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Michael Kim of Kobre & Kim on the Rigors of Remaining ‘Conflict-Free’

By Ross Todd

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Conflict-free.

That descriptor of the business model employed by **Kobre & Kim** has stuck with me since I first heard it about a decade ago, when I covered the opening of the firm’s San Francisco office.

Kobre & Kim was then, and is now, an international law firm focusing on complex investigations and litigation.

I remember thinking back when I first heard the term “conflict-free”: “Isn’t the litigation business all about conflict?”

Once I wrapped my head around the approach—focusing on one-off assignments as special counsel for clients, many of whom come by referral from other law firms—“conflict-free” struck me not as an oxymoron, but as an ingenious differentiating term. That’s especially the case in Big Law, where it seems everybody points to the same supposed differentiators—Bench Depth, Platform Strength, Practice Synergies and other assorted Capitalizable Buzzwords.

I recently had the opportunity to discuss Kobre & Kim’s conflict-free business model with one of its architects, **Michael Kim**, who founded the firm in 2003 alongside fellow former SDNY prosecutor **Steve Kobre**.

Kim, who spoke via video from Dubai, home to one of the firm’s 15 offices, told me that in practically every market where the firm operates, there are local, smaller litigation shops that are conflict-free, but not with the size, scale and international reach of his firm.

He also said that one of the things that separates Kobre & Kim from other international law firms is that



Courtesy photo

Michael Kim of Kobre & Kim

when partners meet with potential clients, they don’t ask about the types of cases that the client has and then try to fit within that portfolio. “We actually tell them the specialist work that we do. We’re 100% disputes and investigations, and generally specialized types of disputes and investigations,” Kim said. “We tell them, ‘Come to us if, for whatever reason, your regular law firms are not a good fit.’ Very often it’s because of conflict. Sometimes it’s because of geography. Sometimes it’s because of expertise.”

I found my conversation with Kim so informative that I’m going to dedicate a couple of columns to it. Today we’ll focus on an overview of the model.

What follows has been edited for length and clarity.

Lit Daily: Is there room for repeat business in a conflict-free model, and if so, how do you go about getting it?

Michael Kim: I'm a firm believer that you can be successful doing anything if you're clear about what you are and you're consistent in your behavior. So, just look at restaurants, for example. A lot of people would think super-high-end restaurants are "better" than fast food restaurants. But from a business perspective, they're both equally good. You just have to know what your business model is and how you're running it. You can make as much profit selling hot dogs as \$100 steaks. You just have to align your business the right way.

The worst is if, when people see a money-making opportunity, they forget what their business model is, and they're either dishonest or they cheat on their own principles. So take the steak restaurant, for instance. If there's a seat open, and a customer walks in and says, "Hey, are you selling the hot dogs?"—if the restaurant says, "Well, you know, the seat's open anyway. We'll sell you a \$5 hot dog." Eventually, that's going to degrade the brand of what they're all about. The same goes if you have a very successful fast food restaurant and, for whatever reason, they start a whole line of products that are super-high-end and expensive and they confuse themselves into trying to market and spend a lot of money doing that. They're going to be unsuccessful because consumers are not there for that.

Law firms often feel a great compulsion to cheat on their own model, in my opinion, because whenever there's some associates idle, or whenever there's a client that is working with them who says, "Hey, I want to hire you to do this other thing," the answer is always to try to say yes. But for us, it's not. I think that's because to be conflict-free—to actually play in that big conflict market—I think you need a couple of things. First, I think you need complete trust from other law firms and referral sources. So if they refer a client over to us, they need to feel comfortable that we are there to do a great job on that case and not to try to pitch the client to try to get in and do a whole range of work that they would do. That's so other referral sources—not just law firms, but investigators, forensic accountants, all the people who trust us—know we just focus and do the case and do not have ulterior motives.

So, when a client says, "Hey, we want to hire you to do more things," if someone has referred them to us, we have internal controls at the firm to prevent us from

doing that. If it's a great fit for us—like if it's another conflict case—we still mention it to the original referral source to make sure that they're okay with us taking it on. Rarely will a client have two conflict cases in a row. It'll be just some plain vanilla case or a case that a lot of other law firms could do. We will usually not take that subsequent non-specialized referral.

I think another way that this comes up sometimes is you have a client that wasn't referred by anyone. They just call us directly. A lot of end-users do that because of our other distinctive features, or they just know we're a conflict-free firm in a special geography or a special practice, and then they say, "Hey, we like you guys so much. We want to work with you to do a bunch of regular cases with us." Now, what we know is that if we do that, we will now develop a conflict footprint with that client. What that then means is that in that market where we are not reliably conflict-free.

Obviously we have conflicts with respect to the clients we're serving at any particular time. But generally, as soon as a case is done, we get rid of that conflict footprint. So our conflict footprints are always narrow. If we start accumulating conflict footprints, we're going to ruin our very basic business model. Then we're just at that point where we're turning into something else.

Frankly, it's not that there's anything wrong with turning into something else. But there's this whole arc that law firms follow when they grow. And part of that arc involves transitioning away from being a firm that's getting referred cases by other law firms—a firm that's specialized, so when the client calls, they know they're the best at it. They get tempted by new money-making opportunities in the short term. They start transforming themselves. They start cheating on their referral sources and pitching the same clients. They start selling services to clients that are not their core expertise, and they start hiring people that they don't even know, just to capture that revenue.

That, I think, is a path to what I call the Greek tragedy arc of law firms. It eventually ends in merger or going out of business. That's opposed to a firm that's clear about what it is. That's what we're about—to remain conflict-free, to remain trusted by other law firms. And this has a lot of value. There are a lot of situations where, for example, there's an internal investigation going on in a company, and they need an independent firm to come and do the right thing—

in other words, to conduct an honest investigation. The problem is a lot of law firms that show up have in the back of their minds that after the investigation, they're going to get close to management and pitch the company for business. The incumbent law firm that's conflicted out knows that. It's often the target of unfair criticism by the new law firm that wants to make it look like the old law firm screwed up. So I think referral firms depend on our integrity—to know we don't have any of those commercial agendas. We actually just want to come and do an honest job. It is actually part of our brand.

In one sense, when I tell people our model is not to seek repeat books of business or clients, but rather to maintain our conflict-free special counsel-type profile, they think I'm completely crazy. They say, "Why would any law firm turn down new revenue?" But, like I said, I think you can be successful doing anything, but you have to be honest about who you are and stick to it. That's what we're trying to do.

So you mentioned disputes and investigations earlier. Those are very big topics. I gather what you do and do well is much more specific than that.

Yeah. I think our focus really is on cases that involve insolvency, crime, stolen assets, enforcement of judgments and a lot of international work. This area is rife with conflict issues, and that's why we're really focused on trying to maintain this model. Now, going back to the "Greek tragedy" and what happens with law firms internally: That's why we're disciplined. Let me give you the inside scoop of how our law firm operates internally to maintain this because you can't copy this easily.

Now, every law firm that's small is conflict-free, just by definition.

It's easy to be conflict-free when you don't have any clients, right?

Exactly. Or in the case that you only have a few lawyers that can only work on one case at a time. We're in 15 different locations around the world, and every market we're in has its own players that are conflict-free in that market. So if there's a conflict in that market, there are boutiques that say, "Hey, we're conflict-free. Come and refer cases to us." We do not compete against them. What we look for are cases that are so large

you cannot actually refer them to a single firm. You need another large firm like us to do it. Cases that are international. Cases where you need to hire lawyers in more than one jurisdiction. Now you're talking about this niche market where there's a conflict, and possibly also geography issues or expertise issues, and the client is unable to find a law firm that's conflict-free that can handle this type of case.

Now, what's interesting is there is no published data on how big this niche market is—these large cases that cannot be done by regular, full-service firms for litigation and yet, to deal with them, the client would have to cobble together many different law firms and somehow manage them. Even then, they would not get the optimal results.

But, I think our revenues this year will probably be somewhere around \$230 million to \$250 million U.S. And I think this market is probably only about \$2 billion or so. And the reason I say that is because in most scandals in this niche market, we get multiple referrals into the same scandal. So we're kind of running into ourselves a little bit, which makes me think we're probably at least 10% of the market for us to be doing that repeatedly.

So what happens is, every market has these boutiques. But when some boutiques get larger, they start doing exactly what we described earlier: They see opportunities to pitch the clients that were referred to them. They see opportunities to cross-sell for more revenue to the clients with other services, and then they become a medium-sized firm. And I think a medium-sized firm is really one of the most unstable business animals you can imagine. Eventually, a lot of medium-sized firms end up having to merge to survive, or they go out of business on their own. And that is the Greek tragedy arc.

We are a fairly sizable firm. We're not a very large firm, but we're not a boutique either. We need to maintain the discipline of our model so that we don't engage in that behavior. For example, if we get a referral and we can't do it, we do not refer that out to anyone unless we get permission from the original referral source. We have firm controls and systems to detect if somebody tries to do that. We actually train our people not to do that.