QUALITY CZECHS

Corbis

Domestic law firms in the Czech Republic are beginning to offer strong competition to the resident international firms. Ondrej Peterka explains what gives them the edge

In the last two years the legal services market in the Czech Republic has experienced a dynamic burst (after the downsizing of some international firms during 2000-02). Currently, the fortunes of law firms are changing significantly, as strong competition in the legal services market and certain material shifts become evident.

Domestic competition

In the 1990s, international law firms operating in the Czech Republic had certain competitive advantages over their domestic rivals. The high quality of services rendered due to their historical experience and know-how and diverse international contacts ensured them a constant flow of clients. However, the importance of these advantages is gradually diminishing.

Nowadays, large Czech law firms are able to compete successfully with branches of large, multinational law firms in most areas. They offer services of equal quality and have been able to acquire a ready supply of foreign contacts thanks to their membership of independent international networks of laws firms such as Lex Mundi (Prochazka Randl Kubr), TerraLex (Peterka & Partners), TAGLaw (Cermak Horejs Myslil & Co) and the American Law Firm Association (Konecna & Safar). In this respect it must be said that these international networks are a dependable source of international clients only when they are efficient and when their members maintain regular personal contact.

NOWADAYS, LARGE CZECH LAW FIRMS OFFER SERVICES OF EQUAL QUALITY AND ARE ABLE TO COMPETE SUCCESSFULLY WITH LARGE, MULTINATIONAL LAW FIRMS IN MOST AREAS

Independence is an undisputed advantage of Czech law firms. Such firms do not have to contend with the interests of a global corporate practice. Their practice is created on the basis of their own needs and their pricing policy is set independently. On the contrary, global pricing policies and the relatively high costs of internal infrastructure seem to be an increasing disadvantage for large, international law firms.

Expanding abroad

Czech law firms also compete with international firms by expanding abroad. This growing trend has gone on since January 2001, when Peterka expanded to Bratislava, Slovakia, followed by several other firms (Prochazka Randl Kubr, Rowan Legal and others). At the beginning of 2003 Kocian Solc Balastik opened a branch in Brussels, Brzobohaty Broz & Honsa established a branch in Moscow in April 2006 and in June last year Peterka opened another office

in Kiev. Konecna & Safar is soon to open an office in the Romanian capital, Bucharest. Thanks to their growth and penetration in foreign markets, the competitiveness of Czech law firms is increasing, especially within the Central and Eastern European (CEE) market.

Spin-offs and boutiques

Aside from raising the competitiveness of Czech law firms, there is another trend in the Czech legal services market of small teams separating from large multinational law firms to specialise in selected branches of law. The law firm Johnson Stastny Kramarik (founded in 2004), specialising mainly in public-private partnership projects, is an example, or Wilson & Partners, originally a part of the Linklaters' real estate team that split from the City giant in January 2007.

In the legal market which has formed in the Czech Republic, specialisation is a must for large law firms as well. The demand for legal services with low added value decreases. Compared with previous years, most such services are rendered by in-house lawyers and outside law firms are hired only for more complex cases or when sophisticated advice is needed.

Expected development

Regarding the expected development in the legal services market in the Czech Republic, it is likely that current trends will continue and further develop. The differences between small and large scale law firms will deepen and the nature of large Czech law firms will further resemble that of branches of major Anglo-Saxon law firms.

Furthermore, the specialisation of law firms in individual areas of law will continue and law firms will be hired for complex cases that require specific and in-depth knowledge. In this respect, work effectiveness will emerge as one of the most significant factors.

Further afield

Finally, it is useful to compare the recent trends in the Czech legal services market with the situation in other CEE countries.

Compared with the Czech market, the Slovak legal services market is smaller (a quarter to a third of the size). There are not many large Slovak law firms and they do not expand abroad (with the possible exception of the ULC Carnogursky which has an office in Brescia, Italy). Offices of many Austrian law firms in Bratislava and Anglo-Saxon (including Salans and White & Case) and Czech laws firms operate there too.

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The latest trend in Slovakia, corresponding to that in the Czech Republic, is the foundation of new law firms which have split from large international companies or due to the dissolution of Slovak law firms.

In the Ukraine, foreign law firms are becoming increasingly active; mostly, however, they do not act independently but through local offices. In addition, approximately three high-quality local firms (for example Vasil Kisil — a member of TerraLex; Magister & Partners; Shevchenko; Didkovskiy & Partners) are able to compete with the foreign law firms and meet the increasingly high demands of foreign investors.

The Ukrainian legal services market is characterised by the fact that the major legal services are rendered by commercial companies mostly taking the form of limited liability companies specialising in law, not by attorneys-at-law. Until recently, this was the only option that foreign lawyers had to render their services in Ukraine, as Ukrainian citizenship was one of the conditions for the entry into the local Bar association.

This situation has changed after an amendment to the Act on the Bar Association repealing this condition was enacted last autumn and currently foreigners may sit for the Bar exams. However, fluent Ukrainian and passing an exam in Ukrainian law remain factors which limit foreign lawyers from becoming members of the local bar association. ■

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