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How to Cultivate First-class International Law Firms in China? - Sizing the Opportunity of Revision of the Lawyer Law

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Abstract
First-class international law firm should have significant scale and revenue, as well as a certain proportion of cross-border business and foreign-related lawyers. Since joining the World Trade Organization in 2001, Chinese law firms have made great progress in expanding scale and going global. However, there remains a large gap between first-class law firms in China and first-class law firms in the UK and the US. The gap can contribute to in large to numerous regulations in China that hinder the scaling and internationalization of Chinese law firms. Specifically, strict restrictions on organizational forms and the banning of sharing income between lawyers and non-lawyers deprive Chinese law firms of efficient governance structures and fundraising channels. The lack of protection for attorney-client privilege gets in the way of competing for international business and hiring overseas talent. Strict concurrent conflict-of-interest rules force the firm to give up a big chunk of commercial business from international companies. To accelerate the process of cultivating first-class international law firm, China should seize the rare opportunity of revising the Lawyer Law, eliminate adverse institutional and policy obstacles, and create a favorable institutional environment for Chinese law firms to grow stronger and go global.

Keywords
Law firms, internationalization, scaling, regulatory barriers, China Lawyer Law revision

1.What Constitute First-class international law firm

What kind of law firm qualifies as an international first-class law firm? Although there is no unified standard, based on current research, I believe that it should show at least the two following characteristics: significant scale and revenue, cross-border business and foreign-related lawyers.

1.1.Scale and Revenue

Because legal services tend to be credence goods, the inherent information asymmetry between clients and lawyers arise in the legal services market, clients often cannot judge the quality of legal services provided, neither before consumption nor after consumption. When selecting legal service provider, clients often use scale and revenue as criteria for assessing the firm's strength and quality of its service. On one hand, these indicators

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are the easiest to obtain and understand. On the other hand, a firm's significant scale and revenue signify recognition by its former clients.

Moreover, clients tend to look for law firms with foot-holding in the jurisdiction where their legal demands arise, as local firms typically have a better understanding of the political and legal environment and are better suited to meet the local's special needs. This trend provides a competitive advantage to large law firms capable of establishing a presence in multiple regions. When you look at the big corporate, the same holds true. First-class international law firm need to advise for or even devise the cross-border transactions of multinational corporate. The global markets and investment of these insanely rich multinationals demand that first-class international law firm must set up global networks, establishing offices or partnerships in various regions, thereby providing end-to-end legal solutions for the global businesses of multinationals.

As for revenue, it goes hand in hand with scale. The expansion of the firm requires financial support provided by revenue. A global layout that does not generate revenue cannot be sustained.

1.2.International High-End Business and Foreign-related lawyers

A big chunk business of first-class international law firm should derive from international high-end business. Their clients should include big corporate with huge amount of case or industrial reputation, and their work should involve designing legal solutions for complex transactions of multinationals or providing representation for high-stakes litigation. The fee rate should be higher than the market average, as large corporate clients are only willing to pay premium rates to hire top-tier law firms for handling the most complex transactions based on their trust in the firm's brand and assurance of service quality.

Furthermore, only with a certain proportion of lawyers familiar with foreign and international laws and possessing overseas backgrounds can a law firm serve the international market. Following this thought, the UK defines international law firms as those with 45%-65% of their lawyers practicing abroad. Lawyers with overseas educational backgrounds or overseas professional experience have been made great contribution to London's status as a global legal services hub. Similarly, the American Lawyer magazine categorizes law firms into local firms, national firms, and international firms, with separate rankings list for each categories. To be recognized as international firms over 40% of their lawyers need to work outside the United States.[*] Therefore, the proportion of foreign-related lawyers is an important indicator for the internationality of a law firm. Given that Chinese law firms still find themselves in the early stage of internationalization, it is reasonable to set the bar a little lower. Chinese lawyers who have received legal education from top-tier overseas law schools and undergone cross-border legal training and selection through internships or training programs should also be recognized as foreign-related lawyers, even if they have not practiced abroad. And they should be included in the calculation of the proportion of foreign-related lawyers in the law firm.

* How We Calculated the Am Law 200", https://www.law.com/americanlawyer/2019/05/22/how-we-calculated-the-am-law-200/, Last visit on 2024-12-31.

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2.The Current Assessment is improving but still shows the great urgency to change

2.1.Current Assessment of Scaling

The prerequisite for scaling is an adequate number of Chinese lawyers. In 2002, the total number of lawyers in China was only 150,000.* By September 2024, this number had ballooned to over 750,000. Thanks to this rapid increase, Chinese law firms now rank among the largest in the world. According to the Am Law 200 by ALM (American Lawyer Media), in 2012, no Chinese law firm was among the top 100 global law firms in terms of size.By 2024, Chinese law firms occupied the top three positions globally, with nine Chinese firms among the top 20.**In contrast, on the 2024 global revenue rankings, only 11 Chinese law firms made it into the top 200. The highest-ranked domestic firm, Yingke Law Firm, was ranked only 47th globally.***The revenue per lawyer is far lower than that of leading firms in the UK and the US.

This shows that while Chinese law firms have grown larger, they have not yet become stronger. The advantages of scale have not yet been fully leveraged to meet international commercial clients' demands for specialization, branding, and division of labor in legal services, as a result their ability to attract high-end business and charge high rate fee is limited.

2.2.Current Assessment of Internationalization

With the support of government policies, an increasing number of Chinese law firms are expanding overseas. By September 2023, Chinese law firms had established 180 overseas branches in 35 countries and regions.****The types of cross-border legal services that Chinese law firms can provide are also continuous diversifying. They not only include traditional practices such as document drafting, transaction negotiations, legal consulting, and litigation but also encompass emerging areas such as "three-anti" cases (anti-dumping, anti-subsidy, and anti-monopoly), international investment arbitration, and administrative and criminal litigation. Besides law firms have innovated different models of international expansion tailored to their specific circumstances. For example, the model of directly acquisition of mature overseas law firms, as represented by King & Wood Mallesons; the cost-sharing Swiss Verein formed with overseas law firms, as represented by Dacheng; and the brand-sharing and strategic cooperation model, as represented by Yingke.*****With the variety of expansion mode, the collaboration level between domestic and foreign law firms varies, as does the degree of governance autonomy and requirement of capital investment, providing other Chinese firms with a variety of options to pursue international ambition based on assessment of their own strength and weakness.

However, compared to first-class international law firm, Chinese law firms still face significant gaps in internationalization. The number of Chinese lawyers and law firms truly capable of handling international legal services remains very limited, At present, China has only over 7,000 lawyers who are proficient in han-

* https://mp.weixin.qq.com/s/cXIoRPn5Xbde3bVO58HDWw，Last visited on 2025-01-06.

** See ZARETSKYS:The 200 Largest Law Firms On Earth (2024)， https://abovethelaw.com/2024/09/the-200-largest-law-firms-on-earth-2024/, Last visited on 2024-12-13.

*** See https://www.law.com/international-edition/2024/09/16/the-2024-global-200-ranked-by-revenue/, Last visited on 2024-12-24.

**** See https://cn.nikkei.com/china/ccompany/54379-2023-12-22-05-00-08.html, Last visited on 2024-12-26.

***** See Liu Sida, Wu Hongqi, "The Ecology of Organizational Growth: Chinese Law Firms in the Age of Globalization", American Journal of Sociology, Vol.122(2016), No.3., pp.825-827.

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dling cross-border legal matters, among whom only about 500 can handle anti-subsidy and anti-monopoly cases, and only about 300 are capable of independently handling cases under the World Trade Organization (WTO) dispute resolution mechanism.* Due to the lack of multidisciplinary talents proficient in both Chinese and foreign laws, holding both Chinese and foreign legal qualifications, and well-versed in international economic practices, it is difficult to find a legal team in China to provide high-end foreign-related legal services, this has resulted in the current inconsistency in the quality of cross-border legal services. Although it is true that more and more Chinese law firms are venturing abroad and cultivate overseas businesses, overall, few of them are setting up representative offices, or forming alliances with professional organizations. The majority of them are establishing liaison abroad rather than directly providing legal services to foreign client.

As Chinese firms ride the wave of globalization, the demand for Chinese first-class international law firm has surged. However, this demand starkly contrasts with the reality that Chinese law firms lack foreign-related lawyers and overseas branches.

3.Size the Rare Opportunity: Fixing the detrimental Regulation in Lawyer Law

To cultivate internationally top-tier law firms, it is not only necessary for firms to improve their branding, marketing, management, professional discipline, and practice skills, but also for the government to provide benefit and support in foreign exchange, tax incentives, and international cooperation to encourage scaling and internationalization of law firms. However, these measures need long-term investment but are unlikely to yield quick wins. In contrast, current laws, regulations, and self-regulations governing lawyers and law firms in China create huge regulatory barriers in the road to develop first-class international law firms.

7 years after the last revision, the Lawyer Law has once again been placed on the legislative agenda. This rare opportunity should be actively seized to fix Lawyer Law and the Code of Conduct for Lawyers (Trial Implementation), remove institutional barriers and foster a more flexible, business-friendly regulatory environment for nourishing first-class international law firms .

3.1.Give Professional Corporation a Chance

According to the current Lawyer Law three types of organizational structures are allowed: sole practitioner, partnerships, and state-owned firms. Partnership has been the most common structure with low setup costs, low tax, freedom from burdensome regulatory procedures, accounting for over 60% of firms.

However, the entrenched characteristics of partnerships structure are naturally hostile to mega firms. For example, the one-partner-one-vote decision-making mechanism is highly inefficient in large firms with hundreds or even thousands of partners. Additionally, the partner in one office usually do not know name of partner in other offices, lest are familiar with his skill and character in mega firms, however it is expected from them to vouch for each other, since every partner need to bear unlimited joint and several liability for

* See https://news.gmw.cn/2022-01/15/content_35449591.htm, Last visited on 2024-12-25

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losses caused by other partner's malpractice. This practice discourages the firm to expand its scale by admitting new partners.

In practice, to gain competitive advantages in the fiercely competitive legal services market, some law firms have designed alternative approaches with a touch of creativity. This indirectly reflects the significant institutional constraints imposed by current organizational limitations. Take Yingke for example, while remaining as partnership in appearance, it functions like a company. The law firm is managed by young professional managers who handle daily operations, such as leasing office space, administrative operations, and employee contract with lawyers. Every lawyer only paid the firm a fixed annual "management fee," and kept the rest of the profits for him- or herself. Decision-making is allocated based on the number of equities rather than spread evenly among each partner. This phenomenon showcases the most entrenched incumbents in the legal industry, represented by Yingke, have creatively incorporated various key corporate features in managing the partnerships, cutting into the traditional values of equality and collegiality,adding more touch of business value from the corporate.

Both the characteristics of partnerships and the practices of Chinese top law firms have led to the conclusion that the current restrictions on organizational structure severely hold back the law firm's potential to expansion. It is time to give professional corporation a chance and add it as an organizational option alongside partnerships, sole proprietorships, and state-owned firms in Lawyer Law.

3.2.The Scope of Attorney-Client Privilege Need to Be Expanded

Attorney-client privilege is the lawyers' privilege to refuse to testify about confidential communications with their clients before the court. Under the protection of the privilege, client is thereby encouraged to seek legal assistance and to communicate fully and frankly with the lawyer even as to embarrassing or legally damaging subject matter. The lawyer needs this information to represent the client effectively and, if necessary, to advise the client to refrain from wrongful conduct.Therefore, when choosing the law firm, one of the big considerations for prospective clients is whether the information provided by them is protected by the privilege. The scope of privilege provided by the regulation will influence the international competitiveness of the law industry in its jurisdiction.

Currently, two articles in Chinese regulations address the issue of attorney-client privilege, Article 38 of the Lawyer Law and Article 46 of the Criminal Procedure Law. However, the Lawyer Law only imposes the duty of confidentiality on lawyers but does not explicitly grant them the right to refuse to testify. The Criminal Procedure Law grants defense attorney the right to refuse to testify with regard of client-related information obtained during presentation, but the scope of protection is vague. For example, it is unclear whether physical evidence or evidence obtained from third parties is protected under this article. As to Civil Procedure Law and the Administrative Procedure Law attorney-client privilege is even not mentioned. In contrast, in common law jurisdictions, such as the US and the UK, broader protections are guaranteed. In the US, protected under the privilege are not only confidential communications between clients and lawyers but also all information related to representation, regardless of its source.Furthermore, communications between in-house counsel and companies, among in-house counsel, between foreign lawyers and native clients, and even between non-lawyers and clients concerning legal issues are granted privilege.

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It is well-known that big corporate place particular emphasis on attorney-client privilege. The lack of comprehensive protections in Chinese regulation has attracted criticism. For instance, an American lawyer who has worked at Chinese office for a US firm has used this point to sway prospective client away from Chinese law firm. “PRC law does not provide for attorney client privilege. If your General Counsel is not aware of that simple fact, please inform him or her.”the inadequate scope of privilege provided by Chinese regulation compared with US and UK reduces the competitiveness of China’s top law firms in attracting international commercial clients. It also worries foreign lawyer who sought after collaboration with Chinese lawyers.

Thus, it is big urgency to build attorney-client privilege rule in the Lawyer Law. The scope of privilege should not be limited to client-related information sourced from clients in the criminal procedure, instead it should be expanded to include all information related to representation, unless otherwise specified by law, regardless of the source or type of representation.

3.3.Non-Lawyer Investment in Firm is needed and should be allowed to level the playing-ground

Although Chinese regulation does not explicitly restrict the sources of funding for law firms, the limit of organizational structure has in effect blocked the non-lawyer to pour investments in the law firm. However, competition in the legal services industry is becoming increasingly intense. Law firms not only need to compete with their peers but also face growing pressure from alternative legal service providers, which on many occasions provide similar services as the law firm.Since these "alternative legal service providers" are technically not law firms, and China currently lacks a unified regulation governing all legal service providers, these entities are not bound by the limit with regard to organizational and business structure prescribed by the Lawyer Law. They have the freedom to form limited company and raise money from the public to expand their operations, build brand recognition, incentivize employee performance, and enhance organizational cohesion. In contrast, law firms, due to unilateral regulatory restrictions, cannot adopt effective market measures to compete with these alternative providers in the same level of playground.

Some law firms eager to secure public funding to scale up and establish themselves as a major presence in the crowded legal services market, have sought ways to tackle the structural restrictions. For example, Yingke has turn from an obscure player in the market to the world’s largest law firm within just 20 years. One secret source is its ability to secure substantial investments from non-lawyers, which were used to lease high-end, spacious office spaces, offer competitive salaries to attract local lawyers, and execute aggressive branding and operational campaigns. Deheng Law firm has taken a step even further. To leverage the capital market to scale up and to push through the governance reform of standardization and transparency, in July 2015, Shandong Deheng received approval for listing on the Qingdao Blue Ocean Equity Exchange, becoming the first Chinese law firm to be publicly traded on the capital market.*

Those Attempts by law firms to raise funds from non-lawyers highlight how the current restrictive regulations have limited funding sources for law firms, obstructing their pursuit to secure the financial support necessary for scaling up. To enable law firms to compete on an equal footing with "alternative legal service

* https://www.deheng.com/news/22212.html，Last visited on 2024-12-20.

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providers," it is necessary to interpret the current Lawyer Law provisions regarding "engaging in non-legal service business" restrictively and explicitly exclude law firms' public fundraising activities with the aim at law firm's operation from the prohibition. Furthermore, in addition to relaxing the restrictions on professional corporation, it should be allowed to raise funds from the public.

The concerns about professional ethics arising from public fundraising, such as breaches of confidentiality obligations due to information disclosure requirements or threats to lawyers' professional independence caused by capital control, can be addressed through alternative regulatory measures. These vary from reducing law firms' disclosure obligations, to prohibiting non-lawyers from holding a majority stake, or limiting the voting right of non-lawyer investor's equity.

3.4.Relaxing Concurrent Conflict of Interest Rules

Conflicts of interest are a common and significant issue in legal practice. Proper handling of such conflicts not only ensures that clients receive diligent and loyal representation and that their confidential information is protected but also have a huge impact on the revenue of law firms. Since the late 20th century, the widespread application of information technology and the rapid advancement of transportation have driven the globalization of commerce. To respond to these globalization trends and better serve corporate clients, China's legal services industry has undergone a series of significant and far-reaching changes. These changes have led to sharp increase in the occurrence of suspicious conflicts of interest scenarios. Moreover, new types of conflicts of interest have emerged, exceeding the expectations of regulators. To balance the interests of clients with those of law firms and lawyers, and to cultivate First-class international law firm that are both loyal to their clients and capable of thriving, it is time to reflect on and reconstruct the existing simplistic rules on conflicts of interest.

3.4.1.Changes in Structure and Business of Law firm

First, the growth of transnational business and the ease of global communication have paved the way for large-scale mergers among law firms, leading to the gradual domination of the legal services market by "mega law firms." On the one hand, since 2010, Chinese law firms have experienced multiple waves of mergers. According to statistics from 2010 to the present, there have been approximately 100 large-scale mergers in Beijing, Shanghai, Guangdong, Jiangsu, Zhejiang, and Shandong. On the other hand, pressure on law firms to have or at least look like have global presence is mounting, but establishing offices aboard incurs significant expenses, creating Insurmountable entry barriers for most Chinese law firms. In contrast the "Swiss Verein" model, representing a typical structure of mega law firms, has become an important choice for Chinese law firms to go global due to its flexibility, cost-effectiveness, and the regulatory reality that prohibits mergers between foreign and Chinese law firms.

Second, as the size of law firms increase, so does the number of clients and cases they deal with. It can partly be attributed to the intensified workloads and extended working hours of lawyers, which have been industry norms. Competition among law firms and lawyers has been so fierce, that clients and firms often expect lawyers to be on-call and provide service 24 hours 7 days. The widespread use of emails and phone calls allows partners and clients to assign tasks and push the lawyer at any time. While remote conferencing

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and office software enable lawyers to work from home, they also make it less possible to not work from home.Moreover, the specialization of legal services often means that lawyers only handle a small part of a cases. Cases are often managed as projects, with project managers assigning a slice of them to each team or lawyer based on their areas of expertise. As a result, it is not uncommon for a lawyer to receive multiple client inquiries via email or phone calls on New Year's Eve or to face angry comments from clients on social media under post of their vacation pictures, criticizing them for prioritizing personal enjoyment over work.

At the same time, movement across firms has become more frequent than ever. Based on the analysis of the announcements of lawyer practice file transfers in Beijing throughout 2023, the number of lawyers moving between other provinces and Beijing alone reached over 1,800, accounting for approximately 3.7% of the total number of practicing lawyers in Beijing at that time.Ubiquitous Media ranking that rate law firms on profits per partner, together with transparency of lawyer compensation, have motivated lawyers to switch firms in pursuit of more money. In addition to seeking higher pay, some lawyers are moving to pursue better work-life balance, returning from firm of first-tier cities to second- and third-tier cities. With the rapid increase in the number of lawyers in first-tier cities, coupled with a decline in demand for legal services and clients' willingness to pay, more input from lawyer yield no more output. Burn out by the fierce competition and cruel schedule, lawyers have begun to question whether it is worthy to endure the hardship in first tier city’s big firm and start to vote with their feet.

3.4.2.Impact on Concurrent Conflict of Interest Rules

The increase in numbers, caseloads and mobility of lawyer has inevitably led to more cases involving risks of concurrent conflicts of interest. Particularly disproportionately affected are big firms, with conflicts forcing them to turn their back to around 30% of their caseload and refer those cases to partner firms. Moreover, those changes have also brought new challenges to current regulation regarding concurrent conflicts of interest, which simplistically prohibit the same lawyer or lawyers from the same law firm from representing both parties in a dispute concurrently. Specifically, Lawyers Law explicitly prohibits lawyers from representing for conflicting parties in the same case. The Code of Practice for Lawyers supplements this rule with imputed disqualification， prohibiting lawyers who practice in the same law firm from representing for conflicting parties in the same case concurrently. Furthermore, concurrent conflicts of interest are deemed irreconcilable, which means Informed consent from the clients cannot make the presentation legitimate. Breaching this rules, lawyers and law firm can be subject to serious discipline such as suspension of practice or revocation of license. However, can the current regulation keep up with the business trend of scaling, specialization, and frequent mobility? To answer this question, we can study a case about commercial representation.

Scenario 1: Firm A is located in the United States and Firm B is located in China, they are the members of the same Swiss Verein or are a firm‘s different offices. Company X is an multinational telecom manufacture. X’s U.S. subsidiary has employed Firm A to deal a patent infringement case. Meanwhile, X’s Chinese subsidiary intends to sue Company Y to recover receivables. Due to Firm B’s extensive experience, Y wishes to hire Firm B to handle this case. Can Firm B represent company Y under current regulation?

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The answer is no. The verein and different offices under same brand is treated as single firm, such that a client representation by one of the verein members or offices will automatically prohibit other verein members or offices from representing a client with conflicting interests, even if the verein or the brand has many offices worldwide with tens of thousands of lawyers. Furthermore, all subsidiaries of an corporate are considered a single client. Thus, the conflict of interest involving one subsidiary are imputed to the entire corporate group. As a result, Firm B is deemed to be representing Company X's Chinese subsidiary in the patent case. Since lawyers from the same firm are prohibited from representing opposing parties in the same dispute, Firm B cannot represent Company Y in the receivable recovery case, even if the two cases are unrelated. Consent of Company A cannot help too.

However, in practice, Firm A and Firm B are highly unlikely to exchange information about the patent case. In a Swiss Verein structure, although there is a board of directors, the members maintain financial independence. Every member decides profit-sharing and salary payments on their own, the members only share the same brand and administrative costs. Business collaboration between members is limited to client referrals. Furthermore, in the context of intensifying U.S.-China geopolitical competition, both countries have tightened restrictions on the cross-border flow of their citizens' personal data, trade secrets, and intellectual property to each other For example, on February 8, 2024, the U.S. President issued Executive Order 14117—Executive Order on Preventing Access to Americans' Bulk Sensitive Personal Data and United States Government-Related Data by Countries of Concern—which designates China as a country of concern. This order restricts or prohibits U.S. entities from engaging in transactions involving large volumes of sensitive personal data or U.S. government-related data with entities or individuals under the jurisdiction of countries of concern.Under the strict

cross-border data regulations, if the U.S.-based Firm A were to transmit case information regarding an AI intellectual property of U.S. client to the China-based Firm B, it would face serious compliance risks.

However, beyond the organizational structure of law firms, other factors may also influence the representation. Now, we will slightly modify the elements of Scenario 1 to create new case for assessing concurrent conflicts of interest:

Scenario 2: Firm A and Firm B are "sibling firms" (meaning they operate under the same "Swiss verein" or/and firm brand). Should Firm A and Firm B be allowed to concurrently represent conflicting parties in a patent litigation?

Scenario 3: Building on Scenarios 1, an additional condition is introduced: the same in-house legal team of Company X are in charge with both the patent case and the accounts receivable case. Should Firm B be allowed to represent Y, who is the counterpart of firm A's client in accounts receivable case?

Scenario 4: Building on Scenarios 1 and 2, an additional condition is introduced: Firm A is only responsible for a trivial part of the company X's patent case, such as reviewing the purchase orders for licensing the disputed patents and calculating the licensing fees. As a sibling firm of Firm A, can Firm B represent the opposing party in a case against Company X?

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The list of scenarios can keep going on, and different scenarios can also be combined to create new scenarios. In those scenarios, the risk of Firm B's representation to Company A's interest in confidentiality and loyalty varies, because the link between Firm B and Firm A, Firm A and Company X, different subsidiaries in the company X differ, as a result the capability and motivation of Firm B to harm Company X in the benefit to its client(also conflicting party of Company X) via Firm A differ. Therefore, the current regulations, which simply forbids lawyers within the same firm from representing both parties in the same case, is unsuitable for addressing the complexity of real-world situations.

3.4.3.Establishing a Case-by-case Examination Mechanism for Substantive Connections

The confidentiality and loyalty interests that the current conflict of interest rules proclaim to protect should indeed command primacy. When sibling firms representing conflicting parties pose a real and substantive risk to these values, it should be prohibited. However, unnecessarily strict conflict of interest rules in many cases cannot achieve the intended purpose of safeguarding those values, because the connections between sibling firms or between subsidiaries in a multinational may be so minimal that no substantial harm to those values exists. Additionally, firms may have already implemented and enforced internal policies, such as information barriers, screening mechanism and corresponding disciplinary measures, to mitigate the risks associated with concurrent representation. Therefore, when determining whether to prohibit representation due to potential harm to the client's confidentiality and loyalty interests, it is necessary to comprehensively examine the substantive connection case by case.

We can see from above cases that there are various factors influencing the connection, on which the regulator should draw on to apply the concurrent rules. First， the internal structure and policies of the mega firm. Some mega firm may in fact regularly share client information among members Compared to loosely affiliated offices that only share brand and administrative costs while implementing information barrier, these firms deserve more to be warranted the imputation of concurrent conflict of interest.

Second, whether the cases handled by sibling firms are the same or substantively related should also make a big difference. For instance, the lawyers at Firm B in in Scenario 2, compared to in Scenario 1, have more motivation and opportunity to access information about the patent dispute and use the information to benefit Company B at the expense of Company A. Because only when there is a substantive connection between the cases handled by sibling firms, can the information in the case handled by firm A be used in another case to serve firm B's client, who happens to be the conflicting party of firm A's client.

Third, the degree of closeness and cooperation in dealing cases between clients, who are different subsidiaries of same company, also has a big impact on client's interest on confidentiality, through influencing the ability of a firm to attain confidential information about the adversary of its client through sibling firm. As we can see in Scenario 3, since the same in-house legal team of Company A manage cases for both subsidiaries, Firm B has a greater opportunity to obtain information detrimental for Chinese subsidiary from the in-house lawyer, through sibling Firm A (also the agent for the U.S. subsidiary).

Finally, the significant of the part assigned to sibling firm by project manager in the case matters, because it can also influence the firm's accessibility to key information. In Scenario 5, the risk that Firm A accesses

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to critical information, that having a substantial adverse impact on Company X is low. So even if Firm A were to share such information with Firm B, it would likely be of little use to against the interest of Company X

In conclusion, the strict conflict-of-interest regulations currently in place do not, in most scenarios, provide greater protection for client interests. Instead, they ban law firms from acquisition of legal business, which does not have the substantial risk to impair client interests. The greatest damages are done to Mega firms aiming to get business from big corporate. Therefore, the revision of the Lawyer Law presents an opportunity to replace the strict concurrent conflict-of-interest rules with a dynamic case-by-case review mechanism. This mechanism should comprehensively consider the various factors that genuinely affect client confidentiality and loyalty interests.

4.Conclusion

First-class international law firm should have both scale and international strike, which means in concrete significant size and revenue, besides a substantial proportion of high-end cross-border business and foreign-related lawyers. Chinese law firms have made remarkable progress in scaling and internationalization. Several Mega firms have emerged from the fiercely competitive Chinese legal market and, through unique models of overseas expansion, showcased China's capabilities on the global stage.

However, challenges remain, low per lawyer revenue, a scarcity of foreign-related lawyers, few and small overseas offices. It is crucial to seize the rare opportunity presented by the revision of the Lawyer Law to get rid of regulations detrimental to high-quality scaling and internationalization, acknowledging the legitimacy of professional corporation, allowing non-lawyer investment in law firms, expanding the scope of attorney-client privilege, relaxing concurrent conflict-of-interest rules. To cultivate a patch of first-class international law firms, regulatory environment that is friendly to them should be built now.

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