productive investment, which in turn is having a big impact on the kind of work that lawyers in the Eurozone are doing and how they are doing it.

Eurozone lawyers have been forced to look outwards and be more active in developing businesses themselves. One bright spot is the so-called new economy – law firms across Europe are working with internet start-ups at a much earlier stage and playing a more significant role in helping them obtain funding than they have done in the past.

Italy's Pirola Pennuto Zei recently completed the sale of online job search and recruitment site 'Jobrapido' to the Daily Mail Group, but the law firm had been working with the business for several years before that deal was cut. PPZ's UK office managing partner, Colin Jamieson, sees further opportunity for matchmaking between UK funders and Italian internet entrepreneurs.

'There is a huge pool of talent in the IT sector in Italy,' he says, 'but not much opportunity for businesses to get their services to market other than through international capital. UK-based venture capitalists and new media businesses are definitely interested in coming to Italy but investments need to be carefully structured to take account of complex tax and employment legislation.'

An analogous story emerges from Spain, as talented graduates take the job market into their own hands. GlobalIncubator.com, for example, a Madrid-based online innovation platform created by engineering graduates from Universidad Politécnic, has just completed a first round of funding from Silicon Valley investors.

Pedro Callol of Spanish firm Roca Junyent works with several of these early stage IT businesses, including 'Skybus', which uses internet and global positioning systems to provide cheaper and greener alternatives to existing city transport options. Mr Callol – who has been shuttling between Spain and Silicon Valley over the past year – accepts that payback is not

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immediate, but the work is rewarding and this is the 'bright side of the Spanish economy'. Even in the traditional economy, lawyers and their clients are looking beyond their depressed home markets and, if anything, the crisis is separating the entrepreneurial wheat from the risk-averse chaff. As João Magalhães Ramalho of Portugal's biggest business law firm PLMJ says: 'The winds of change are forcing people – and companies in particular – to leave their comfort zones and seek new opportunities. This is particularly evident in the case of small- and medium-sized companies who are exporting more and more, not only to traditional markets but also to new markets that seemed unreachable several years ago.' The statistics seem to bear out that view with Portuguese exports currently growing at 15 per cent annually.

Colonial ambitions

Continental Europe's law firms have had to adapt to this changing business environment. For example, PLMJ itself has risked expansion at a time of domestic budget cutbacks, with the firm having opened offices in the past two years in the former Portuguese colonies of Angola and Mozambique while also strengthening its partnerships with practices in Brazil and Macao. Other Portuguese firms have followed suit – for example Abreu Advogados recently cut a deal with a Macau counterpart that will see the two co-operating throughout Portugal's former colonies of Angola, Mozambique, Brazil Cape Verde and East Timor. Meanwhile, in a much-heralded move, Pirola Pennuto Zei recently announced that it is seeking a licence to become an alternative business structure in London offering integrated accountancy, tax and legal services. It is a move that is very much in keeping with the changing role that lawyers – who are making their own business opportunities – are seeking to play. The secret to law firm survival in this time of euro crisis may well lie in a blend of internationalisation, active business development and, perhaps most importantly, the ability to spot potential opportunities and the patience and flexibility to work with them over the long term.

Alison Hook is the former head of the international directorate at the Law Society of England and Wales and the current director of legal profession consultancy Hook International

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