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Five Questions

for Stephen Paley and Mark Rothman of Paley, Rothman, Goldstein, Rosenberg, Eig & Cooper

Even as mega-firm mergers continue to put the squeeze on small and midsize firms, lawyers at Bethesda's 35-lawyer Paley, Rothman, Goldstein, Rosenberg, Eig & Cooper are optimistic about their future. The firm, which handles the tax, estate planning, business litigation, and real estate legal concerns for local businesses, is a fixture of Montgomery County, Md. When Paley, Rothman was founded in the early 1970s; professional corporations had just been legalized for doctors, accountants, and other providers of professional services, and the new firm saw much of this new legal work. Many of their clients today are the same professionals they incorporated more than 30 years ago.

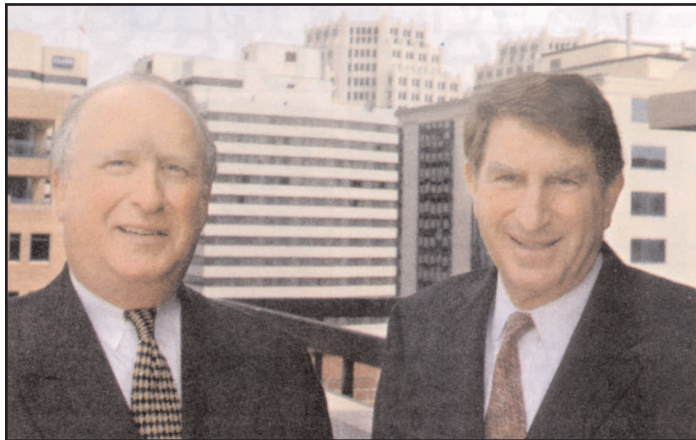
Legal Times reporter Marie Beaudette asked "Five Questions" of the founders of the firm, Stephen Paley and Mark Rothman. Below is a transcript of their conversation, edited for reasons of space and clarity.

Why did you decide to start your own practice?

Stephen Paley: Mark and I met in August 1964 when we joined the Tax Division of the Department of Justice. I stayed there four years. Mark stayed five. In 1972, we decided to get together and form Paley, Rothman for this very particular need we saw: We were moving from downtown Washington into Montgomery County, and realized there were no tax specialists.

So we started Paley, Rothman, and it was the two of us and one secretary. All we did was tax and a slight amount of corporate work. What we found was that the lawyers in Montgomery County weren't sending their tax work downtown, they were sending it to Baltimore, so we started as a boutique with a very limited specialty.

Mark Rothman: We really decided a couple of things when we were working for downtown law firms. One, we wanted to create our own atmosphere, and we had our



Stephen Paley and Mark Rothman

own ideas about what a law firm should look like. They weren't necessarily meshing with the law firms we were working for. We also felt there was this need in the county that no one was meeting. We wanted to be able to practice law at a high level without the pressure of trying to compete with the downtown lawyers.

Fortunately for us, we came to the county at the time when the rapid growth began. It just mushroomed right at the time we came here, and we participated in that growth. We're very fortunate that that growth came at that time.

Tell us about your clients.

Rothman: Steve and I have been very lucky guys. When we started our firm, something new was happening in the area of tax law, and that was the professional corporation. Up until that time, doctors and lawyers and accountants could not incorporate, and the significance of that was that they could not have corporate pension plans. The obvious inequity in this became apparent, and there was a lot of education in the late '60s and the early '70s to change the laws to allow professionals to incorporate. And that came to pass.

Paley: I did the first [professional corporation] in the state of Maryland. That was July 1, 1969.

Rothman: This opened up a whole new area of law in which there were no experts. That was a very fortunate thing for us because when we moved out here, we became known among the accountants and other professionals as the guys who did professional corporations.

The first year, the bulk of our business was forming professional corporations and advising them. That, of course, gave us the foundation to build on. Once they had a tax lawyer, we said, "Well, how's your estate planning?" And then, other things would come up. So it just began to generate all this work. What happened after that is we began to branch out into other fields. We started to add people who specialized. For example, we added someone who specialized in pension plans. Today, it's a very broad practice.

My practice is primarily family-owned businesses—

dealing with estate planning, succession among generations of the family, and handling everything that comes up in a family-owned business.

Paley: I do all the same [professional corporation] work, plus I do health law. I did that because of my doctor base. You expand because of the needs—you just never stop. Those businesses that Mark is talking about, many of them would have been considered mom-and-pop size then and are now very successful and are well recognized companies in the Washington, D.C., area. And we've been their counsel for 25 years.

Rothman: Most of our clients are local businesses and local professionals. Many of these businesses are quite large. We've become known in the area as being a firm for business and professional people. We have a large litigation section that does primarily business litigation. We have a very large practice in domestic relations. We have a bankruptcy department and a pretty-good-size real estate department.

Paley: And we now have a full title company.

Where do you find your clients?

Paley: It's changed. When Mark and I started, it was purely by word-of-mouth. Now it's quite different. Now it's very sophisticated. You have to market; you have to market all the time. We have some very clever ads. We sponsor a lot of events. We've been very active in charitable work. Our attorneys are out writing constantly, and they are also speaking constantly.

We market by being responsive to our clients, and I'm not saying that lightly. It's picking up your telephone. I answer my own telephone so clients don't have to go through a switchboard and through my assistant. I just picked up a big client that way. I did a very small piece of work for him, and now I represent his whole chain of businesses. He gave me one deal and said, "Do me a favor. Handle this for me." I handled it. He says, "It's never been handled this way before."

Rothman: I agree with Steve. I think the best way to grow is to do a good job for the clients you have. Give them good quality service and timely service, and they will not only come back, they will recommend you to other people. And ultimately that is the best way to go. Unfortunately sometimes, because of the market conditions we now exist in, we have to do other things. But you can advertise all you want, if you don't do a good job . . . you've wasted your ad dollars.

How do you measure business success?

Paley: Reputation to us is everything. On several occasions in the past months, I've been introduced to someone, and they'll ask, "Are you the Paley of Paley, Rothman?" And it's been quite significant. You have no idea what a reward it is. It's a damn good feeling. I'm enjoying it.

Rothman: Clearly, I don't think either Steve or I would have envisioned growing to the size we've grown. I suppose if you measure success by the size of the firm, then we've been successful. But I really don't think that's the measure of success. I think for me, the measure of success is that we've been able to combine practicing quality law with good clients, and with good associates and partners we enjoy working with, in a collegial atmosphere.

Paley: When we first started on Fridays, we would look

in the check-book and say, "OK, we paid the secretary for the week, how much can we take home?" I am not joking. This has been very important. All the attorneys who have come in subsequently, they've never missed a paycheck. No secretary has ever not been paid. It's taught us a little differently. I'm not going to be old school and say I walked to school three miles in the snow. But we know what it takes to start a business. All those doctors who come out of school who have been well-trained, they all start from scratch. They have zero. So it's given me an entirely different outlook as to how I can help them.

When I went to law school, my class at Georgetown was 300. I think we had five or six women. The difference now is, now when you go to law school, it's going to be 50 percent or more women. We started out real fast bringing in women. They were brought into partnership on the same track as any lawyer, and we've never discriminated at all that way. We started flextime a long time ago. We have other unusual things here: We have two partners who are married to each other. We have three people in one family who work here, and there are several with two members of the family. It can't be a bad place to work if mom's having her daughter come work here.

What challenges to your practice do you foresee?

Rothman: I think the practice of law is evolving, and I think we're facing a difficult period because the large firms are becoming more and more difficult to compete with. In the old days, the large firms wouldn't have wanted anything to do with our clients. In fact, in the old days, we used to get referrals from the big firms. But now, I think everybody's scrambling to eat everyone else's lunch. And at our firm, we have to pedal really fast.

Paley: But every year has been better than the year before. We have very carefully planned growth. We have grown for 32 years. We have never had a year we went backward, so we must be doing something right.

Rothman: But like every lawyer that I've ever known, you come to the end of the year, and you say, we beat last year, but we can't do that again. And every year, you go out there and you do it again. You never know how you're going to do it again, and somehow you manage to. But you've got to keep working. You can never rest. If you don't keep at it and stay with the times—keep in mind, if McDonald's still sold just burgers and shakes, they would not be in business anymore. You've got to keep adjusting, stay up with the competition, and be alert to what's going on in the world around you. And law's evolving like anything else. Fortunately, I think our firm has been well-managed and does have the foresight to adapt and stay with it. But only time will tell. ■