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Marc Dreier: Shades of Things to Come

Alison Frankel/The American Lawyer
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Marc Dreier's career went into a deep trough when he left Fulbright & Jaworski. He worked briefly at a Cravath, Swaine & Moore spin-off called Duker & Barrett, which in those days was enjoying considerable success. (Its founding partner William Duker would later plead guilty to four counts of fraud in what prosecutors at the time called "one of the most serious cases of legal fraud" ever prosecuted.) Dreier lasted less than a year at Duker & Barrett. In 1996 he joined up with a Florida lawyer named Neil Baritz, who had a small corporate and securities practice, to found a firm called Dreier & Baritz.

But Dreier was still searching for a niche. New York state Supreme Court and Manhattan federal district court records show him making appearances in the late 1990s as counsel to both plaintiffs and defendants, most of them small businesses. Sometimes Dreier's firm is listed as Dreier & Baritz; at other times, beginning as early as 1999, the name Dreier LLP also turns up. (Baritz didn't return calls for this story.)

In about 1999 Dreier hit upon a get-rich-quick idea. Baritz was acquainted with an Oklahoma lawyer named William Federman, who was looking to launch a plaintiffs securities class action practice. Baritz put Dreier in touch with Federman. Both were impressed. "Marc's business model interested me," says Federman. "He wanted to get away from the pyramid structure, handle more plaintiffs work, use the hourly model just as a base for that work." Under the plan that Federman says Dreier laid out, the firm, Dreier, Baritz & Federman, would have offices in New York, Boca Raton and Oklahoma. Most of the associates would be in Oklahoma, where costs were lower. Dreier would run the new firm's flagship office from the gorgeous space on Park Avenue he was already leasing. The whole operation was only 10 or 15 lawyers, but Federman says Dreier had big plans.

"Marc was eager to get involved in class actions on the plaintiffs side," he says. "Essentially, he saw you could make big money." Beginning in 2000, Dreier, Baritz & Federman filed at least half a dozen securities class actions against such defendants as Broadcom Corp., New Focus Inc., BroadVision, Inc. and Amazon.com Inc.

But Federman says he was beginning to have doubts about the enterprise. "I was concerned about spending, especially on those offices," he says. "Marc told me I was being ridiculous -- he said he could sublet at a profit at any time. He would get these gargantuan ideas."

Federman also had problems with Dreier's secrecy. Under his of-counsel agreement with Dreier, Dreier was solely responsible for the management of the firm, though Federman was supposed to receive monthly account statements. Federman says he didn't get them. Moreover, when he and Dreier decided to dissolve the relationship in late 2001, Dreier didn't provide the final accounting he promised -- and, according to a suit Federman filed in 2002, also failed to transfer Federman's client escrow funds back to Federman. (According to Federman, the case eventually settled with Dreier agreeing to transfer the funds and provide the accounting Federman was due.) Federman says his brief entanglement with Marc Dreier should have served as a warning to the hundreds of lawyers who later trusted him. "All they had to do was read my lawsuit," he says. "Not only should it have raised red flags, it should have shot off flares."