

Cadwalader, Wickersham & Taft



A Bicentennial History

1792-1992

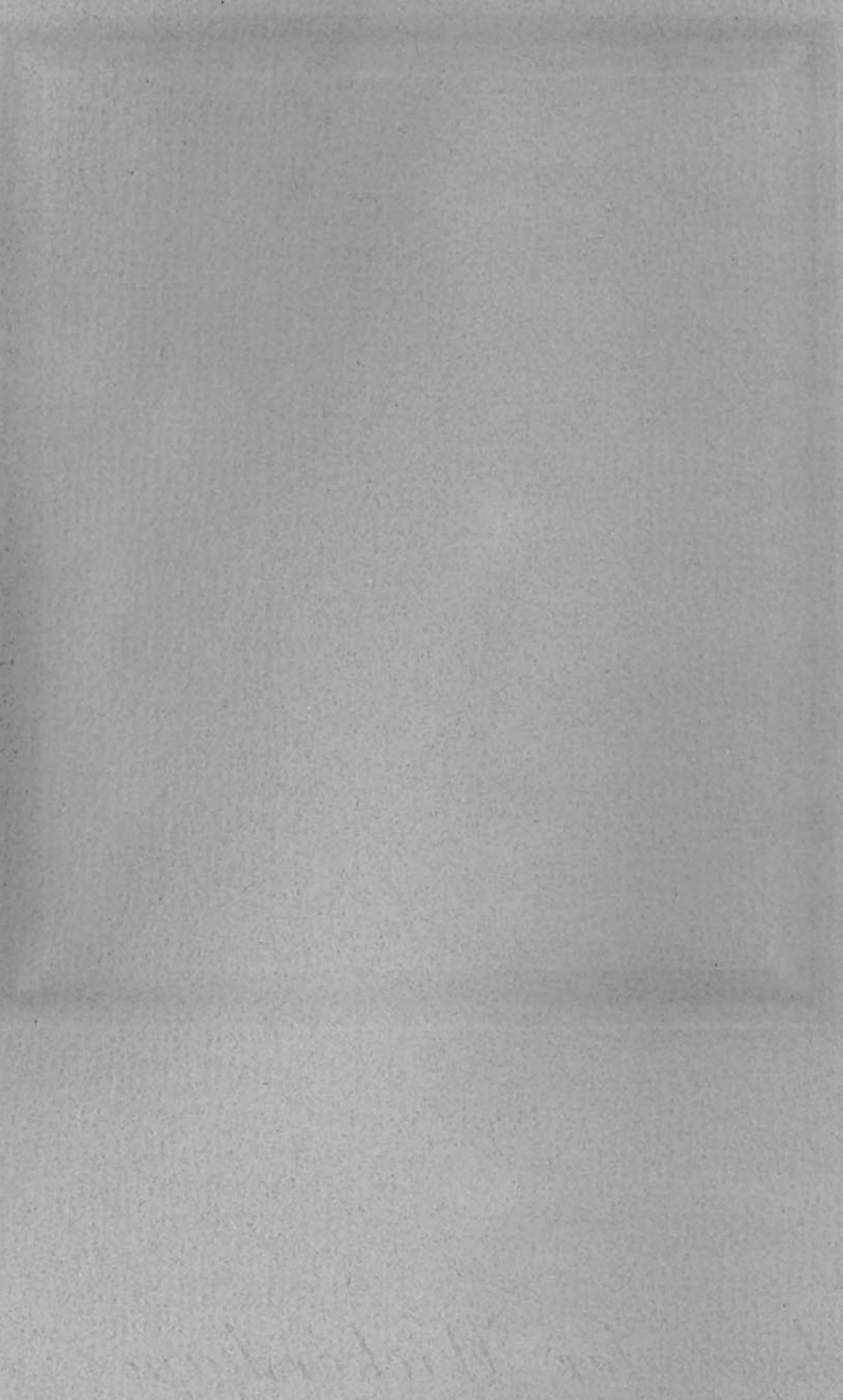


Figure 1. [Cover] George Washington Strong by William Sidney Mount (1807-1868). Mount had painted portraits of other members of the Strong family before receiving this commission in 1844. Mount painted it at the Strong residence, 108 Greenwich Street in New York, and later recalled that Strong "was true to his appointments which is so gratifying to a Painter of Portraits." Strong was very pleased with the result: he paid \$70 rather than the \$60 charged by the painter. Strong also commissioned two large genre paintings based on memories of his childhood, the famous "Eel Spearing at Setauket" (1845) and "Boys Caught Napping in a Field" (1848).

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By

Deborah S. Gardner



New York, 1994
Cadwalader, Wickersham & Taft, Attorneys at Law

CADWALADER, WICKERSHAM & TAFT
A Bicentennial History

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A New & Accurate PLAN of the CITY of NEW YORK



Figure 2. Map of New York City in 1796. The shaded area shows that New York was a compact town, with farms and country estates north of Prince Street. If not in the same building, residence and workplace were a few minutes apart for most people. Two ferry lines ran from Maiden Lane and Catherine Street across the East River, connecting Manhattan and the small village of Brooklyn.



⇒ 1792–1878 ⇐

The Growth of New York and a General Law Partnership

INTRODUCTION

In 1792, George Washington was reelected President of the United States. Four million people lived in the sixteen states of the nation, enjoying the protections of the newly adopted Bill of Rights. Although the federal government was temporarily located in Philadelphia, awaiting completion of the national capital in Washington, D.C., Congress had been meeting in New York, in Federal Hall on the northeast corner of Wall and Broad Streets. As a result, the neighborhood was thriving, and attracted those concerned with business, commerce, and legal matters. These activities reflected a general revival of trade, as New York rebounded quickly from the wounds of the Revolutionary War. The infusion of funds enlivened local money markets. Bonds, based on the assumption of state debts by the federal government, were traded in lower Manhattan, giving rise to a primitive securities exchange. Trinity Church, a lower Manhattan landmark which had burned during the war, was rebuilt on Broadway at the head of Wall Street. Residential buildings were being converted to offices for banks, insurance companies, and lawyers. City and state courts were back in session, and the first federal court in the nation, the New York District Court, was established in Manhattan. Lawyers sought to be near the courts and their merchant clients, whose ships and counting-houses crowded close to the docks along the East River. In the midst of a city energized by shrewd entrepreneurs and creative newcomers from all walks of life, John Wells established the firm which would become Cadwalader, Wickersham & Taft.



Figure 3. [Opposite] The Tontine Coffee House, c. 1798, was located at the northwest corner of Wall and Water Streets, a busy commercial intersection just a block from the East River docks. Barrels and bales of goods await transport by carters to warehouses or retail stores. Lawyers, stock and insurance brokers, and others went to the Tontine (at extreme left) or the Merchants' Coffee House (extreme right) to conduct business, socialize, or read the latest newspapers. Painting by Francis Guy (1760–1820).

THE BEGINNING OF THE FIRM

JOHN WELLS AND
GEORGE WASHINGTON STRONG

The first federal census in 1790 recorded that 33,000 people lived in New York City, making it the second largest urban center, after Philadelphia, in the young republic. An attorney, Richard Varick, presided as New York's mayor in 1792. This was an early indication of the central role the profession would play in the city's public life. New York already had a colorful legal history, having been the site of a series of colonial political trials, including John Peter Zenger's famous acquittal in 1735 for seditious libel. It was also the home of several lawyers — John Morin Scott, Aaron Burr, John Jay, and Alexander Hamilton — who played important roles in shaping Revolutionary and Constitutional politics. The eighty or so lawyers practicing in the city at this time were critical to the city's commercial and maritime-based economy. Many had come as young men from upstate New York, and from New England, drawn by the numerous opportunities for legal work in the thriving seaport.

John Wells was a case in point. He came from Otsego County, New York, and was admitted as an attorney to the New York Supreme Court in 1792. Wells was born in 1770 and orphaned when his family was massacred by Indians and allied British Loyalists in 1778. He graduated from Princeton, and then came to the city to seek his fortune. Lacking family or professional connections, he struggled to establish himself, working out of a series of small offices on lower Broadway and Pine Street. His practice probably involved small debt collection and other commercial claims, as well as wills and real estate transactions. After becoming a counsellor-at-law, he served a four-year term on the New York City Court of Justices of the Peace, which had been established to facilitate the settlement of disputes involving less than \$25.

Wells' interest in literature and current affairs drew him into discussion clubs where he met other prominent professionals. He also

worked as a journalist, engaging in the partisan and often bitter debates between local factions of the Federalist and Republican parties. A federalist at heart, he was nevertheless involved with both sides. He prepared a new edition (1802) of Alexander Hamilton's *The Federalist*, originally published to promote the adoption of the Constitution. Wells' newspaper articles also brought him to the attention of James Cheetham, the editor of the *American Citizen*, a journal supported by Republican patronage. When Cheetham was sued for libel in 1804 — a less deadly alternative to duelling — by W.S. Smith, a brother-in-law of ex-President John Adams, he hired Wells as his attorney. Though Wells did not win the case he managed to limit the fine assessed against his client to \$200, still a considerable sum in those days, but far below the prohibitive amount that had been sought.

Cheetham v. Smith was not important in the development of legal doctrine but was one of many cases that tested the bounds of freedom of the press at that time and it was crucial to Wells' career. It introduced him to the legal community as a talented and learned practitioner with strong oratorical skills. The profession was just entering an age when courtroom eloquence mattered, and attorneys gifted in public speaking were actively sought by litigants. Thus, Wells' career flourished and his opinions were sought on major public issues. In 1818, he established a partnership with George Washington Strong in offices at Burling Slip.

Strong's background was decidedly different from Wells'. Born in 1783, he came from a distinguished family with connections to the leaders of the government and business communities of New York. After graduating from Yale, he was enrolled in the New York bar in 1805 and in three years became a full-fledged counsellor-at-law. The distinction between "attorney" (or solicitor) and "counsellor" reflected the traditional British division of responsibility between solicitors and barristers. This and other British legal customs lasted only a few decades in the United States although some aspects of British law permanently shaped sections of the federal and state constitutions.

Strong's early career, too, was in marked contrast to that of John Wells. From the beginning, his practice encompassed at least 100 cases annually, dealing with commercial and maritime law. Many of these were breach of

Figure 4. Federal Hall (originally City Hall), Wall Street, c. 1791-93. Before Pierre L'Enfant drew up the plan for Washington, D.C., he remodelled New York's old City Hall to provide quarters for Congress (1789-90). The federal courts also met in the building from the 1790s to 1812 when it was demolished. A small house on the left, and a portion of the Verplanck Mansion on the right, are typical of the residential mix in the neighborhood. The second Trinity Church is in the background.



Figure 5. Coffee-House Slip, c. 1831-34. There is no extant view of Burling Slip, where George Washington Strong had his law office from 1807 to 1818, but this engraving of Coffee-House Slip at the foot of Wall Street is comparable. Offices, stores, warehouses, and small businesses were jumbled together in the densely developed seaport district.

THE
OPINION OF
RICHARD HARISON.
AND
JOHN WELLS, ESQS.
On the construction of the Acts of 1816, and 1817,
AUTHORISING THE CORPORATION TO TAKE THE
BLOCK ON FULTON SLIP, FOR A
PUBLIC MARKET.

— 00 —
New-York :

PRINTED BY SAMUEL WOOD & SONS,
NO. 261, PEARL-STREET.

1821.

Figure 6.
Pamphlet by
Richard Harison
and John Wells,
1821. Richard
Harison (1750-
1841) was the
first United
States District
Attorney for the
District of New
York in the
Second Circuit
and held that
position from
1789 to 1819.
In this text,
Harison and
Wells argued
that, having
forced land-
owners to
sell their
property for this
explicit purpose,
the city had to
proceed with the
construction of
a public market
on Fulton Street.
The city did
and the first
of a series of
Fulton Market
buildings soon
opened.

contract cases for goods or services, as well as real estate matters and collection of debts. Debt was a serious matter because state law permitted creditors to jail debtors. As the culture of the time did not seem to encourage timely payment as a matter of course, the judicial system became the normal means of debt collection.

The number of debt cases fluctuated with the state of the economy. In 1807, for example, only about 300 people were imprisoned for debt in New York; in 1808, some 1,300 people, many of whom owed less than ten dollars, went to jail. This dramatic increase reflected the depressing impact of President Jefferson's Embargo Act against British and French shipping in retaliation for attacks and impressment of seamen on American merchant vessels during the Napoleonic Wars. The Embargo virtually shut New York's port as a British traveler, John Lambert, noted in 1808:

Not a box, bale, cask, barrel, or package was to be seen upon the wharves. Many of the counting-houses were shut up... The coffee-houses were almost empty; the streets, near the water-side, were almost deserted; the grass had begun to grow upon the wharves.

With thousands of seamen, laborers, and artisans out of work, the courts were flooded with cases and Strong was kept busy. He represented about 400 plaintiffs and 75 defendants in debt cases between 1810 and 1817 in the Mayor's Court of New York City or the State Supreme Court, depending on the size of the debt. When defending, he was usually able to secure bail for his clients, and then craft a settlement.

Strong's practice extended to mortgages and foreclosures, with cases as far afield as the Finger Lakes region in upstate New York and eastern Long Island. There were also the rare civil actions of divorce and lunacy guardianships in the Court of Chancery, and insurance policy matters. In his maritime practice, he represented seamen suing for payment of wages as well as prominent merchants, such as Jacob Lorillard and Nathaniel Griswold, who were sued by the federal government for alleged infractions of the Embargo Act and the import/export laws. Churches and mission societies of various denominations sought

Strong's assistance for incorporation and land purchases.

Business clients who repeatedly used the firm were essential to the continuity of Strong's practice. These included the Union Bank; the New York Sugar Refining Company; the Columbian, American, and New York Fire Insurance Companies; and the Bank for Savings in the City of New York, which Strong helped to organize in 1816 and to charter in 1819. Consulting Strong, too, were members of old New York families such as the DePeysters, Beekmans, Bleeckers, Vanderbilts, and rising capitalists such as John Jacob Astor. It was Astor's early business ventures in the fur trade, railroads, and shipping that provided the funds for amassing a vast real estate empire in Manhattan, and that paid for the city's first public library (which Strong incorporated in 1849).

When Wells and Strong joined forces in 1818 at 44½ Pine Street in lower Manhattan, they brought different strengths to the practice. Wells was the courtroom advocate; Strong, the drafter of legal documents and strategy. Fees and responsibilities were divided amicably in the absence of any formal agreement and, typical of the time, each partner was free to join another counsel for work on any particular case. Their practice thrived, comprising, in the words of Strong, "a monstrous deal of business — more than any office in the state." The large volume of work was handled, under the supervision of Wells and Strong, by a staff of unsalaried young men. Apprenticed as clerks, they learned law by studying, with Strong's tutelage, the standard British commentaries by William Blackstone and Edward Coke and the new American treatise by Chancellor James Kent. In addition, they learned by copying as many times as needed, by hand, the documents needed for litigation and other legal affairs, and by drawing up simple legal papers. With few law schools, this kind of apprenticeship was the standard means of training in America until after the Civil War.

By the early 1820s, the busiest years for Wells & Strong, the population of New York City had swelled to about 123,000 inhabitants, making it the largest city in the nation. It was now North America's leading port and its trade fueled the growth of the city's economy in all other dimensions. The completion of the Erie Canal in 1825 solidified the role of the city as the country's main conduit between the hinterland and world markets.

While much of the metropolitan population was still concentrated in lower Manhattan below Canal Street, it was rapidly spreading out. Regular ferry service linked Manhattan to Brooklyn Heights, New York's first residential suburb. Stagecoach lines made it possible for people to live further north and readily commute to offices in the business district. The settlement of the "northern areas," such as Greenwich Village, was also accelerated by disease, as people fled periodic epidemics of yellow fever, which were attributed to the poor sanitation and polluted water of the southern part of the city. The Strong family, for example, left the city during the yellow fever epidemic of August 1822 to stay in Whitestone, Queens, on Flushing Bay. Strong's brother Benjamin, a merchant, watched over the law office in his absence, offering to look after his debtor clients. In November, Benjamin Strong advised his brother George that he could "open [his] house with safety — and move in by the last of this week."

More extensive settlement of Manhattan made for a protracted real estate boom and a constant stream of new business for lawyers. As wealthier residents moved away, lower Manhattan became increasingly commercial, especially south of City Hall and east of Broadway. The Strong family lived on the still residential west side, at 108 Greenwich Street, near the campus of Columbia College. Wells lived on Murray Street, a bit further north. Their families shopped on Broadway, where gaslights were installed in 1823, and where, a foreign visitor noted, "all new fashions can first be admired." Wells and Strong kept their offices on the east side, in the midst of the business district and near the courts, several of which were located in the elegant City Hall, completed in 1812 in the green between Broadway and Park Row.

When Wells died in September 1823, he was much eulogized by his peers who commissioned a portrait bust in his honor, dedicated to the man "who elevated and adorned their profession by his integrity, eloquence, and learning." These words, and the values they embodied, would continue to characterize the firm's practice throughout its history.



NEW PARTNERS

GEORGE GRIFFIN AND
MARSHALL S. BIDWELL

After the death of Wells, Strong immediately asked George Griffin to be his new partner. Another Yale graduate, Griffin was a courtroom lawyer, reputed for his ability to hold the attention of judge, jury, and opposing counsel with his "brilliant imagination" and "great command of powerful language." He had often joined with other eminent attorneys, such as Charles O'Connor and Daniel Lord, as co-counsel in major cases and was considered an expert in maritime law. Griffin brought his son, Francis, into the firm in 1830 as an apprentice. That year, the office moved to a three-room suite at 47 Wall Street. It would remain on Wall Street until 1985.

The practice continued to grow steadily, taking on more work from the banks and insurance companies which multiplied rapidly in response to New York's burgeoning commercial activities. In December 1835, the firm's offices were among 700 buildings destroyed in a raging fire which lit up the sky for miles around, drawing firefighters from as far away as Philadelphia. Moving to temporary quarters on Exchange Place, the firm wound up the affairs of several insurance companies whose insolvency stemmed from the fire and whose financial woes contributed to the terrible Panic of 1837.

In 1838, Strong ended his association amicably with the Griffins and then launched a new partnership with Marshall S. Bidwell. Bidwell, though American-born, had begun his career as a lawyer in Canada where he became a member of Parliament. Returning to the United States because of political problems, he was quickly admitted to the New York bar and began to practice in New York City. His expertise was in real estate, as well as in litigation, while Strong concentrated on probate cases and drafting legal instruments. Bidwell provided Strong with the courtroom presence he needed, elicited the admiration of others in the profession, and attracted such clients as the author James Fenimore Cooper, whom he represented as the plaintiff in a libel suit.



Figure 7. Memorial to John Wells, 1825. The memorial was designed by John Frazee (1790-1852), and it is considered the first portrait bust carved in marble by an American born sculptor. Wells' shoulders are covered with a classical style drape, and he is flanked by a pile of books and a lamp. The inscribed tablet is set within an architectural frame. Frazee was paid \$1,000 for the work, an extraordinary sum for the era. It was originally placed in Grace Church, where Wells was a member of the congregation, but when the church relocated uptown in 1845, the sculpture was moved to St. Paul's Chapel at Broadway and Vesey Street where it remains on view.

Figure 8. Wall Street, c.1829. A store advertising law books reflects the proliferation of law offices in the Wall Street area by 1850 when Strong & Griffing moved there. The elegant building on the right is the U.S. Customs House, opened in 1816 on the site of Federal Hall. Also on the north side of Wall Street, between Nassau Street and Broadway, is the First Presbyterian Church.



Figure 9. Portrait drawing of Marshall S. Bidwell (1799-1872). Bidwell was active in New York civic affairs, serving on the boards of the American Bible Society and the Lenox Library. A newspaper profile of 1854 recognized his exalted standing among his peers, "He is the law's high priest...a man of the most extended learning at the bar...and in court he is to his brethren as good as a digest of cases or a repertoire of principles."



Figure 10. Original 1841 Suit Register entry for what became "The John Gilpin, Federal Case no. 7345, District Court, Southern District of New York, April 1845, Daniel Lord, Jr., for libellants, Griffin & Bidwell, for claimants." In their suit registers, attorneys recorded the court, participants on both sides of the dispute, court actions and costs, settlements, and fees.

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In the District Court of the United
States for the Southern District of New York

The materials, sails, spars, rigging and
Cargo saved from the Brig John Gilpin

- ad -

Peter W. Roff on behalf of himself, Jacob
Vanduzer & Abraham Simonson Owners
of the Schooner Alice Ellis & of her Crew.

Libel for Salvage.

Daniel Lord Jr

Proctor for Libellants

1841 Jan. 15 Served on Mr Lord Notice of Retainer for J. E. & Geo. Griswold, Claimants.
Obtained from Mr Lord a copy of the Libel & took a copy thereof.
" 16 Took depositions of mate of the John Gilpin - Mr
Butler cross examined and gave answers.
Served copy of mate's testimony on Mr Lord, H. A. C.
" 20. Claim & Answer sworn to by Mr Gray on behalf of J. E. & Geo. Griswold Claimants,
(1st Filed same & served on Mr Lord & Geo. Griswold)

Bidwell teamed up with Strong's former partner, George Griffin, on one of the most important maritime salvage cases in United States history. En route to Valparaiso, Chile, the brig *John Gilpin* was wrecked in a severe storm on New Year's Day, 1841, in New York's outer harbor. A group of salvors, represented by Daniel Lord, Jr., sued for payment for work they did before being forced to leave by the owners. Griffin and Bidwell represented the owners, a group of investors that included the N. L. & G. Griswold Company, pioneers in the China trade. In a precedent-setting ruling, the United States District Court for the Southern District of New York found for the salvors, holding that they were entitled to complete their work on the abandoned ship without interruption by the owners. For a maritime-based economy, with ships operating in dangerous coastal waters which were not yet fully charted, the opinion was critical to encouraging prompt salvage and rescue efforts which, in the long run, proved beneficial to shipowners and insurance companies.

Strong's son, George Templeton Strong, came to the office as a clerk in 1838. He had just graduated second in his class from Columbia College and was put to work on title searches, a laborious task demanding the painstaking consultation of records in numerous public offices. It was thankless but remunerative labor, as clients were typically charged one to two percent of the value of the transaction involved. George Templeton Strong was admitted to the common law bar as an attorney in 1841 after taking a simple set of oral exams in Utica, New York, an experience he described in forthright terms: "Such a farce of an examination, such an asinine set of candidates, and such prodigiously uncomfortable timber benches I never met with before." In 1845, by then a counsellor-at-law, he became a partner, but complained of his assignments as the junior member of the firm: "endless work on small legal papers, a snowbank of mortgages, subpoenas, depositions and polyonymous botherations." His cases were prosecuted in city, state, and federal courts, including the county-based lower state "Supreme Courts," the Chancery Court, New York Court of Common Pleas, Superior Court, Surrogate's Court, and in the United States District Court for suits involving maritime matters. The actions were varied, involving replevin, injunction,

partition, ejectment, damages, covenant, assumption, and bank foreclosures. The last were particularly numerous, as were debt proceedings, especially in the years following the Panics of 1837 and 1857.

Financial concerns, such as the Bank of America, the Merchants' Exchange Company, the Neptune Insurance Company, and the Seamen's Bank for Savings were among the various business clients of Strong, Bidwell & Strong. Other clients included companies involved with the commercial and industrial development of New York, such as the Atlantic Dock Company, which was building warehouses on the Brooklyn shoreline, and clients whose affairs mirrored the dynamics of city growth. In the 1850s, the firm secured charters of incorporation for the Mott Iron Works and the Architectural Iron Works, which produced the cast iron that graced and reinforced many of the commercial buildings constructed during the next three decades along the streets of present-day Tribeca and SoHo. The firm also had individual clients, members of the Aspinwall, Beekman, Brinckerhoff, Griswold, Roosevelt, Schermerhorn, and Taylor families, for whom it handled both business and personal concerns. Mrs. Alexander Hamilton, for instance, involved George Templeton Strong with the affairs of the Orphan Asylum Society, one of the many charitable organizations formed to aid children and women in the first half of the nineteenth century.

George Templeton Strong spent many productive hours in the real estate business. There were, for example, new congregations which needed to buy land for their religious buildings. Street widenings, such as that of Fulton Street in 1845 and John Street in 1849, and street openings, such as that of Broadway to 89th Street in 1845, accommodated more traffic and opened up new areas for development. The latter meant even more real estate business, especially the drawing of mortgages, for the firm. The city's well-to-do residents were then living around Union Square and at Gramercy Park. The park and the surrounding residential streets had been laid out in the early 1830s by Samuel B. Ruggles, George Templeton Strong's father-in-law. Both Strongs, father and son, later built houses there.

During the 1840s and 1850s, many more streets were built up with row houses, and the first tenements began to appear on the Lower

East Side for the working poor and immigrants. As fast as housing was built, it was occupied, for there were 515,000 city inhabitants by 1850; a decade later, their numbers had increased to 813,000. Real estate investments by banks and insurance companies funded this construction, as did profits derived from trade through the port, now the third busiest in the world, after London and Liverpool. Pure water, from the Croton Reservoir in Westchester, was introduced to the city in 1842. The Croton system and the regular service of horse-drawn railways made it possible for large numbers of people to work and live in Manhattan.

When George Washington Strong died in 1855, his son mourned the loss of a father who had been his tutor in letters and ethics since childhood, and his mentor in the law. They had shared a love of the Greek language and literature. All New Yorkers, his son noted, would miss George Washington Strong with good reason:

*Learning, judgment, candor,
integrity, justice, charity and
kindness, courtesy to rich and
poor, were all combined in him.
How many have I heard of who
spoke of him as the best man
they ever knew!*



THE ERA OF GEORGE TEMPLETON STRONG



The firm was renamed Bidwell & Strong in 1855 in recognition of Bidwell's senior status in the profession. But the era of the 1850s and 1860s would really be dominated in the public mind by the activities of George Templeton Strong. He was a member of the artistic and literary Century Association, President of the Philharmonic Society, Vestryman of Trinity Church, Trustee of Columbia College, and Treasurer of the United States Sanitary Commission. Indeed, he may have been better known in his day for his civic work than for his legal work. His reputation was sealed a century later by the publication of a detailed and opinionated diary he kept from 1835 to his death in 1875. Strong's observations about New York society and culture, politics, the legal profession, and major events during this period included the visit of Swedish singer Jenny Lind in 1850, the Draft Riots of 1863, and the attempted corner of the gold market which collapsed on Black Friday in 1869. His diary became a classic commentary on mid-nineteenth-century New York.

To his contemporaries, Strong's reputation as a public citizen was ensured by his work with the United States Sanitary Commission. Forerunner of the American Red Cross, the Commission was created in June 1861 to raise funds to improve the medical care of Union soldiers fighting in the Civil War. More than \$5 million dollars were raised, and millions of dollars worth of supplies donated, primarily by women of the major Northern cities, who organized large fairs that sold goods and enter-

Figure 11. Gramercy Park, 21st Street east of Fourth Avenue [Park Avenue South], 1905. George Washington Strong's bowfronted house is on the right; one lot further east, invisible in this photo, was his son's similar brownstone. Other family members lived nearby. The ivy covered rectory on the left belongs to Calvary Church which still stands at the corner of Park Avenue South.



Figure 12. Wall Street looking east from the corner of Broad Street, c. 1845. Wall Street had a more commercial character after it was rebuilt following the Great Fire of 1835. Among the most notable structures were the Customs House, at the left, modelled after the Greek Parthenon, and adjacent to it, the former building of the New York branch of the Bank of the United States (later the Assay Office) whose facade is preserved at the Metropolitan Museum of Art. The two-story, columned facade in the right distance was the Merchants' Exchange, now a part of the Citibank Building.



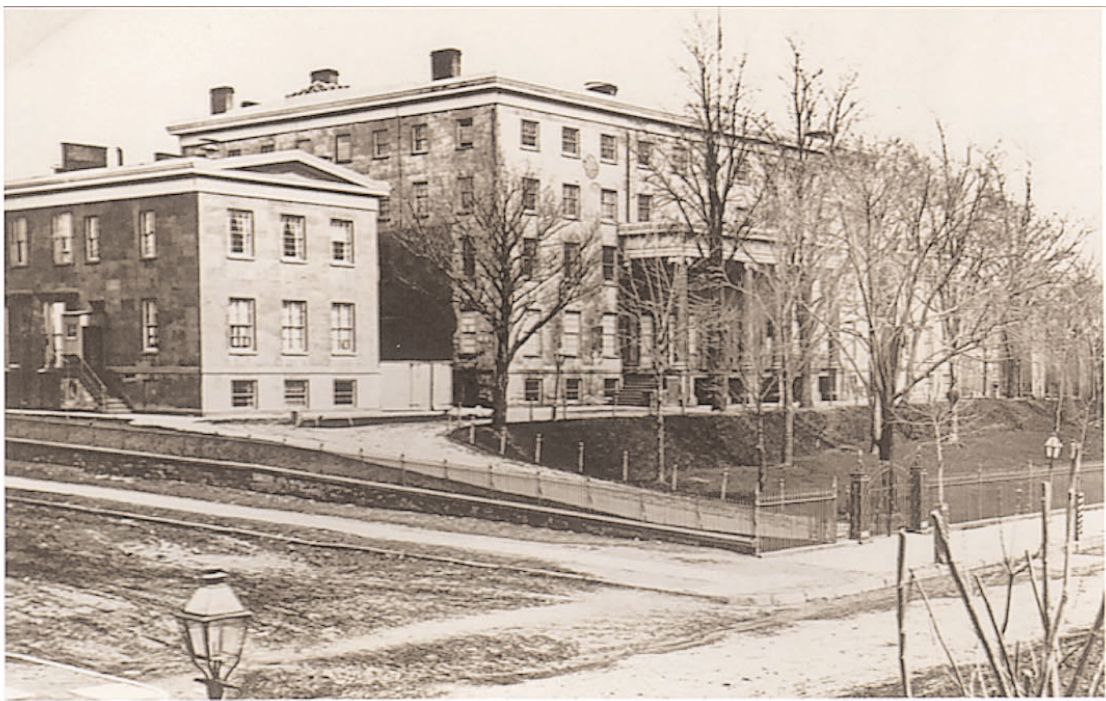


Figure 13. Columbia College at 49th Street and Madison Avenue, c.1866-67. Law school classes were held on a campus whose buildings originally housed "The New-York Institution for the Instruction of the Deaf and Dumb." The latter had moved further uptown for more spacious quarters, a decision which would be emulated by Columbia University in 1897 when it opened its Morningside Heights campus.



March 17. Sunday. Snow storm etc. - clear day & cold. - We started out in morning dress with amount of baggage on the ground for the show sale in - and then we went out to the "New York" - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 18. Monday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 19. Tuesday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 20. Wednesday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 21. Thursday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 22. Friday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 23. Saturday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 24. Sunday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 25. Monday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 26. Tuesday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 27. Wednesday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 28. Thursday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 29. Friday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 30. Saturday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

March 31. Sunday. Another snow storm to day - but a very heavy one. - In the afternoon we went to the New York - but it was a disappointment. - The morning school - but I should suppose that the way of proceeding that he was a probably better school than -

Figure 14. Page from the George Templeton Strong diary, March 5-8, 1846. Strong discusses a Philharmonic concert and the possibility of war with Mexico.

Figure 15. George Templeton Strong, November 1860. Strong's serious expression reflects the ominous mood in the North following President Lincoln's election on November 6 and the ensuing secession crisis in the Southern states. On November 20, he wrote in his diary, "If these traitors succeed in dismembering the country, they will have a front place in the Historical Gallery of Celebrated Criminals. No political crime was ever committed as disastrous to mankind and with so little to provoke or excuse the wrong as that which these infamous disunionists are conspiring to perpetrate."

tainment for the benefit of the troops. Strong worked with the head of the Commission, the landscape architect Frederick Law Olmsted, designer of Central Park, and administered the disbursement of funds and services to the Union Army. He visited encampments and battlefields whenever he could, and met with President Lincoln and Generals McClellan and Grant. During the war, Strong helped organize New York's Union League Club, chartered to promote devotion and respect for the Union.

Strong frequently criticized the conduct of the legal fraternity, labeling one argumentative attorney "a pompous pragmatical pettifogger" and the profession as a whole, "the last refuge of scoundrels," no longer "learned & dignified" but one that "now ranks next below that of patent-medicine mongering." In his opinion, the reorganization of the state's court system in 1846, which provided for the election of judges and simplified procedures for licensing attorneys, had "destroyed bench & bar together." As an antidote, he worked as a trustee of Columbia College to foster the development of its law school, believing that such training would create lawyers with higher moral standards and better skills. After some false starts, Columbia Law graduated its first students in 1858. Strong recognized that law schools, rather than long apprenticeships, were the wave of the future.

Columbia College School of Law, under the direction of Professor Theodore W. Dwight, grew rapidly to become one of the two largest law schools in the country by the 1880s. The development of the case study system, introduced at Harvard Law School in the 1870s, influenced the curricula of all American law schools. In New York, the introduction of a uniform written bar examination in 1894 gave formal academic training the advantage over office apprenticeships. As a result, the number of law students in New York schools tripled from 600 in 1890, to 1,800 nine years later. One group that had trouble benefiting from these changes was women: they were not permitted to attend New York University until 1890 and not admitted to Columbia until 1927. Ironically, as a member of the firm that would later have the first female partner on Wall Street, Strong was adamantly against the admission of women to Columbia:

*No woman shall degrade herself
by practising law, in New York*

*especially, if I can save her. Our
committee will probably have to
pass on the application, pro forma,
but I think the clack of these
possible Portias will never be
heard at Dwight's moot courts.*

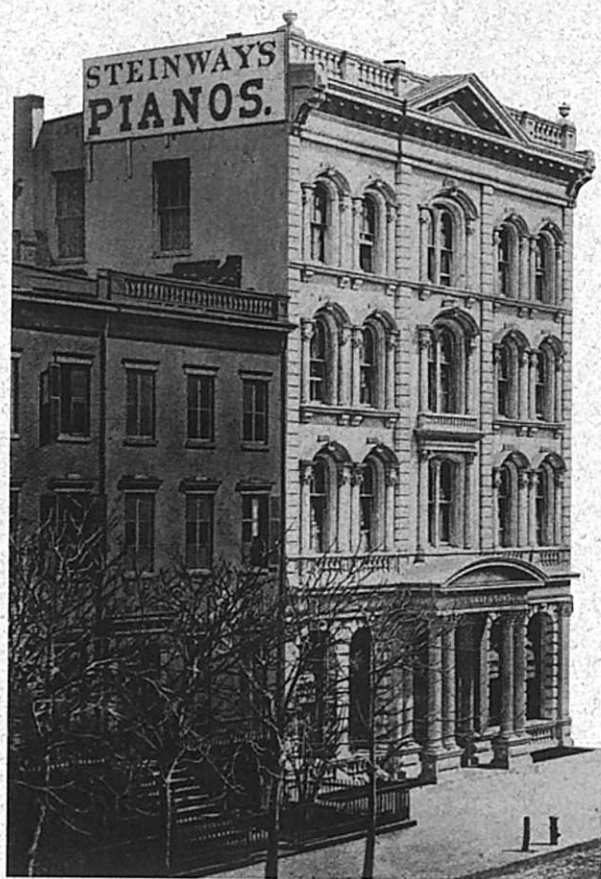
Strong's final years with his firm were not happy ones. In October 1872, Elias G. Drake, Jr., a member of the practice since 1855, resigned. Two days later, Strong was shocked to arrive at his office to find Marshall Bidwell dead at his desk. The sudden painful loss of his admired colleague and friend, "who had loved law as a pure science," and Strong's unhappiness with the "progressive debasement of the Bar & Bench" led him to accept an offer to become the Comptroller of Trinity Church and to resign from the partnership at the end of 1872. Less than three years later, Strong died. His pallbearers included John Jacob Astor, Jr. and William C. Schermerhorn, and among the mourners was President Ulysses S. Grant.

The entire burden of the practice thus fell on the shoulders of Charles E. Strong, George Templeton Strong's first cousin, an Amherst graduate who had joined the firm in 1843. Charles Strong practiced alone for five years weathering the hard times precipitated by the Depression of 1873. He wanted to form a new partnership with his close friend, John Lambert Cadwalader, but this move was delayed until 1878 by Cadwalader's appointment as Assistant Secretary of State under Hamilton Fish during President Grant's term in office.

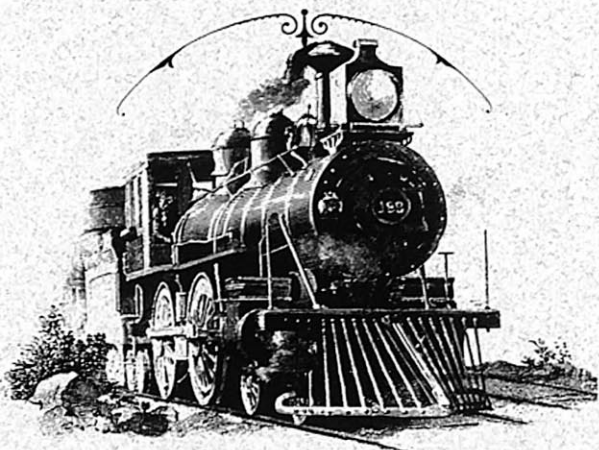
Charles Strong was not a courtroom advocate but he managed to keep the firm in business. He was well known for his extraordinary competence in real estate law and trusts and estates. In addition, capitalizing on the substantial good will that had been built up over the years, Strong was able to add new clients, such as Steinway & Sons, the city's foremost piano manufacturer; Wells Fargo & Company; the Western Union Telegraph Company; and the founders of the New York Medical College & Hospital for Women and Children.

At the close of the first era of practice in 1878, Charles Strong headed a firm with a local clientele representative of the most important business, social, and cultural organizations in New York City as well as some national companies. From 1818 to 1878, partners tended to have a particular area of expertise,

but all were generalists to some degree, able to work on a variety of legal issues. They were loosely bound together by informal partnership arrangements and the office was, in effect, an extension of their personalities and reputation. As a result, the firm's name had changed as partners came and went. During the next seventy years, the practice, its clientele, and its organization, were to be completely transformed.



⇒ 1878–1945 ⇐



*The Development of
Corporate Capitalism
and
Corporate Law*

INTRODUCTION

The decades from the Civil War to the turn of the century encompassed remarkable changes for American business and, consequently, for the practice of law. The boom in railway construction, which followed the end of the war, fostered the emergence of giant, publicly-held manufacturing corporations seeking to control nationwide markets, often through trusts and holding companies controlled by larger-than-life men named Rockefeller, Vanderbilt, and Carnegie. New York financial institutions and financiers, such as Morgan and Belmont, provided the fuel for industrial expansion. The consolidation of vast railroad systems organized by Gould, Harriman, and Stanford, reshaped the economy of the United States and the workplaces of millions and led to the growth of new commercial and industrial centers.

As these new industrial giants stretched the boundaries of the social contract and existing law, they elicited state and federal legislation which attempted to regulate their behavior and ensure free competition. No longer was government the servant of business; now, government bureaucracies were created to promulgate regulations and enforce their compliance. The Interstate Commerce Commission, established in 1887, the first of the federal regulatory agencies, and the Sherman Antitrust Act, passed in 1890, marked the beginning of an era of institutionalized adversarial relations between business and government.

The scale and complexity of big business and the advent of big government inevitably led to major changes in the organization of legal practice. Lawyers were more in demand than ever before to negotiate, defend, or prosecute in the cases heard by these agencies as well as by the courts. Law firms grew and became more specialized, reflecting a wider pattern of professionalization in an increasingly bureaucratic society, and the pace of work quickened. This was especially true in New York City, where many large corporations had their headquarters and their investment bankers. As Louis Brandeis wrote in 1896:

*The organization of large [legal]
offices is becoming more and*

more a business — and hence also a professional necessity. If properly planned and administered, it must result in the greatest efficiency to clients and the greatest success to the individual members both pecuniarily and in reputation.... That such organizations are the most effective means of doing the law work of this country — so far as clients are concerned — is proven by the success of the great New York firms.

Some contemporary critics felt that the character of the legal profession had changed profoundly for the worse in response to the influence of the new corporate clients. They argued that antebellum lawyers had been social and intellectual leaders who commanded respect and confidence, who would advise their clients on the morally correct course of action, and who were consulted only when litigation was imminent. This no longer seemed to be the case, critics claimed, as lawyers became “hired hands” for notorious corporate leaders, later known as the “Robber Barons,” counseling them on how to get things done in spite of regulations or moral qualms. Such commentators believed that a marked decline in the behavior of lawyers and judges was attributable to these changes, which modern observers might categorize as more structural than behavioral. Nonetheless, as a result, professional legal associations were established to codify standards of professional ethics, to promote better legal education and training standards, and to tighten requirements for admission to the bar. These steps were intended to render the profession more selective and to produce lawyers better prepared for the increasingly technical and specialized practice of corporate and civil law. The first professional legal organization was the Association of the Bar of the City of New York, founded in 1870; it inspired the formation of a state bar association and, a few years later, the American Bar Association in 1878. Among the charter members of the Association of the Bar were George Templeton Strong and John L. Cadwalader.



ESTABLISHING A CORPORATE LAW PRACTICE

STRONG & CADWALADER

John L. Cadwalader was instrumental in securing the place of Strong & Cadwalader, later Cadwalader, Wickersham & Taft, among the prestigious New York law firms handling the work of the large corporations. A graduate of Princeton College and Harvard Law School, he had practiced with several other partners and had served as Assistant Secretary of State before joining Charles Strong in 1878. He brought to the firm experience in litigation on behalf of major railroads and manufacturing companies. He had also been involved in large bankruptcy proceedings, and had defended insurance companies and trade associations against suits by public authorities. Cadwalader was known, as Henry W. Taft later recalled, for his “ability to summarize and state to a court in terse and incisive phrase the substance of a controversy.” As corporate law briefs grew longer and more complex, the courts requested shorter oral summaries of the chief arguments. Cadwalader, noted Taft, had a “grasp of principles which made him less prone than most men to a reliance upon a ‘codeless myriad of precedents.’” His summaries were admired by bench and bar as appropriate responses to the demands of the new corporate law practice.

Handling corporate clients required a different kind of law office. In 1878, Strong & Cadwalader was considered a large firm with a staff of ten, composed of six lawyers and four support staff. By the 1880s, the firm relied on at least two new technologies to conduct its growing business efficiently: the typewriter, invented in 1868, and the telephone, invented in 1876. Stenographers were hired to handle increased correspondence (and its filing), and office boys took on a variety of nonlegal chores. Like other law firms, Strong & Cadwalader had to invest in a substantial library, for the national reporting of case law expanded the number of publications necessary for research. As a result, more space was required, and attractive



Figure 16. "A Knotty Point, Submitting the Case to the Family Lawyer," Harper's Weekly, November 1874. The image of the small, informal one-man office would soon be displaced in popular urban culture by the large corporate firm. Charles E. Strong (1824-1897) represented the transition: he was concerned with "family law" in the management and advice he provided to his trusts and estates clients, but also undertook the legal work for the firm's major business clients.



Figure 17. John L. Cadwalader, a drawing by John Singer Sargent, 1912. Sargent (1856-1925) was well known for his many portrait paintings, watercolors, and mural projects. He also enjoyed making quick charcoal portrait drawings, usually finishing them in less than two hours.



Figure 18. Wall Street, north side, looking west between William and Nassau Streets, c.1910. The tall building in the center is 40-42 Wall Street, the Merchants' and Manhattan Building, where the firm was located from 1896 to 1933. Previously, the offices were in the eight-story building at the left, 34-36 Wall Street, the Gallatin National Bank built in 1887.



Figure 19. Wall Street, 1908. The third Trinity Church (completed 1846) is now overshadowed by such towers as the Gillender Building (on the right at the northwest corner of Wall and Nassau) which would be demolished a few years after this photo was taken and replaced by the Bankers Trust Company Building where the firm moved its offices in 1933.

offices were designed to please important clients. In 1887, the firm moved from 68 Wall Street, where it had been located since 1845, to 34 Wall Street, the Gallatin Bank Building. Only a few years later, in 1896, it moved again to 40 Wall Street, where it remained until 1933. The new premises were typical of the office buildings filling the streets of the financial district at the time. Each year, the skyscrapers grew taller, utilizing innovations in steel construction and elevators, in a competition that reshaped the city's skyline. The 800-foot Woolworth Building, completed in 1913 at 195 Broadway, was the world's tallest building for almost two decades. Law firms and businesses filled the new office towers as lower Manhattan became the center for the practice of corporate law in the United States.

Strong & Cadwalader adopted an innovation in professional development that had been pioneered at Chamberlain, Carter & Hornblower in the 1880s and which later was perfected as the "Cravath" system, so-named for the training plan formalized by Paul D. Cravath at his firm. It involved hiring the best graduates from the elite law schools for positions as paid "associates," on the assumption that some might eventually become partners. This replaced the unpaid law clerk system of prior years. The new system was designed to promote loyalty and to gradually indoctrinate prospective partners to a firm's distinctive culture; it also helped to convert the practice into a "business." Partners first supervised associates' instruction in the general practice. Associates then specialized in the most important areas of the firm's practice such as corporate, real estate, and trusts and estates, which gradually evolved into separate departments. As a formal legal education was increasingly recognized as the prerequisite to entering the profession, the associate system rapidly displaced traditional clerking. Eliminated, too, were certain kinds of routine business, such as title searches and debt collection, which were time consuming and relatively unremunerative compared to corporate work. These less skilled functions were taken over by new kinds of organizations. The Title Guaranty & Trust Company, for example, was founded in New York in 1882 and became a client of the firm, as did the Manhattan Trust Company, and other related businesses, such as the Real Estate Exchange and the Real Estate Trust.

The second man to shape the firm's twentieth-century history was Henry W. Taft who became a partner in 1899. A graduate of Columbia Law School, he practiced for several years on his own before joining Strong & Cadwalader in 1889. Taft became well known for his corporate antitrust defense work and his railroad expertise. He represented a number of railway companies, such as the New York, New Haven & Hartford Railroad, and shepherded lengthy reorganizations of many lines, including the St. Louis & San Francisco Railroad.

Taft's antitrust experience won him an appointment in 1905 as Special Assistant to the United States Attorney for the Southern District of New York to supervise the government's case against the American Tobacco Company. The case became a criminal grand jury prosecution when the company would not produce various papers and records for the trial. As Taft later recalled, "The time had not then arrived when corporations co-operated with the government in the investigation of their affairs." The use of the grand jury in such instances was upheld by the United States Supreme Court, settling the issue, Taft noted, "in such a way that subsequent prosecutions under the Anti-Trust Law were greatly facilitated." He returned to the firm in 1907.

George W. Wickersham was another member of the firm who became identified with antitrust work. A graduate of the University of Pennsylvania Law School, he worked briefly at Chamberlain, Carter & Hornblower, where he met and became friends with Henry Taft. He joined Strong & Cadwalader in 1883 as Managing Clerk and was made a partner, along with George Butterworth, in 1887. Wickersham dealt with a wide variety of legal matters, and was known for his skills, wrote Taft, in helping

businessmen in conceiving and putting into execution projects for constructing railroads and other means of transportation....the establishment of industrial organizations, and the activities of financiers in devising methods for furnishing capital for such enterprises.

Wickersham was appointed to be U.S. Attorney General in March 1909 by President

William Howard Taft, brother of Henry W. Taft, and one of many twentieth-century presidents to draft Wall Street lawyers for major governmental posts. Wickersham was a vigorous prosecutor of antitrust cases, closing out several major cases begun during Theodore Roosevelt's presidency, and opening up many new ones. During his four years in this post, the United States Supreme Court upheld the settlements dissolving the combinations controlled by the Standard Oil Corporation and the American Tobacco Company, and the U.S. Circuit Court for the Third District of Delaware ordered dissolved the trust of E.I. du Pont de Nemours & Company. Attorney General Wickersham oversaw the dissolution of the ties between the Southern Pacific and Union Pacific Railroads, settled the case against Alcoa in 1912, and initiated the suit against AT&T's monopoly of long-distance communications in 1913. It is not surprising that critics described him as "the most radical man who has held that office for years." When Wickersham rejoined the firm in 1914, its name was changed, for the last time — acknowledging the death of Charles Strong in 1897 — to Cadwalader, Wickersham & Taft.



A MORE DIVERSE CLIENTELE

The firm was expanding its relationship with corporate clients at this time into areas other than litigation, a move which reflected the growth of a more extensive corporate practice. Its lawyers acted as policy advisors and financial consultants to their corporate clients, and were often elected to serve on their boards of directors. As the original *American Lawyer* noted in 1893, "The chief forum of the lawyer has been transferred from the court house to the office. Litigation has declined, and counsel work has become the leading feature of practice." Lawyers were consulted before business decisions were made, rather than on the brink of litigation. Not surprisingly, one result of this increased advisory role was the strengthening of the definition of attorney-client privilege.

The higher profile of corporate lawyers, and their growing body of expertise regarding economic and financial affairs, carried over into important areas of civic service. While the Strongs had once served on the boards of smaller charitable and cultural organizations, Cadwalader, Taft, and Wickersham, as individuals, helped establish, and raise funds for the leading cultural and professional organizations of the city, state, and nation. John Cadwalader orchestrated the legal work necessary to convert the Samuel J. Tilden bequest into a durable foundation for the New York Public Library. Taft served on the New York City Board of Education and the Charter Revision Commission of 1901. He was a member of the Salvation Army Advisory Board, an organization which remains a valued client of the firm to this day. Wickersham was a trustee of Barnard College and of the University of Pennsylvania, the first president of the American Law Institute, and helped found the Friends of the Law Library of Congress.

The list of clients during the decade preceding World War I is a cross-section of local and national businesses, and of old and new ventures, reflecting the diversity in corporate practice. There were big industrial concerns such as the Aluminum Company of America (later Alcoa), the United States Steel Corporation,



Figure 20. George Wickersham and his colleagues at the Department of Justice, c.1913. When Wickersham (holding his hat and walking stick at the center) left his post as Attorney General to return to the firm, his staff presented this autographed picture as a souvenir of their time working together.

Figure 21. Knickerbocker Trust Company, Fifth Avenue and 34th Street. The Trust Company was founded in 1884 and later became a client of the firm. This handsome branch office was designed in 1904 by Stanford White of the famous architectural firm of McKim, Mead & White.



Figure 22. Pennsylvania Station, New York, under construction, c.1908-09. The station was designed by Charles F. McKim, of McKim, Mead & White and constructed (1905-1911) by the George A. Fuller Company, a client of Strong & Cadwalader. It occupied eight acres between Seventh and Eighth Avenues from 31st to 33rd Streets. This is a view of the main colonnaded facade on Seventh Avenue with the steel framework for the concourse still incomplete. The station's demolition in 1963 stimulated the development of the historic preservation movement in New York City.



and the Allis-Chalmers Company, along with concrete, wire, and zinc manufacturers.



Other firm clients were involved in gas, coal, minerals, timber, mining, oil, rubber, and sulphur, providing natural resources for heavy industry. Among the former was Phelps, Dodge & Co., one of the dominant copper mining companies in the West, and S. Pearson & Son, Limited, of London, then developing from the largest construction company in the world into an international conglomerate.

In addition, the firm represented about two dozen transportation companies, mostly railroads, which ran from one end of the continent to the other. It advised these clients on new issues of stock, structured reorganizations, represented bondholders, and wrote construction contracts. One of its most notable accomplishments was the reorganization of the National Railways of Mexico. Other clients in the transportation industry were steamship and harbor lighterage lines, as well as tire, automobile, and diesel engine manufacturers. Utility law was another evolving aspect of corporate practice as electric lighting and power systems were installed from the 1890s onward in major cities. The firm assisted, among others, the Seattle Lighting Company.

Cadwalader, Wickersham & Taft also had a substantial practice among financial institutions. The work included mortgages, underwritings, and supervising issues of securities. These services were used by savings bank clients, such as The Bank for Savings, the Bowery Savings Bank, and Seamen's Bank for Savings; by private investment bankers such as Brown Brothers; and by large commercial banks, such as Chase National Bank and Gallatin National Bank. The firm met the business needs of trust companies situated in

New York and other cities, such as the Knickerbocker Trust, Farmers' Loan & Trust Company, and Fidelity Trust Company of Chicago. Other clients included stockbrokers and underwriters such as Ely Horace & Co., Kuhn Loeb, Redmond & Co., Seligman & Co., Speyer & Co., and Vermilye & Co., and life insurance companies, including the Mutual Life Insurance Company of New York, the oldest in the city. Taft was elected general counsel of the Cotton Exchange in 1905.

The firm had clients who were responsible for changing the appearance of the city. They included the George A. Fuller Construction Company, which built Macy's Department Store at 34th Street and Sixth Avenue and was responsible for the construction of the monumental Pennsylvania Station.



There was also the British contractor, S. Pearson & Son, who built the East River tunnels from Queens to Manhattan for the Pennsylvania Railroad. The firm drew the contract for construction work on the majestic new Grand Central Terminal by the O'Rourke Engineering Company. It represented August Belmont & Company in arranging the financing for two stupendous undertakings: the construction of the IRT (Interborough Rapid Transit Lines), the first subways in Manhattan

and Brooklyn, and the Cape Cod Canal in Massachusetts. Clients involved in the real estate development of Brooklyn and Queens included the Manhattan Beach Estates and the Rockaway Park Improvement Company. The firm also assisted several architectural firms: Heins & LaFarge, regarding their contract with the Cathedral of St. John the Divine, and McKim, Mead & White, designers of many major Beaux Arts buildings, such as the Bowery Savings Bank, the Brooklyn Museum, and Columbia University, all of which came to symbolize the national financial power and cultural leadership of the city.

By 1900, New York City comprised five boroughs, with a total population of 3.4 million people. Within Manhattan itself, there were great extremes of wealth and poverty. On the one hand, there were stately uptown mansions, private art and library collections assembled by Henry Clay Frick and J. Pierpont Morgan, Sr., and brilliant evenings at the Metropolitan Opera. On the other, there was the misery and sprawl of the tenement districts encircling mid- and lower Manhattan, where more than a million people lived by 1910. The substandard housing, low wages, and unsafe conditions in the factories and sweatshops where these poverty-stricken, often immigrant, New Yorkers worked, were the focus of reform efforts by the settlement houses and by crusading journalists such as Jacob Riis.

Concerns of both of these populations were represented in the clientele of Strong & Cadwalader. For many years, the firm was the counsel for the New York Association for Improving the Condition of the Poor, incorporated in 1848. It was also prepared to advise the owner of a tenement on his obligations as a landlord when an unsafe building violation was filed. At the other end of the social register were art collectors like Henry Walters, who built an art gallery in Baltimore and needed help with such problems as art import duties, and the transfer of Benjamin Altman's collections to the Metropolitan Museum of Art. In the firm's trusts and estates department arrangements were made for fortunes, old and new, such as those of Caroline Astor, August Belmont, John Carter Brown, the Dowager Duchess of Manchester, the Hamilton Fish Estate, the McCormick Estate, George Peabody, Philip Schuyler, Mrs. Leland Stanford, M.O. Schiff, and Cornelius Vanderbilt.

Occasionally, the personal affairs of wealthy clients provided opportunities for the firm. In 1909, John Cadwalader represented Ava Willing Astor in her divorce from Colonel John Jacob Astor. Since adultery was the only ground for divorce in New York at that time, Cadwalader arranged for private detectives to follow the Colonel. Despite the high profile of the couple, for she came from a prominent Philadelphia family and he was the scion of one of the wealthiest American families, the lawyers managed to keep the negotiations and proceedings secret until the day of the decree under which Mrs. Astor received \$10 million and custody rights. Yet, like many divorce clients, she was apparently less than satisfied with the conditions of the outcome. Her concerns elicited the following letter from John Cadwalader in May 1910:

When something is over, and where the result appears to have been easily attained...we are likely to undervalue what we have got and to doubt whether we got a good bargain...remember that you insisted that you would not have a fight, that you would not, at any price, be dragged prominently before the public, that you desired, for the benefit of your daughter and to keep some hold on your son, to preserve some relations with Col. Astor, and that you yourself practically fixed the allowance you were to receive.... The position you took was the position of a lady, and I think you were entirely right, and you secured all you desired.

The firm maintained, too, a roster of small cases and clients representing, for example, the owners of Fraunces Tavern — a New York landmark where George Washington bade farewell to his officers in 1783 — in its sale to the Sons of the Revolution. The firm handled the dissolution of the famous jewelry company, Black, Starr & Frost, pursued a trademark infringement case for E. McIlhenny's Sons, the Tabasco sauce company, and advised the Association for the Prevention of Cruelty to Animals on tax matters, vivisection, and public criticism over the docking of horses' tails in



Figure 23. August Belmont (1853-1924). The financier inherited real estate, horses, and social connections from his parents and parlayed them into ever greater wealth and achievements. He underwrote the construction of the IRT, the first subway line, which was built in 4½ years and opened in October 1904. The advertised running time from City Hall to 145th Street and Broadway was 22½ minutes.

Figure 24. Newspaper article about the Astor divorce, December 1909. According to the press, the case was initiated when "Mrs. Astor went to the Scottish shooting lodge of Attorney John L. Cadwalader and consulted him there. Soon after this conference, Mr. Cadwalader came to New York and hired a detective agency to watch Colonel Astor...." Adultery was then one of the few grounds for divorce and detectives were used for compiling evidence.

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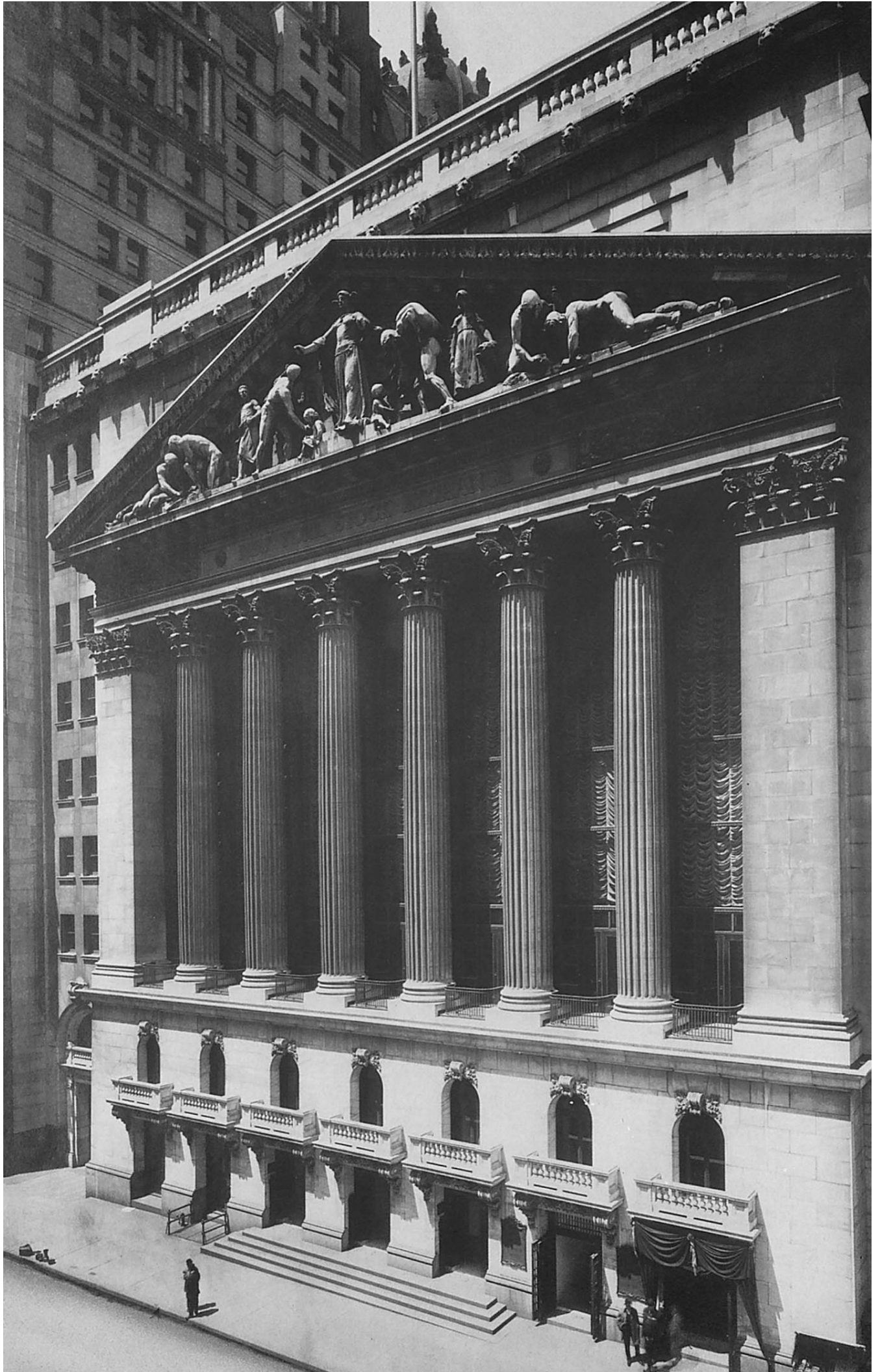
Col. John J. Astor; Wife Who Divorced Him

SECRETS OF ASTOR SUIT REVEALED

The Evening Journal to-day is able to present the substance of the testimony given at the secret hearing of the divorce suit brought by Mrs. Alva Willing Astor against her husband, John Jacob Astor.

This testimony has been very carefully guarded ever since Mrs. Astor filed her suit before Justice Mills in the Supreme Court at White Plains. Mrs. Astor gave her testimony behind closed doors before Referee Charles H. Young at No. 76 William street, and a decree was granted Mrs. Astor by Justice Mills on November 8 last. It took just three minutes for the Justice to grant the divorce.

Mrs. Roberta Menges Corwin Hill, once known as "The Belle of Sheephead Bay," and who has had a most varied matrimonial career since that time, is the woman in the case who is named by Mrs. Astor.



THE EFFECT OF WORLD WAR I

1907. It represented Rutherford Stuyvesant when he was sued by the Waldorf-Astoria Hotel for penalties it had incurred regarding English pheasant sold to it by Stuyvesant. While proportionately more and more of the firm income would come from corporate work, such varied clientele and case work continued and helped carry the practice during business downturns.

In 1914, when John Cadwalader died, George Wickersham succeeded him as head of a firm that consisted of eight partners, fifteen associates, and additional staff of twenty-nine. Among its attorneys were three sons of partners who eventually became partners themselves: Cornelius W. Wickersham, Walbridge S. Taft, and G. Forrest Butterworth. Cadwalader, Wickersham & Taft was secure in its place as one of the leading law firms in New York, and it was considered an important member of the "financial bar" for its substantial number of financial and institutional clients. Among the other leading firms practicing law on Wall Street at this time were Cravath & Henderson, founded in 1819; Lord, Day & Lord, founded in 1845; Shearman & Sterling, founded in 1873; Sullivan & Cromwell, founded in 1879; and White & Case, founded in 1901.

New York on the eve of World War I, with a population of five million, was the nation's center of finance and held international prominence. The New York Stock Exchange dominated the securities markets and the major New York banks were paramount in the nation's banking networks; the city's Federal Reserve branch was the linchpin of the newly established central banking system. More importantly, New York law firms were at the heart of the new economic order.



Figure 25. [Opposite] New York Stock Exchange, 1903. The new classical-style Exchange building, designed by George B. Post, symbolized the power of Wall Street finance. Nearly 1,300 securities of America's major companies were listed and traded at this central market.

The declaration of war in Europe in August 1914 led to the mobilization of millions of troops. By the time hostilities were concluded, a generation of young men had been lost. The drain on national economies in Europe and the closing of European stock markets resulted in the further shifting of financial power to New York. Other outcomes of the war, such as inflation, the harsh economic conditions imposed for German surrender, and the popularization of investing through Liberty Bond drives, were among the conditions that led to the hyperactive capital markets of the 1920s, the market crash of 1929, the Great Depression and the New Deal, and eventually, World War II.

After much soul searching and debate, the United States declared war on Germany in April 1917 and then against Austria-Hungary in December. These events affected both the personnel and the practice of the firm. Henry Taft and George Wickersham, too old for active service, were appointed advisors to carry out the Selective Service Law. Cornelius Wickersham, already enrolled in the New York National Guard, went to France where he served on the staff of the First Army, ending the war as a major. Partners and associates alike served in Washington or on the battlefields. The effects of the war were felt by the firm's clients, too, in ways large and small. The Germania Life Insurance Company, for instance, incorporated in 1860 by German-Americans, was renamed the Guardian Life Insurance Company of America in early 1918. This change was part of a wave of such actions by German and other ethnic organizations across the country in response to wartime hysteria which went as far as book burning and the banning of foreign languages in public.

When the war was over, George Wickersham attended the Versailles Peace Conference and reported on its proceedings in articles published in the *New York Tribune*. He believed the United States should join the League of Nations and remained active in promoting better international relations during the 1920s.

He served as Chairman of the Board of the Council on Foreign Relations, founded in New York in 1921 by lawyers and investment bankers interested in world affairs.

Henry W. Taft was also interested in international events, and wanted to broaden the firm's practice in Europe. A Berlin office was opened briefly in the late 1920s, headed by his son, Walbridge S. Taft, to assist the firm's American clients with their European business interests. Such activity was much diminished after the stock market crash and the office was subsequently closed. Henry Taft brought in a number of Japanese clients, reflecting his interest in trade with that part of the world. He published two books on Japan, *Japan and the Far East Conference* and *Japan and America; a Journey and a Political Survey*, and also served as the president of the Japan Society in New York, succeeding George Wickersham in that office. In 1929, Taft was honored by the Emperor of Japan with the Order of the Double Rays of the Rising Sun, Second Class.

In the 1920s, the firm's office work, like that of other Wall Street firms, was highly specialized, mostly involving transactions, negotiations, and documents, rather than courtroom appearances. Corporate financing, in all its manifestations for railroads and major corporations, remained of cardinal importance to the firm's practice, along with the affairs of trusts and estates. Among the associates assigned to deal with railroad receiverships was John J. McCloy. He worked at the firm for three years (1921-24) before moving to Cravath, and then Milbank, Tweed, and later still to a distinguished career in banking and public service.

At the end of the decade, George Wickersham was appointed to chair the National Commission on Law Observance and Enforcement, usually known as the "Wickersham Commission"; another member of the panel was Roscoe Pound, Dean of the Harvard Law School. The multi-volume report of this commission was presented to President Hoover in 1931. Although it was a wide-ranging examination of crime and crime prevention in America, it was chiefly remembered for its comments regarding prohibition. The Eighteenth Amendment to the Constitution, passed in 1919 and implemented with the Volstead Act in 1920, prohibited the manufacture, sale,

or transport of alcoholic beverages. Its widespread evasion spawned a generation of bootleggers and speakeasies, and funded the growth of organized crime. The Wickersham Commission favored keeping prohibition for a few years, even though Wickersham himself believed that the Volstead Act should be repealed, and the decision left to the states. Prohibition was finally repealed in 1933.

By 1929, Cadwalader, Wickersham & Taft was an institution well positioned to deal with the difficult challenges of the Depression and World War II. A formal partnership agreement had replaced the loose ties of association of prior decades and the firm had an established training program to insure partner replacements. Although well-known partners attracted clients as a result of their personal reputations, the firm was clearly a corporate entity with an enduring professional practice that would outlive any single partner. Some vestiges of the older style practice still remained, however. Clients were billed for the value of services rendered, based on rough estimates of labor time. The firm was managed by a senior partner, assisted by a Managing Clerk, an arrangement that persisted until the 1950s.





THE DEPRESSION AND THE NEW DEAL

THE EXPANSION OF REGULATORY LAW, AND PUBLICITY FOR THE FIRM

The Great Depression of the 1930s, precipitated by a sluggish worldwide economy, superheated stock speculation in the United States, and the market crash of October 1929, fundamentally altered American political and economic behavior. The suffering endured by millions of unemployed Americans, often homeless, and standing in long lines for hand-outs of food and clothing, or migrating from foreclosed and drought-stricken farms, galvanized the administration of President Franklin Delano Roosevelt. Temporary employment

programs and permanent restructuring of government responsibilities and agencies characterized the 1930s.

The great array of so-called New Deal legislation changed the lives of all Americans, and many aspects of business, cultural, social, and economic life. It affected the practice of law too. The National Recovery Administration (NRA), for example, was set up to supervise industry regulation of fair trade and fair competition codes. In spite of George Wickersham's opposition to the NRA, which was declared unconstitutional in 1935, the firm drafted twenty-one of these fair trade codes for its clients. Extensive legal supervision of registration statements and prospectuses became a standard part of the firm's services to its investment banking and corporate clients as a result of new regulation of the securities markets under the aegis of the Securities and Exchange Commission, established in June 1934.

The firm's general practice during the 1930s reflected the hard times. There was a great deal of railroad and corporate reorganization work. Not surprisingly, there was an increase in real estate transactions, dispossess proceedings, and foreclosures. In fact, foreclosure work for bank clients accounted for a substantial portion of the firm's annual income for several years. "With his special talent for organization," one firm publication later reported, associate Robert E. Lee "supervised the preparation of the voluminous foreclosure forms on an assembly line basis, directed a battery of process servers, and finally bid in properties for our clients." Thus, one of the firm's oldest areas of practice, real estate, once again helped maintain the income flow during the Depression. The firm was holding its own, and moved its offices in 1933 from 40 Wall Street to 14 Wall Street, the Bankers Trust Company Building.

But the 1930s were not just a time of unmitigated despair, regulation, and belt-tightening. Inexpensive entertainment helped distract people from their troubles. The movies flourished, as did newsreels, newspapers, and radio programs. Cadwalader, Wickersham & Taft attained a new kind of prominence in these media as two of its clients received national and international attention in lawsuits that fascinated the vast American public.

One of the most colorful episodes in the twentieth-century history of the firm involved

one of the richest families in America. When Gloria Vanderbilt's father Reginald died suddenly in 1925, Gloria was eighteen months old and an heiress. Her mother, Gloria Morgan Vanderbilt, asked George Wickersham, an old friend of the Morgans, to help her. He became the guardian of her daughter's property and was assisted, and later succeeded in this work, by Thomas B. Gilchrist. Over the next few years, they managed the arrangements made in the Surrogates Court for an allowance to support the child and her mother in a peripatetic life in Europe and America. When they returned to the United States in 1932, little Gloria began to visit with her aunt Gertrude Vanderbilt Whitney, the sculptor and founder of the Whitney Museum, for longer and longer periods of time.

In 1934, the complex issue of whether the mother or the aunt would be named the child's guardian came to trial. The lurid details of private detectives, the allegations of immorality, the involvement of European royalty, and the little girl's distressing testimony were leaked daily to the press from a closed hearing. Gilchrist, representing the child's property trust, was called as a witness and his testimony about Gloria Morgan Vanderbilt's money problems and conduct over the years may have played a key role in the judge's decision to award custody to Gertrude Vanderbilt Whitney. A decade later, the firm represented the then grown and married Gloria Vanderbilt in a libel action against CBS Radio.

The second headline-grabbing case involved a long-standing client, the Macmillan Publishing Company, for whom the firm routinely reviewed manuscripts for potentially libelous material and handled other business matters. In the spring of 1937, when Margaret Mitchell, author of the best-selling *Gone With the Wind*, which Macmillan had published, was sued for copyright infringement, Cadwalader, Wickersham & Taft had a case with a major celebrity. Susan L. Davis, a frequent litigant and author of *The Authentic History of the Ku Klux Klan, 1865-1877* (1924), claimed that Mitchell had, in some 400 instances, borrowed ideas and information from her book. Davis sought large monetary damages based on the thirty printings of *Gone With the Wind* and a sale of over 1.3 million copies. Mitchell assisted the firm in preparing her case for trial

under the direction of Walbridge S. Taft. She returned to her research notes to prove that she had obtained her information through her own efforts and not from the Davis book, which she claimed she had never heard of, nor seen, before the lawsuit. "In this brief," Margaret Mitchell wrote to Taft, Davis "alleges that I plagiarized such phrases as 'fiery cross', 'Carpetbagger and Scallawag', 'Freedmen's Bureau' etc....these phrases...had been in common use for many years before she published her book in 1924, were part of the common knowledge of mankind and were, so to speak, in the public domain." In the midst of the preparation of the case, Mitchell was awarded the Pulitzer Prize for the best novel published in 1936; among her distinguished co-awardees were playwrights George S. Kaufman and Moss Hart (*You Can't Take it With You*), poet Robert Frost (*A Further Range*), and foreign correspondent Anne O'Hare McCormick (*New York Times*).

In July 1937, Taft asked Judge Henry W. Goddard of the United States District Court for the Southern District of New York to dismiss the copyright suit. Goddard soon granted the motion, noting that "there was no similarity between the two books...in respect to story, plan, or treatment [and]...it could not be seriously contended otherwise." It was the first time a motion for summary judgment was successfully used in an action for copyright infringement.



Figure 26. [Opposite] Top: Letter from Margaret Mitchell Marsh to Walbridge S. Taft, 1937, concerning the copyright infringement suit. Bottom: Excerpts from a court document, prepared by Susan Lawrence Davis, purporting to show similarities between her book, *The Authentic History of the Ku Klux Klan* (p. 146) and Mitchell's *Gone with the Wind* (p. 275).

MARGARET MITCHELL
4 East Seventeenth Street, N. E.
Atlanta, Georgia

Atlanta, Georgia

April 13, 1937

My dear Mr. Taft:

Some time ago I wrote to Mr. George Brett denying the allegation of Miss Susan Lawrence Davis that I had infringed upon the copyright of her book, "The Authentic History of the Ku Klux Klan," with my novel, "Gone With the Wind." I thought Mr. Brett had turned my letter over to you and therefore I did not write to you about this matter. I am now informed by Mr. Stephens Mitchell that you wish a statement direct from me. It is as follows:

Prior to the first letter I received from Miss Davis's attorneys, which was several months after "Gone With the Wind" was published, I had never heard of Miss Davis or her book. After receiving the letter, I attempted to obtain a copy of "The Authentic History of the Ku Klux Klan" in order to see what the basis of her claim might be, but I could not find a copy in any Atlanta bookstore. When I tried to order a copy, one bookseller told me that it would be impossible as the firm which published her book had gone out of business some years ago. I next tried our Carnegie Library where most of my research work for "Gone With the Wind" was done. Their catalogue failed to reveal a copy of Miss Davis's book, nor did the librarian I questioned have any memory of ever having seen a copy. I made inquiries among my friends who are interested in Southern history and found that none of them owned a copy of this book or had ever heard of it. Finally The Macmillan Company obtained a copy for me. I then, for the first time, read the book in part, and I am at a loss as to what she bases her claims of infringement upon. I not only deny that I have infringed her copyright, but deny that I ever saw or heard of her book until she made her claim.

Sincerely,

Margaret Mitchell Marsh

Margaret Mitchell Marsh
(Mrs. John R. Marsh)

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.....The North could call on the whole world for supplies and for soldiers, and thousands of Irish and Germans were pouring into the Union Army, lured by the bounty money offered by the North.

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.....Why, Scarlett, the Yankees are buying soldiers from Europe by the thousands. Most of the prisoners we've taken recently can't even speak English. They're Germans and Poles and wild Irishmen who talk Gaelic.



Figure 27. First Army Maneuvers, 1940. Pictured are Colonel Lindroth, General Drum, and Colonel Cornelius Wickersham. Colonel Wickersham served from 1940 to 1945 in various postings in the United States and Europe. He helped prepare the terms for the German surrender and occupation zones. After the war, he helped reorganize New York National Guard units and retired with the rank of Lieutenant General, N.Y.G. in 1948. Hence, his nickname in the firm, "the General."



Figure 28. Brooklyn Navy Yard, April 1944, launching of the Bon Homme Richard, an Essex class carrier. The Navy Yard employed over 70,000 men and women at its peak during the war. Between 1941 and 1945, workers repaired over 5,000 ships, converted 250 for wartime duty, and built four aircraft carriers, three battleships (including the Missouri), and hundreds of smaller vessels.

WORLD WAR II BRINGS STAFF CHANGES

As the country emerged slowly from the Depression, it was confronted with the mobilization needs of World War II. The bombing of Pearl Harbor on December 7, 1941, a "date which will live in infamy," recast civilian and military life for the next four years. The most immediate impact of the war at Cadwalader, Wickersham & Taft was on staffing. A total of thirty-five partners, associates, and staff left for military service in all branches of the armed forces. Some served in Washington, but many went to the battlefield and earned medals for their valor. From the Philippines to Iceland, from North Africa to New Guinea, and throughout the European theater, they experienced every kind of terrain and war situation.

Faced with such a depletion of its staff, the firm did what many other American businesses were doing in unprecedented numbers: they hired women. While women had long been employed by law firms as secretaries and support staff, the number of women lawyers was insignificant, despite the fact that New York State had granted them the right to practice as far back as 1886. During the Progressive Era and the New Deal, women attorneys had made their mark working for reform causes — before World War I Frances Perkins helped write workplace safety laws and Crystal Eastman was co-founder of the American Civil Liberties Union in 1920 — but rarely gained access to Wall Street.

One exception was Catherine Noyes Lee, daughter of a judge and a graduate of New York University Law School, whom Cadwalader, Wickersham & Taft hired in 1924. An expert in trusts and estates work, and also a skilled appellate litigator, she was made a partner in 1942, the first woman to hold such a position in a major Wall Street law firm. Half a dozen women lawyers joined her at the firm during the war but only one from that group, Helen Devine, remained by the 1950s. The attrition was not unusual, at the firm or elsewhere, for when men returned from the war, they were

given their old jobs back and priority for new ones.

War-imposed matters mingled with the firm's usual business work which was managed by a five-partner budget committee that met once a week. Attorneys advised clients on dealing with government regulations pertaining to military security, Victory Loan applications, and the wartime salary freeze. The evidence of the war was chillingly apparent even in legal documents. In a copyright case being prosecuted in Holland, for instance, official court references changed from "In the name of the Queen" to "In the name of the State" after the Germans occupied the Netherlands. Macmillan Publishing Company consulted the firm about dealing with material of German origin or from German-occupied territories, concerned that paying fees for its use would be considered trading with the enemy. For Vera Brittain, the best-selling British author of *Testament of Youth*, published by Macmillan, Cadwalader, Wickersham & Taft helped make financial arrangements for her children, who had been sent to the United States, should she not survive the war in England.

Henry Taft died on August 11, 1945, the day after Japan surrendered. He was shortly replaced by Cornelius Wickersham as head of the firm. As peace returned to the world, the firm's client base was national in scope, but with international dimensions. It faced the many challenges and opportunities of the postwar world fortified by its proven ability to adapt and change its practice, its organization, and its legal staff.



⇒ 1945–1992 ⇐

*Evolution of a National
Firm with an
International Practice*

INTRODUCTION

The decades following World War II witnessed extraordinary growth in the American economy. Even with United States involvement in the Korean and Vietnam Wars, economic expansion did not slow substantially until the early 1970s. Americans would live better than ever before as the Gross National Product and personal income nearly doubled in real terms. Then, from the seventies to the nineties, the U.S. economy was buffeted by a series of recessions, inflationary periods, real estate booms and busts, and bull markets and declines, followed by a protracted lull in the early 1990s. These factors, as well as the extension of the service sector, especially in finance, a spate of corporate restructuring, and global competition challenges to U.S. manufacturers, all had a profound impact on law firms and their practice.

The post World War II era was marked, too, by a dramatic reshaping of both the workforce and social values, spanning a range of concerns from equal opportunity to the environment. Court decisions and legislation responded to the arguments of social movements and changed attitudes. New technologies led to breakthroughs in space exploration, computer design and applications, and medical research. American exports, a mix of military hardware, civilian manufactured goods, and agricultural products, were sold worldwide, and many domestic corporations became multinational. American and foreign business ventures relied increasingly on the chief New York law firms for financing arrangements and legal acumen to support their global functions. These law firms, in turn, grew geometrically and became much more businesslike in their operations.

New York City experienced comparable changes from the 1950s onward, some synchronized with national events, some specific to the region. Urban renewal, white flight, racial tensions, and increasing homelessness and illness born of poverty, were similar to the experiences of other urban areas, albeit always on a larger scale because of the presence of 7.5

PEACE AND PROSPERITY

THE 1950s AND 1960s

million people. The loss of industrial and manufacturing jobs to other regions and countries, and the emigration of industrial corporate headquarters, were offset — until the market crash of 1987 — by the rapid growth of the service sector, especially in the financial industries and their ancillaries: law firms, accounting and consulting firms, and other related businesses. Tourism expanded apace and contributed to the city's economy, as did the increasing numbers of hardworking new immigrants. The Manhattan skyline and office market were reshaped by successive waves of construction, from the late 1950s to the late 1980s, which changed the density and character of portions of lower and mid-Manhattan, and escalated the price of real estate to undreamed of heights. The rapid pace of tearing down and building up, too, destroyed several New York landmarks and led to historic preservation legislation. With its strong economy, New York City remained, in spite of its problems, the nation's financial and business center, with the requisite critical mass of corporate law firms to assist national and international clients. All of the experiences of the city and the nation were reflected in the development and growth of Cadwalader, Wickersham & Taft from 1945 to 1992.



Rebuilding quickly after the war, Cadwalader, Wickersham & Taft had forty-seven lawyers, including sixteen partners, by 1952. Starting associates were paid \$3,400 to \$3,600 a year, increasing to \$4,000 annually (approximately \$21,500 in 1993 dollars) in the mid-1950s. Starting New York City public school teachers received the same amount, but attorneys at Wall Street firms could anticipate much greater earnings later in their careers. By 1965, the firm had grown to include twenty-two partners and fifty-four associates. The next year, seeking more space, it moved its offices from 14 Wall Street to One Wall Street, the Art Deco skyscraper then owned by the Irving Trust Company, a client of the firm.

Important technological and organizational changes quickly succeeded one another in these decades in the firm's office. Mimeograph machines gave way to photocopiers and computers. The number of summer associates gradually swelled as their hiring became a regular part of the recruiting effort. Finally, the first computerized billing systems appeared in 1969 to track billable time and operational expenses with more accuracy.

These changes, and others, reflected the multifarious management needs of a modern firm. In many instances, they paralleled the changes that were occurring at other Wall Street law firms. Cadwalader had somewhat lagged behind comparable firms in adopting new procedures, a problem that some attributed to the conservative leadership style of Cornelius W. Wickersham, Jr. (son of George W. Wickersham), the senior partner, whose beliefs about client relations and the internal operations of a Wall Street practice were set in an earlier time. A much decorated veteran of World War I and World War II, Wickersham, like many other attorneys of his generation, found it hard to reconcile traditional values and business needs.

The growth in the size of the firm and in the scale of its practice, and increasing competition among law firms for clients, intensified

the problem. As a new generation of partners, led by R. Keith Kane and H. Lee White, came to maturity in the late 1950s and early 1960s, the firm was stimulated by opportunities in the thriving American economy. While the firm's attorneys continued to do litigation, real estate, general corporate work, and trusts and estates, they became increasingly busy with tax matters, shipping industry finance, and international finance, activities that gradually gave rise to new departments and working groups.

In terms of the value of transactions, one of Cadwalader's most active practice areas during the 1950s, 1960s, and 1970s was shipping. Indeed, Cadwalader became one of the major ship financing law firms in the United States. The shipping business faltered in the early 1980s due to the combined long-term effects of the oil embargo and industry over-capacity, and the firm participated in the nation's largest shipping bankruptcy, foreclosing on twelve ships of the United States Lines as admiralty counsel of the secured creditors. So important was this work that the firm opened an office in London for several years in the early 1970s, after the Interest Equalization Tax and the Foreign Direct Investment Program made it more advantageous for the firm's shipping clients to invest offshore, including in England.

Cadwalader's shipping practice was varied and innovative. It grew out of the business interests of partner Lee White, a former Assistant Secretary of the Air Force and principal owner and chief executive of Marine Transport Lines. His companies competed successfully for international trade with those of such Greek shipowning magnates as Stavros Niarchos and Aristotle Onassis. Moreover, when White and his business partners acquired the American Steamship Company and its affiliated lines, they became the major operator of commercial vessels on the Great Lakes.

For its New York clients, the firm arranged the first Title XI insured and guaranteed loans for new and reconstructed U.S. flag ships pursuant to the rejuvenated Merchant Marine Act of 1936. Cadwalader also originated ship financings based on blue-chip time charters. Multi-million-dollar financings were put together for the precedent-setting construction of enormous tankers to carry oil and other materials such as liquid ammonia, propane gas, and molten sulphur. In 1974, Cadwalader participated in the largest shipping transaction

to that time, a \$1 billion contract for the construction of LNG (liquefied natural gas) ships. Also in the early 1970s, the firm drew up a unique leveraged lease: the only time ships were built with private funding for lease to a United States government agency, the Military Sealift Command; the tankers delivered fuels to Navy ports and ships.

The firm's maritime practice comprised a wide range of shipowning and financing activities and admiralty litigation. Shipping work meant closing deals simultaneously in several time zones among shipyards in Sweden, the Netherlands, Germany, and Japan, ownership registration offices in Turkey and Liberia, and financial offices in the United States. Long-distance travel became routine in such negotiations. Firm attorneys might write a contract for the conversion of World War II ships to peacetime use, oversee the repair of a tanker caught in the Cuban Revolution, or evaluate the boycott — of ships flying so-called flags of convenience — by the National Maritime Union and the Seafarers Union.

Perhaps the most unusual maritime case involved the sudden disappearance of the *Marine Sulphur Queen* in February 1963 in the Gulf of Mexico, with the loss of all hands and a cargo of molten sulphur. Cadwalader represented the owners, Marine Transport Lines, in the suits that followed; the final decision led to a new legal doctrine affirmed by the Second Circuit Court of Appeals. The Court held that since ships do not normally disappear in expectable weather conditions, unseaworthiness could be presumed and the owner/operator could be held responsible for the loss. This holding has been cited in numerous cases since it was established in 1972.

Cadwalader, Wickersham & Taft strengthened its corporate financial practice in the post-war years. The firm helped arrange financing in the 1960s for Holiday Inns as it grew from a southern regional business into a national chain, expansion which reflected the construction of the interstate highway system and the subsequent growth in business and leisure travel. The firm's securities practice increased, including work for issuers and underwriters, and registration and listing for such clients as American Enka Corporation, Western Auto Supply, Macmillan, Consolidated Diesel Electric, Mohawk Business Machines Corporation, and Household Finance Corporation, a client since 1928. The firm drew up the charter and

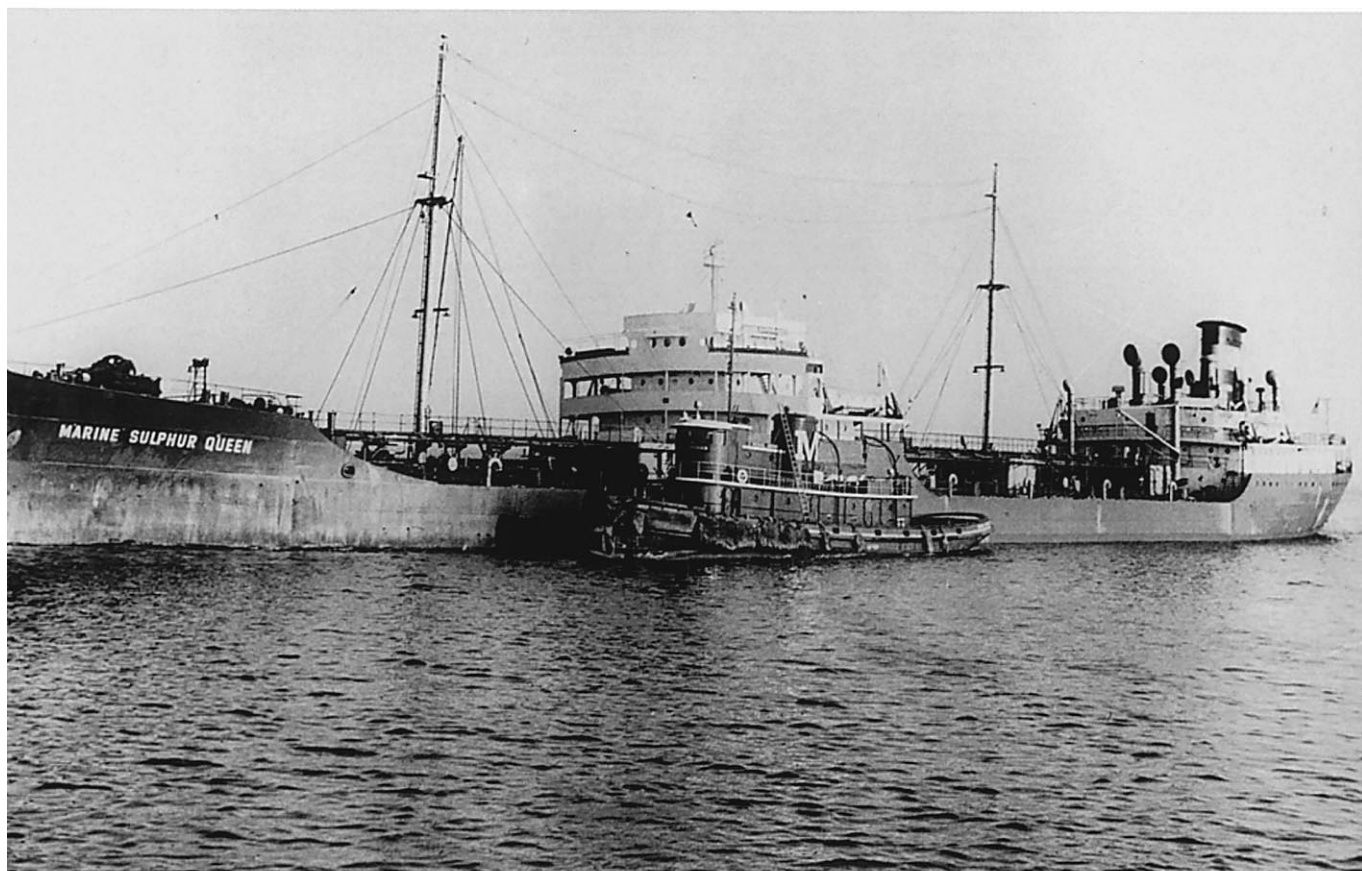


Figure 29. Marine Sulphur Queen, c. 1962. Originally built in 1944 as a T-2 type tanker for service in World War II, the boat was converted in 1960 to carry molten sulphur, the first such vessel of its kind. The Marine Sulphur Queen went down with thirty-nine crewmen while sailing from Texas to Virginia. This tragic loss was popularly attributed by some to the mysterious forces of the "Bermuda Triangle."



Figure 30. Cadwalader, Wickersham & Taft Partners, 1962.

Seated, front row: H. Gilmer Wells, Catherine Noyes Lee, Richard N. Crockett, Charles W. McConaughy.

Seated, second row: William C. Clarke, John J. Redfield, R. Keith Kane, Cornelius W. Wickersham, H. Lee White, Robert E. Lee, Daniel C. Draper.

Standing: Henry Allen Mark, Harold W. Conroy, Peter Van Dyk Berg, Richard T. Taylor, J. Franklin Van Deren, William J. Moss, John A. Sullivan, Jacquelin A. Swords, Peter Megargee Brown, Orrie P. Stevens.

The only partner from this era still in practice in 1994 was William Moss.

indenture for revenue bonds to fund the Alaska State Development Corporation, created by the Alaskan legislature in 1961, shortly after statehood was granted. It oversaw the merger of one of its oldest clients, the Bank for Savings, the first mutual savings bank in New York, with The New York Savings Bank, thus creating The New York Bank for Savings. Cadwalader was counsel for several mutual funds, an increasingly popular investment medium first regulated by the Investment Company Act of 1940. Firm attorneys arranged various forms of private financing, bond issues, and investments for banking, insurance, and institutional investor clients.

Months of headlines accompanied the famous "Salad Oil" case, a vast financial swindle involving the firm's client, the debtor, American Express Warehousing Ltd., a subsidiary of American Express. Claims for over \$200 million, charges of fraud, forgery, and misrepresentation, and bankruptcy proceedings were all part of the related litigation precipitated in 1963 when a financial juggling act orchestrated by Tino De Angelis collapsed. Legal action was triggered when storage tanks in Bayonne, New Jersey, owned by the warehousing company — which were supposed to contain millions of gallons of vegetable oil, allegedly deposited by Mr. De Angelis and used as collateral by him for bank loans — were discovered to be empty. Jacquelin A. Swords, Cadwalader's senior litigation partner, represented the warehouse company in a trial in which American Express was adjudged financially responsible for its subsidiary's obligations. Because of the size of the settlement and a long payout schedule, it was fifteen years until all creditors were satisfied and the case was closed.

The firm's real estate practice reflected the immense surge in construction during this period in New York, and other cities, which had seen little new building since the Depression. Cadwalader devised new financing techniques and closing arrangements in response to the unprecedented size of property deals and the sizable number of participants. As one Cadwalader associate noted in 1959 about these negotiations, the "new Xerox (sic) machine proved its worth."

Cadwalader's real estate work was inspired, too, by the creative thinking of partner John J. Redfield. He originated plans to expand interstate investment in mortgages by pension trusts and banks, ideas which eventually re-

configured national mortgage markets. The firm's real estate lawyers bought portfolios of federally insured mortgages worth millions of dollars for their clients, especially the Bowery and Manhattan Savings Banks, and the Prudential Insurance Company. Experience in such mortgage banking paved the way for Cadwalader's development of the securitization of mortgages for the Federal Home Loan Mortgage Corporation ("Freddie Mac") in the 1970s.

Among the New York real estate projects handled by the firm were the construction of 20 Broad Street, Seward Park Housing — one of the larger redevelopment schemes in the city — and the sale of 40 Wall Street, at the time the fourth tallest building in the world. The 1959 auction of 40 Wall Street was televised, due to the anticipated price of the sale and the participation of such real estate giants as William Zeckendorf. Another client was the Empire State Building, then the world's tallest structure, where Cadwalader had a small branch office. New York television stations sought leasing rights to the Empire State's transmission tower, and Cadwalader drew up the contracts for this important venture which symbolized New York City's primacy in the broadcasting industry. There were also out-of-town real estate transactions, including shopping centers, apartments on Chicago's Lake Shore Drive, and the early Rossmoor retirement projects in California. The latter helped to define a new sector of the housing market for the rapidly expanding retirement-age population. In the early 1970s, the firm organized and helped finance numerous Real Estate Investment Trusts (REITs) modeled on mutual funds.

Corporate work encompassed a mix of conventional and new areas of practice, precipitated by changes in the law and in sectors of the economy. Complicated, often decades-long reorganization work continued for such rail lines as the Missouri Pacific Railroad, Wisconsin Central Railroad, Central Railroad of Vermont, Florida East Coast Railroad, and the Atlantic Coast Railroad. The same expertise was applied to quicker industrial reorganizations like that of Goodyear Tire & Rubber.

Corporate practice, as well as one of the firm's oldest areas, estate planning, were also influenced by the 1954 revision of the IRS Tax Code. Tax planning became much more essential for all individual and corporate clients, for both domestic and international matters. H. Gilmer Wells, who became a part-

ner in 1953, laid the foundations for this new tax practice and its critical role in business organization, restructuring, and litigation.

Known since the days of George Wickersham for its antitrust work, the firm's corporate lawyers provided antitrust advice to a group of trade associations, along with counseling on other matters. Cadwalader's clients included trade associations representing manufacturers of glassware, asbestos shingles, roofing and siding, electrical insulation, home insulation, woolen products, plaster aggregate, screws, slide fasteners, and cotton sewing thread. The firm represented asphalt companies in a novel Federal Trade Commission antitrust suit that charged geographical price discrimination against manufacturers rather than against customers. Cadwalader was retained in a treble damage action against phosphate rock and fertilizer companies in which its client, Interore, was one of the defendants. In an important criminal antitrust case, the firm negotiated a consent decree for its client, the Mortgage Conference, which had been charged with stifling competition.

Spanning the 1950s and 1960s was a considerable escalation in American merger and acquisition activity, and this was also reflected in Cadwalader's corporate practice. The firm represented many well-known American companies: Rayco, a manufacturer of shock absorbers, mufflers, and seat covers, when it was purchased by B.F. Goodrich; Clearasil, a producer of skin care remedies, when it was purchased by Vick Chemical Corporation; Harrison Laboratories, when it was purchased by Hewlett-Packard; Interore, a fertilizer company, when it was purchased by Occidental Petroleum; and Holiday Inns of America, when it purchased Continental Trailways System in one of the major acquisition deals of the era. Acquisition work was a double-edged sword, however. The firm had served as general counsel to Amerada Petroleum since its founding in 1920, and advised it as it became the world's largest crude oil producer. Firm attorneys traveled frequently to London and Libya, where Amerada had concessions, to help negotiate the price per barrel, and Keith Kane was elected to the company's board of directors. But Cadwalader lost its valued client when Amerada was merged with Hess Oil and Chemical Company, a refiner and distributor, in 1969.

Other post-war corporate work concerned trademarks. In 1957, Cadwalader defended Vanity Fair, a Canadian apparel company, in a suit against it by the U.S. company bearing the same name. The Second Circuit held in a landmark ruling that U.S. courts lacked jurisdiction over Canadian citizens and Canadian trademark law. In an American trademark case a few years later, the firm brokered a peaceful resolution of a dispute over the use of similar food packaging terms, and associate Edward Abbe Niles concluded with the following counsel:

That a soft, quick informative answer may turn away wrath; that a good, old name and reputation can be an asset; and that clients had better at least have a search, if not a consultation, before adopting anything that even looks like a trade-mark.



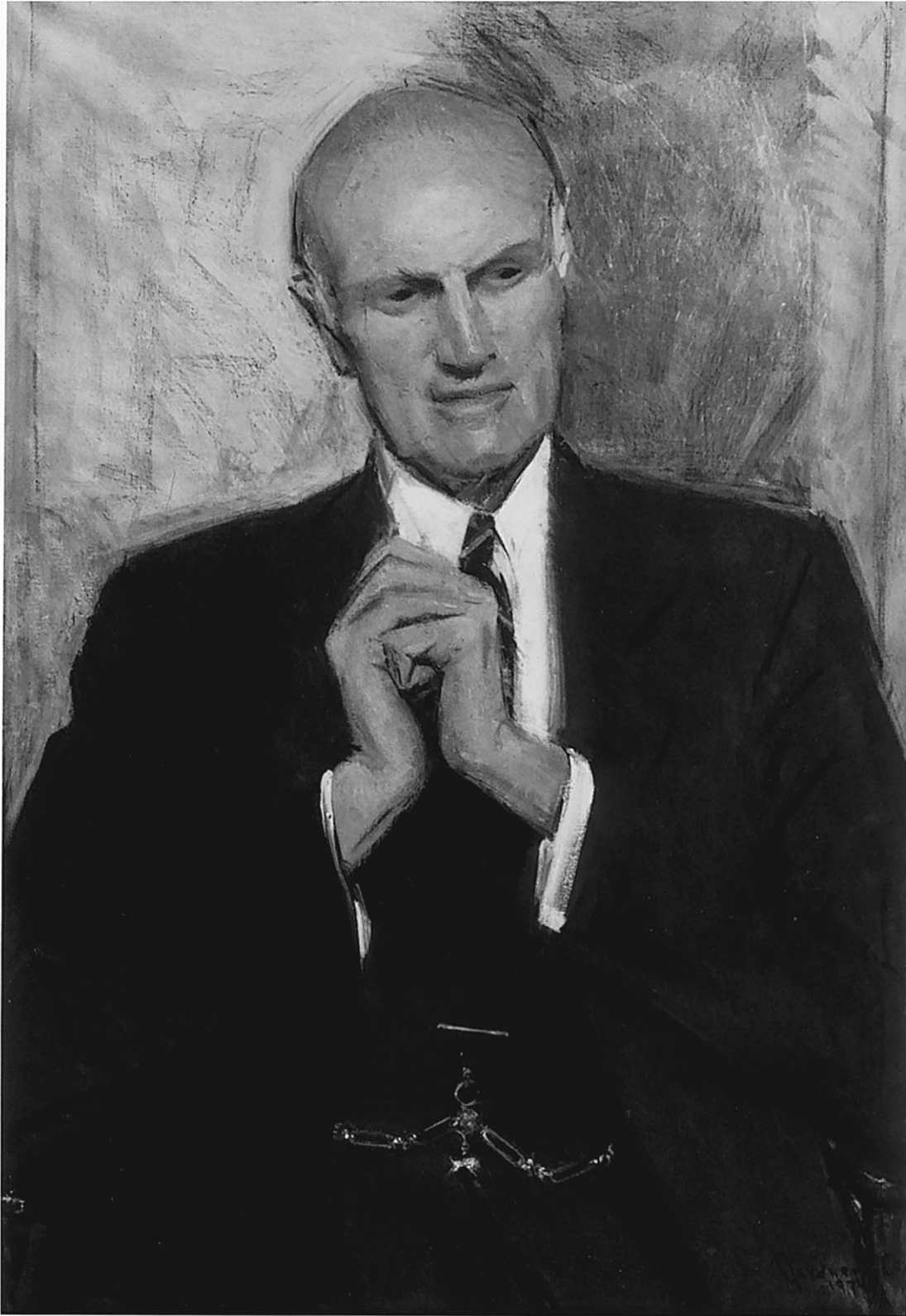


Figure 31. Portrait of R. Keith Kane (1900-1974) by Gardner Cox, 1974. Before Kane went to law school, he made a name for himself as an athlete: as captain of a winning Harvard Rose Bowl football team and as a member of rowing crews at Oxford and Henley in England. He joined Cadwalader, Wickersham & Taft in 1926 and became a partner in 1932.



Figure 32. Villa I Tatti, Settignano, Italy. Mr. Berenson said of I Tatti, "If survival after death were conceivable, I should wish to be the indwelling soul of my house and library...I should like to haunt it."

PHILANTHROPIC AND CULTURAL CLIENTS

A longstanding area of practice for Cadwalader, Wickersham & Taft was its distinguished group of charitable and philanthropic clients. During the Eisenhower, Kennedy, and Johnson years, these included such religious organizations as the Episcopal Diocese of New York (of which partner G. Forrest Butterworth, Jr. was the Chancellor, and also a Trustee of the Cathedral of St. John the Divine), and the Sisterhood of St. Mary. The Community Service Society was formed from a 1938 merger of the Community Organization Society and the Association for Improving the Condition of the Poor, both nineteenth-century clients of the firm. At least one partner was well occupied with the work of the Salvation Army, which had been a client since the 1920s. The firm advised the Army with respect to business matters, including retirement and pension plans; the establishment of medical facilities, such as Booth Memorial Hospital in New York; and real estate, financing, wage, and endowment matters. It prepared, too, the 1959 litigation concerning the Salvation Army's joint holding of copyrights and licenses in the cartoon strips *Mutt and Jeff* and *Cicero's Cat*: the issue involved was whether one co-owner could license the use of the cartoons without the consent of the other co-owners.

Cultural and civic organizations were also on the firm's not-for-profit roster. Cadwalader helped establish the Henry Morrison Flagler Museum at Whitehall, the Palm Beach mansion built in 1902 by the Florida oil and railroad magnate. The firm even directed a search among several states for all of the components of Flagler's personal railroad car, which were brought together and restored as part of the museum's collection.

Keith Kane went to Florence in 1960 to represent Harvard University as a beneficiary of the Bernard Berenson Estate. Berenson, a famous scholar and connoisseur of Florentine Renaissance art, had hosted many well-known guests, including Edith Wharton, Bertrand Russell, Cosima Wagner, and Harry Truman, at his fifteenth-century Italian home, the *Villa I Tatti*. He left the villa, along with its splendid

art collection and rare book library, and an endowment, to Harvard to be used as a center for humanistic studies.

In the legal arena Cadwalader served as counsel to the Grand Jury Association of New York County, which had been founded in 1913 to augment the effectiveness of the grand jury system. The firm's first assignment, in 1958, was the preparation of a report on wiretapping, which argued that "telephone interception of racketeering activities under judicial restraint is needed to protect society from the increasing efficiency of organized crime." In an era when gangsters were killed in barber shops, and crime-controlled labor union violence was frightening citizens in several major cities, such a position was broadly supported. Yet this was but the beginning of a debate that would be waged for the next thirty years pitting domestic security against privacy concerns as more and more sophisticated communication technologies made it easier to eavesdrop.

One famous, and oftentimes controversial, not-for-profit organization on the client list was the Margaret Sanger Research Bureau. Cadwalader provided the Bureau with assorted legal services in the 1960s and then prepared its merger with Planned Parenthood of New York in 1973. Margaret Sanger had founded the birth control movement in America, and some of her important legal battles took place in New York City, ranging from government suppression of her newspaper, *The Woman Rebel*, to her conviction in 1916 for operating a birth control clinic in Brownsville, Brooklyn.

Work for a number of illustrious clients in music, art, entertainment, and literary endeavors cut across several departments in the firm. Such a client was a nephew of the painter Winslow Homer who became embroiled in a custody dispute over his uncle's estate. For W.C. (William) Handy, the great Jazz Age orchestra leader and blues composer, Cadwalader prepared the contracts in 1956 for the movie *St. Louis Blues*, the story of Handy's life, starring many eminent African-American entertainers, such as Nat King Cole, Eartha Kitt, Ella Fitzgerald, Cab Callaway, Ruby Dee, and Mahalia Jackson, and featuring many celebrated Handy songs, such as the *St. Louis Blues*, the *Beale Street Blues*, and the *Yellow Dog Blues*. The firm also wrote the contract for Handy's autobiography, *Father of the Blues*, for which Cadwalader attorney Edward Niles

authored the preface. A specialist in patent and copyright litigation, as well as a gifted amateur pianist and music arranger, Niles collaborated with Handy on *A Treasury of the Blues* and penned the entry on jazz for *The Encyclopedia Britannica*.

In publishing, Cadwalader helped arrange the merger of two of its clients, Macmillan Publishing Company and Crowell-Collier Publishing, and then remained as general counsel for the new company. Macmillan operated under its own name, and the firm supervised many Macmillan acquisitions including Berlitz, Free Press, Brentanos, and Katherine Gibbs, during the merger and conglomerate boom of the 1960s. Another city-based publishing client was the *New York Review of Books*. Cadwalader oversaw the financial restructuring of the *Review*, its purchase of both the Readers Subscription and the respected Kirkus Review Service, and the establishment of the Garden Book Club.

Carlotta Monterey O'Neill, third wife of the playwright Eugene O'Neill, became a client of the firm after her husband's death in 1953. Cadwalader represented Carlotta in licensing productions of O'Neill's plays, including the first production of *Long Day's Journey Into Night*, which won O'Neill a third Pulitzer Prize, awarded posthumously, in 1957. After Mrs. O'Neill bequeathed her rights to Yale University, the firm represented Yale by collecting royalty checks and negotiating international publishing fees for the plays.



MODERNIZATION AND EXPANSION OF THE FIRM IN THE 1970s AND 1980s

By the time Cornelius Wickersham died in 1968, his highly centralized style had been replaced by more consensus-based decision-making. Two partners, in particular, were responsible for this change. Keith Kane and Lee White were as adept at charting new directions for governance and administration as they were for bringing business to the firm. Kane, who became presiding partner of the firm upon Wickersham's death, shared power and responsibility with a new senior partners' committee. A graduate of Harvard and Oxford, and a member of the Harvard Corporation, Kane was widely respected and admired for his civilian service to the Navy in World War II and for his work framing the United Nations Charter. What Kane and White brought to Cadwalader, Wickersham & Taft was a feeling for collegial governance and an appreciation of modern business practices that would serve the firm well through the next twenty-five years of rapid growth. Under the new regime, Cadwalader was able to maintain its reputation for quality even while expanding from 22 partners in 1965, in one office, to 107 partners in 1994, in four offices.

The operation and management of the firm was considerably restyled from 1968 to 1992, to keep up with the volume of work and the spread of business nationwide. In the early 1980s, under the leadership of George D. Reyecraft and Jerome Shelby, a management committee was established to deal with all the issues of what had become a large business organization. Elected by the partners, it grew from five to twelve partners, representing all the offices and major practice groups. The management committee designated four of its members to serve as an executive committee, while a full-time administrator was appointed to oversee day-to-day office operations. Progressive computerization gave staff expanded legal research and production capabilities.

Figure 33. W.C. Handy with the sheet music for the "St. Louis Blues," 1949. Cadwalader attorney Edward Niles began to represent Handy in the 1920s, at which time it was unusual for a Wall Street lawyer to have a prominent African-American for a client.



Honor Retiring Head of Advisory Board of Salvation Army



Mr. Henry W. Taft, who has retired as chairman of the New York Advisory Board of the Salvation Army, receives the Order of Distinguished Auxiliary Service from Commissioner Alexander M. Damon of the Eastern Territorial District of the Salvation Army at a luncheon in the Hotel Waldorf-Astoria, New York, Jan 7.

Left to right: Mr. Walter Hoving, President of the Salvation Army Association; Commissioner Damon; Mr. Taft; Genevieve Booth (retired), daughter of the founder of the Salvation Army; Mr. Thos. J. Watson, chairman of the committee. charge of the luncheon. The scroll presented to Mr. Taft was sent via Clipper from the Army's International Headquarters in London.

Figure 34. Henry W. Taft honored for his service with the Salvation Army board, 1941. His son, Walbridge S. Taft (1884-1951), also served as counsel and chairman of the Board of Directors of the Salvation Army Association of New York for many years.



Figure 35. Eugene O'Neill and Carlotta Monterey O'Neill. An off-Broadway revival of "The Iceman Cometh" and the first Broadway production of "Long Day's Journey Into Night," both directed by José Quintero, were playing to packed theaters in New York in 1956.

More businesslike management structures came to characterize the internal operation of the firm, but external factors also redefined the firm's work. After 1970, state laws and American Bar Association regulations changed to permit law firms to cross state lines. As a result, many leading firms established offices in new locations to better serve their national clients.

Cadwalader, Wickersham & Taft expanded first to Washington, D.C. where it opened a "convenience office" in 1963. There, its lawyers could meet clients and ready themselves for appearances before federal courts and agencies. There was a growing need, however, for a full-fledged office to deal with federal entities. The Washington office originated in 1967 when Stephen N. Shulman, former chairman of the Equal Employment Opportunity Commission, became the firm's Washington counsel; his firm, Kane, Shulman and Schlei, merged with Cadwalader in 1971. The office gradually expanded in size to thirty-one lawyers by 1982, and forty-two lawyers by 1994 when major areas of practice were tax, securitization, regulatory work with many government agencies, especially the Securities and Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC), corporate work spanning all aspects of business law, employment issues concerning equal opportunity claims, computer law, white-collar crime, and substantial environmental work. The Federal Home Loan Mortgage Corporation remains a major client.

Cadwalader opened a Palm Beach office in 1980 under the direction of partner Roy Albert Povell, a tax specialist who had previously practiced in the New York office. By 1994, Palm Beach had sixteen attorneys, and clients included shipping and cruise lines, and agricultural processors. Corporate and tax law, private client representation, and litigation, including white-collar crime, were central to the practice which offers services in many other fields of law.

In another carefully planned expansion, Cadwalader started an office in Los Angeles in 1988. This decision was made in part to position the firm for new clients engaged in the region's growing trade with Pacific Rim countries, but even more importantly, to take advantage of the opportunities offered by Southern California's key regional and national economic role in agriculture and manufacturing, as a magnet for corporate headquarters,

and as the home of the two busiest American ports. Six years later, Cadwalader had thirty-five lawyers in Los Angeles with strong practices in real estate and environmental law, commercial litigation including consumer products and products liability, and corporate work dealing with equipment leasing, structured finance, and tax law. The office is known for its public law litigation practice in the complicated and difficult area of voting rights litigation, and represents many California cities and counties, and school and hospital districts.



LITIGATION AND NEW PRACTICE AREAS

TRANSFORMATION IN SCALE AND SCOPE

Fueled by changes in law and society which made the courts more active tools for new departures in health, environmental, securities, discrimination, and product liability law, litigation work grew rapidly in the 1970s and 1980s at Cadwalader. Only about a dozen Cadwalader lawyers litigated in the mid-1960s; by 1994, over one hundred attorneys attended to cases which cut across all practice areas. An experience common to all major law firms, the expansive pace of litigation slowed only in the early 1990s.

Litigation had always been a service for Cadwalader's corporate clients, but it expanded rapidly with the firm representing both plaintiffs and defendants. This process was guided by George D. Reycraft, who became a partner in 1963. Reycraft was an experienced prosecutor who had served for ten years in the Antitrust Division of the Justice Department, concluding his career there as Chief of Section Operations. Not only did the number of cases rise, but the size of the settlement awards and the number of claimants grew as well. These complex cases required carefully crafted strategies. Cadwalader lawyers with specialties in corporate, antitrust, tax, bankruptcy, environmental, medical malpractice, and criminal law all participated in an interdisciplinary approach that became more and more characteristic of such litigation in the 1970s and 1980s. Cadwalader drew not only on its long-established specialties but built new ones too.

Cadwalader litigation attorneys were involved in a number of high-profile and precedent-shattering cases involving the media and government agencies. In the 1970s, the firm broke new ground when it took the Internal Revenue Service (at 120 Church Street) and New York State (at 400 Broome Street) to court. It won both these cases. With the IRS, three trials and three appeals established the principle that the government, "the Sovereign," could be sued and held liable for lease con-

tracts. In the 1980s, when New York State decided to decommission the controversial nuclear power station at Shoreham, Long Island, the firm handled administrative proceedings with the state and federal governments. Previously, Cadwalader had represented the Long Island Lighting Company (LILCO), along with eight other public utilities, in a suit against Westinghouse Electric for not fulfilling its uranium delivery contracts for the operation of Shoreham; a substantial settlement valued at \$140 million was made to the utilities.

Media litigation established the firm's reputation in libel law in an era when several cases made headlines. In 1982, when *Sharon v. Time* and *Westmoreland v. CBS* were being heard in New York courts, Cadwalader was concerned with an equally publicized case, that of *Tavoulareas v. The Washington Post*. William Tavoulareas, president of Mobil Oil, sued the newspaper for defaming his, and his son's, reputation. The firm won a \$2 million jury verdict against the newspaper, the only time this had happened to the *Post*. While the award was eventually overturned on appeal, the case nonetheless had important First Amendment repercussions for the law of libel. This case led to an expanding practice in First Amendment, media, and communications law. The latter encompasses computer-related intellectual property rights and technology law, areas which receive attention in the Washington and Los Angeles offices as well as in New York.

Two product liability cases suggest the startling new dimensions of litigation work. Cadwalader participated in the case with the largest number of plaintiffs in American history, a class action involving upwards of two to three million Americans who served in the military in Vietnam, and who claimed injury by Agent Orange, a defoliant sprayed on the jungles by the U.S. military. The firm defended Diamond Shamrock, one of the manufacturers of Agent Orange. Cadwalader helped structure the pathbreaking trust and claims processing administration as part of the pre-trial settlement, in 1984, negotiated under the direction of Federal Judge Jack B. Weinstein of the Eastern District of New York. As a result of this experience, Cadwalader was retained for toxic torts suits filed against asbestos and chromium manufacturers.

Soon after the Agent Orange case was

settled, Cadwalader was hired to represent the Claimants' Committee formed on behalf of 300,000 women injured by the use of the Dalkon Shield birth control device manufactured by the A.H. Robins Company. The economic, medical, and epidemiological evidence presented by the firm in the Richmond, Virginia court of U.S. District Judge Robert R. Merhige, Jr. culminated in 1989 with a settlement of almost \$2.5 billion for Cadwalader's clients, an enormous increase over the terms originally proposed, and marking it as a milestone mass tort bankruptcy case.

Litigation exploded in the financial arena in the 1980s as insider trading and white-collar crime became increasingly vulnerable to prosecution. As the frenzied financial markets drove more people to skirt the law, changes in government policy led to more charges and trials. Cadwalader represented investment banks and securities and commodities dealers in connection with fraud losses due to trading misconduct, and also became one of the authorities on clearing and settlement cases, as well as in bankruptcy proceedings, whose numbers grew exponentially after the market crash of 1987.

A small sampling of Cadwalader cases is illustrative of a decade of financial litigation related to widespread unprofessional or illegal behavior. In the Fund of Funds case, the firm represented the Canadian liquidator of the Fund's assets which had been improperly audited. In 1981, a jury verdict awarded \$87 million to Fund shareholders, to be paid by Arthur Anderson & Company. It was the largest judgment to that date against an accounting firm; the case was subsequently settled on undisclosed terms. Other pieces of well-publicized litigation handled by the firm were the Lombard Wall bankruptcy, the Equity Funding securities' fraud, the Hunt brothers' silver market schemes, the activities of Ivan Boesky with Drexel Burnham and Michael Milken, the Crazy Eddie securities fraud and bankruptcy, and the federal investigation of trading activities in the U.S. Treasury bond markets.

Litigation was an important component, though not the only activity, in several new practice areas of the 1980s that included consumer products, the environment, and health care. Consumer product work was a response to the burgeoning consumer movement, and also a reaction to the pressures of increasingly

competitive product lines. Thus, the firm acquired clients in the food, beverage, personal products, and drug industries. Assignments included brand name protection and consumer product defenses for such merchandising giants as Unilever.

A separate practice in environmental law was launched in 1980, coinciding with the upsurge in public awareness of environmental concerns and more stringent regulations at every level of government. The New York, Washington, and Los Angeles offices offered services in compliance counseling, due diligence, negotiation, science policy, and the full spectrum of litigation issues: water and air pollution, radioactive hazards, occupational safety, toxic torts, Superfund cleanups, and white-collar crime. The firm succeeded in having two sites removed from the Environmental Protection Agency's National Priorities List (Superfund), including the first site ever delisted through litigation.

The third new practice was in health care. In a serious challenge to across-the-board reductions in Medicaid reimbursement rates by the New York State Department of Health, Cadwalader litigators won a \$28 million judgment in 1991 on behalf of the New York State Association of Counties (*NYSAC v. Axelrod*). By 1993, Cadwalader represented half of the nursing home industry in New York State; among its clients were the not-for-profit nursing home association (NYSAC), and numerous individual homes, hospitals, home care providers, senior housing facilities, and diagnostic treatment centers. The firm had also expanded its practice nationally to cover all issues in the health care field.



CORPORATE, REAL ESTATE, AND TAX WORK

INNOVATIVE FINANCIAL TOOLS REVOLUTIONIZE THE PRACTICE

The Corporate practice at Cadwalader which emerged from the dynamic economy of the 1950s and 1960s into the increasingly international business world of the 1970s and 1980s embraced the full range of typical legal matters — company structure and operation, finance, mergers and acquisitions, joint ventures, regulatory matters, real estate, and other pertinent areas such as employment and benefits — but the firm's innovations in corporate finance recast both its practice and clientele, and the activities of domestic and international money markets.

Building on the financial expertise developed in the 1970s representing Freddie Mac, the firm's attorneys created an array of financial products which became the core of a major new practice in "securitization." These products not only transformed the nation's financial markets but, under the leadership of partner Rodney S. Dayan, securitization became the firm's largest practice in the 1980s.

In this practice, Cadwalader pioneered in the creation of mortgage- and asset-backed securities, including pass-through certificates, guaranteed mortgage certificates, and most significantly, "Collateralized Mortgage Obligations" (CMOs). Cadwalader represented Freddie Mac in the first ever issue of CMOs, a billion-dollar offering, in 1983. Cadwalader then helped First Boston and General Motors Acceptance Corporation structure the first significant financings of automobile receivables, including a \$4 billion transaction, the largest non-governmental public offering to that time. With Goldman Sachs, the firm structured the first public securitization of credit cards, by RepublicBank of Delaware in 1986, and then helped the investment firm develop stripped mortgage-backed securities for the Federal National Mortgage Association ("Fannie Mae"). In the early 1990s, Cadwalader represented the

Resolution Trust Corporation in its original public offerings of pass-through certificates backed by commercial mortgage loans. The firm represented, too, one of the nation's great insurance companies in a \$450 million securitization of life insurance policy loan-backed bonds, the only transaction of its kind. By the end of 1993, Cadwalader had participated in more than \$725 billion of public securitization transactions. In 1992 alone, the firm closed transactions worth more than \$190 billion, approximately forty-five percent of the public mortgage- and asset-backed transactions in the United States that year.

The creative approach exemplified by the firm in its securitization practice was matched by new directions in its market regulation and trading practice, inventiveness that influenced the growth of the firm and reshaped the industry worldwide. The pioneering work of former partner Thomas A. Russo — who moved to a major investment banking client of the firm in 1993 — gave the firm one of the most comprehensive commodities/securities practices in the United States. Russo's unique background in securities and commodities law — based on service at the SEC and as the first head of the Division of Trading and Markets of the CFTC, where he wrote the rules of the new agency — gave the firm a singular advantage in establishing its credentials. It attracted new clients from among the leading banks, exchanges, and investment houses with its expertise in compliance programs, use of futures, and trading of hybrid products. Cadwalader savored a coup in 1978 when it obtained for Mocatta Metals, one of the world's leading dealers in precious metals, a dealer-option exemption from the commodities law. More milestones followed: helping the Philadelphia Stock Exchange get permission from the SEC to introduce foreign currency options and shaping the currency contract on the exchange that would permit investors to hedge currency risks; getting the first approval from the SEC for financial institutions to establish securities brokerage offices on their premises; developing commodity pools modeled after mutual funds; and forming a joint venture for Nomura Securities, the world's largest securities firm, with Tudor Investment Corporation, to trade commodities futures.

Cadwalader's proficiency in derivative products also attracted new clients and professional recognition. In the mid-1980s,

Cadwalader began a major swaps and derivatives practice which became one of the largest in the nation; the firm accepted an invitation to join the board of the International Swaps and Derivatives Association. Joint ventures for proprietary trading in securities and derivative financial products were structured by the firm for clients trading on the London, Tokyo, Frankfurt, and Stockholm exchanges.

Cadwalader clients in financial products represented a who's who of the financial industry in the United States, comprising the leading practice in the field.

More customary corporate finance work proceeded apace, modified too by Cadwalader attorneys and by the needs of the booming financial markets of the nation. The scale of public offerings for clients was much enlarged. In 1979, the firm helped structure the first major leveraged buyout (LBO), for Houdaille Industries, when it was acquired by Kohlberg, Kravis, Roberts, and then went on to engineer many acquisitions during the merger wave of the 1980s. The range of clients profiled the American economy, including the airline, computer, communications, media, construction, commodities, high tech, sports, shipping, manufacturing, metal, banking, and consumer credit industries. Just a few names suggest the variety: representing Holiday Inns as it acquired Harrahs Casino in Las Vegas; Household Finance Corporation in contested and uncontested acquisition matters; and Northwest Airlines when it acquired Republic Air.

Long established areas of the firm's practice not only thrived but were altered by its adept use of structured finance. This was especially true of Real Estate, which merged with the Corporate practice group in anticipation of changes in the real estate industry. Cadwalader's clients were no longer limited to the valued banks and insurance companies which had been the backbone of the real estate practice for more than a century. Investment bankers, corporate owners, developers, and lenders from around the nation sought the firm's assistance in complicated financing and joint venture transactions. The real estate practice was also instrumental in the application of new theories in urban planning and zoning, most notably in "air rights."

The firm developed one of the nation's largest groups for whole loan trading. After the commercial real estate market collapsed in the late 1980s, real estate work involved

rehabilitations, workouts, foreclosures, and bankruptcies. Subsequently, in the 1990s, when the real estate industry turned to the capital markets and Wall Street, Cadwalader, with its real estate, whole loan, and securitization practice, became a leader in refinancing America's commercial real estate. Cadwalader also acquired clients among the massive real estate related insolvencies in the decade, representing one of the major creditors of Olympia & York, and the Rehabilitator of Mutual Benefit Life Insurance Company.

Two other corporate practice areas — equipment leasing and banking — grew in the 1980s in conjunction with the firm's financial practice. The same techniques that had been used for decades in the firm's leveraged shipping leases were applied to many other kinds of equipment, primarily airplanes for a significant international carrier. Attorneys in the expanding banking and depository practice handled both regulatory and transactional matters for client institutions.

The firm's tax practice was integrated with every other aspect of firm activity. The emphasis given to tax analysis by the firm, especially with respect to corporate work, first emerged in the 1950s when shipping transactions were structured from the outset with a view to their tax implications. It matured in the 1970s and 1980s when the global scope of business and finance and of unprecedented litigation awards necessitated intricate legal and financial solutions. The tax practice at Cadwalader had changed considerably from times long past when tax work was merely an answer to regulation; by the 1990s, tax lawyers helped structure LBOs, mergers and acquisitions, securitization products, derivatives, and equipment leasing.

In general, during this period, the firm's practice became even more international in scope, with clients from Australia, Chile, England, Finland, France, Germany, Japan, Mexico, Portugal, and the Republic of China. At the same time, Cadwalader conserved its position as one of the primary firms in private client work. Familiarity with tax law on a worldwide basis was required for the protection of assets for individuals and families with substantial domestic or multinational interests.



THE THIRD CENTURY

NEW BUILDINGS,
NEW DEMOGRAPHICS,
NEW CHALLENGES

One of the most important management decisions for Cadwalader as it approached its bicentennial was the acquisition and renovation of 100 Maiden Lane in 1984. Caught in the wildly escalating rental market of the New York real estate scene, and foreseeing the need for more space, the firm decided to do something that no major New York law firm, then and now, has ever done: purchase and occupy its own building. Calculating the risks against the prospective gains — shaping its own space, having extra room readily available, receiving an income from unused space, and tax advantages to the partners — the firm bought three contiguous buildings at the corner of Maiden Lane and Pearl Street in Manhattan. The oldest of these dates from the late nineteenth century, and the youngest, a handsome Art Deco-detailed, twenty-four-story skyscraper, from the 1920s. Thus, after 155 years on Wall Street, the firm relocated to the seaport district, close to the first offices of Wells & Strong.

Administered by partners Courtland W. Troutman and Jerome Shelby, the \$60 million renovation project was completed in approximately a year, a record for any New York City construction project of this size and scope. The unique financial structure of the project was carefully crafted by Shelby, long head of the shipping finance practice at the firm. By 1994, the firm occupied 236,000 square feet of the 285,000 square feet of space in its buildings.

Cadwalader has survived and prospered by evolving in response to changes in the social and economic environment. Its practice has constantly adapted to the times, as its relevant market expanded from the city, to the nation, to around the globe. The firm will continue to transform itself in each generation, as it has done in the past, while adhering to the principles of "integrity, eloquence, and learning" which epitomized the work of its founder, John Wells.

Cadwalader, Wickersham & Taft remains committed to being one of the preeminent law firms in the United States and the world.

Figure 41. [Opposite] Atrium at 100 Maiden Lane, 1985. The spectacular nine-story atrium was created by enlarging the air shaft space between two of the three buildings the firm renovated. Its design permits easy circulation among all the offices, and accommodates the slightly different floor levels from one structure to the other.



Credits

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