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Large Firms' Billing Rates Continue to Climb

Elite law firms charged an average of 7.7 percent more in 2007, and clients aren't happy about it

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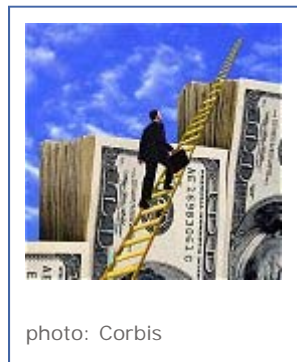


photo: Corbis

Attorney billing rates shot up in 2007, with approximately three-quarters of the law firms that participated in *The National Law Journal's* annual survey boosting the amounts they charged for partner and associate services.

At the same time, the average firmwide billing rates, which included partner and associate rates, climbed by 7.7 percent, while the firmwide median rates rose by 7.1 percent, compared to the firms that reported billing data in 2006.

Despite grouching by clients about ever-higher lawyers' fees, 75.2 percent of the firms providing billing information this year and last charged more this year than they did in 2006. The figure represents law firms that increased the high end of the billing range charged by their partners and associates.

This year's percentage of law firms increasing their high rates fell shy of last year's percentage of 79.3 percent. But the 2007 uptick, in addition to first-year associate raises to \$160,000 at elite firms, did not sit well with many clients.

"There's always been frustration. Now there's anger," said Susan Hackett, general counsel for the Association of Corporate Counsel.

This year, 119 law firms [responded to questions about billing rates](#) that were included in the *NLJ's* 2007 [survey of the nation's 250 largest law firms](#). The survey questions were asked of approximately 300 law firms. Last year, 139 firms answered questions about their billing rates, including 109 firms that responded this year.

Among those firms reporting average and median rates both this year and last year, the average of the average firmwide billing rate increased to \$348 per hour from \$321 in 2006, and the average of the median firmwide billing rate this year was \$347, compared to \$324 in 2006.

Two law firms reported charging clients \$1,000 an hour -- but one later insisted that its initial report was in error and that its actual top rates were considerably lower.

At Greenberg Traurig, the range for partners first reported was between \$300 and \$1,000 an hour, with a partner billing average of \$490 and a median of \$500. In 2006, the billing rate for partners at Greenberg Traurig ranged from \$270 to \$850, with an average rate of \$460 and a median of \$475. When asked about its rates, however, a spokeswoman for the law firm said that it should have reported its highest billing rate in 2007 at \$850.

The other law firm reporting a \$1,000-an-hour rate was Wilmer Cutler

Pickering Hale and Dorr, where the partner billing range ran from \$475 to \$1,000. A spokeswoman for the firm declined to identify any partner who charged the top rate.

Only one firm among those surveyed reported a decrease both in its partner and associate fees. At Sutherland Asbill & Brennan last year, partners billed as much as \$845 an hour; this year, the high end of its partner billing range fell to \$715. The Atlanta firm reported the high end of its associate range at \$415, compared with \$530 in 2006. Again, the firm attributed the anomaly to a

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reporting error. A spokeswoman said that the high end of the firm's partner range actually was \$890, and that the high end for the associate range was \$515.

The vast majority of the law firms that answered questions about their billing practices reported increasing their partner high rates, or at least leaving them the same as last year. A full 91.7 percent of the 109 firms that responded in both years raised their high partner rates, and among those firms, 7 percent left associate high rates the same as last year. In addition, 12 percent of the firms that boosted partner high rates reduced associate high rates at the same time.

The profession appeared to deepen its embrace of billing variations and alternatives. Of the 47 law firms that provided such data for this year and last, 34 percent increased the portion of their revenues earned through variations to their standard rates. The variations included discounts and blended rates that were relative to the firms' standard billable hour rates. Alternatives involved departures from billing by the hour, including fixed or flat fees, hybrid fees and contingency fees.

Some 31.9 percent of those firms reported the same portions of their revenues through variations and alternatives this year as they did in 2006, while 4.2 percent decreased the percentage of revenues they received through variations and alternatives.

Bruce Elvin, associate dean at Duke Law School, expects clients to increase their reliance on varied billing structures. Elvin, who teaches a course on the business and economics of law firm practice, added that smaller firms with lower overhead likely will benefit from the higher fees that big firms are charging. In addition, clients will handle more of their legal work themselves.

"As rates go up, clients assess more closely the distribution of work and who's doing it," Elvin said.

The law firm with the highest associate rate was McKee Nelson, which reported a rate on the high end of \$595. Its associate range started at \$375. The firm's average billing rate was \$446; its mean was \$455.

McKee Nelson reported fielding 224 attorneys this year, representing a 30.2 percent growth rate for the law firm since 2006. In 2007, it added 32 associates. But in light of the slowdown in private-equity and structured-finance work, the firm recently initiated voluntary, temporary "sabbaticals" for associates.

Those cutbacks and the reassignments of other lawyers have affected about 29 associates, said McKee Nelson partner William Nelson.

Nelson said that the attorneys performing credit-market work billed by the project, not by the hour. "Rates are not an issue for us," he said. "Our clients wouldn't hire us if they didn't think our rates for services were fair."

That logic may hold true for some rates, but not for all, said Hackett of the Association of Corporate Counsel.

"The problem isn't the \$1,000-an-hour lawyer who's worth it," she said. "It's the \$450-per-hour associates who aren't."

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