

As new firms continue to flock to London, the cautious growth of earlier entrants has been cast aside in favour of heavy investment and dramatic expansion. **JDG Chambers** reports

THE NEW, NEW WAVE

Talking about start-ups and entrepreneurship at the Bump and Grind coffee shop on the Old Street roundabout befits the area in Shoreditch now dubbed the Silicon Roundabout – the UK's slightly less glamorous equivalent of California's celebrated technology hub. Lately, though, these strange words and phrases have been overheard in the gilded streets of the City of London, courtesy of a budding group of law firms bred in cities like Dallas, Boston and Miami. These expansionist national firms have plunged straight into practising English law, largely eschewing the model set by the big wave of New York law firms, which opened up in London in the 70s and 80s, staffing overseas outposts with US attorneys practising mainly US securities law.

As such, Locke Lord opened its London 'start-up' in February this year. Initially launching with nine lawyers from Salans, including Partner and Executive Committee Member Stephen Finch, headcount rose to 30 by the end of May, with the ex-Salans contingent swelling to 20 lawyers. The goal is to hit 40 by the end of the year, with at least two partners in each of the six main sector-driven practice groups: energy; insurance; reinsurance; motor world; healthcare; and hospitality. "Until the office matures, we are after experienced people who

have an entrepreneurial flair," declares Finch, without any hint of contradiction.

The London launch comes soon after the Am Law 100 law firm opened up its first international office in Hong Kong last year. That, in turn, followed on from national expansion in the US as well as two transformative mergers – most recently in 2007, when Dallas-headquartered Locke Liddell & Sapp joined up with Chicago's Lord Bissell & Brook, to make 650 lawyers in total.

Jerry Clements, worldwide chair of Locke Lord, oversaw both mergers as well as the expansion into Europe and Asia. Sitting around a boardroom table at the firm's gleaming London offices, Clements and Finch map out the plan for the firm's past, present and future growth. "Beginning several years ago we felt like there were good opportunities in the UK for our US-based clients who

were globalising and who found themselves needing legal services in the UK," says Clements, who is usually based in Texas, close to the firm's energy clients ConocoPhillips and the US operations of BP and Shell. "We have some wonderful, loyal clients in the US and, frankly, we hated to refer them to other firms, so we needed to have a presence here."

The UK office may currently be small, but it doesn't intend to stay that way for long. Both Finch and Clements would not be surprised to see 200 lawyers in London in five years' time, putting Locke Lord on a similar scale as the current UK

presence of much larger US-born firms like Mayer Brown and Latham & Watkins. The Mayer Brown comparison is particularly salient, given that the launch is being planned from the second floor of Mayer Brown's offices in the Bishopsgate Tower.

Technically, Locke Lord already had an office in London, in the Lloyd's of London insurance building, but the representative branch was more of a layover for US lawyers visiting clients in the city than a permanent outpost. "The problem with the Lloyd's office was that we didn't have any solicitors there," jokes Clements.

As it stands, all the lawyers in the London office are UK-qualified. There may be four or five US lawyers visiting at any point in time, but there are no permanent US lawyers in London. The topic has been raised, and Clements expects it to happen one day – but it is not a priority for now, as the firm looks to expand the UK side of the business. The way the firm will go about doing this remains open and opportunistic. For instance, it recently took on the UK head of employment from failed firm Dewey & LeBoeuf and has previously been touted as a likely candidate to secure a UK merger.

"Would we consider a merger?" Clements wonders aloud.

"Our firm is very creative
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'We have some wonderful, loyal clients in the US and, frankly, we hated to refer them to other firms, so we needed to have a presence in the UK'

Jerry Clements,
Locke Lord



REPRESENTED – IT'S NOT JUST AMERICAN FIRMS IN LONDON

By and large, most US law firms in London are increasing headcount – as the results of the annual *Legal Week* survey show (see box, page 26). The outlook for non-US firms in London is more mixed, however, as some international firms keep to the representative office model of having only foreign-qualified lawyers in residence.

Canadian law firm Fasken Martineau bucks this trend. It used to have a representative office in London until it merged with City firm Stringer Saul in 2007. At the time, Stringer Saul had roughly 35 lawyers, including current London managing partner Gary Howes (pictured). The combined firm now totals 70 fee earners, all English-law qualified (four are dual qualified).

A lot of Canadian law firms have representative offices in London, says Howes, but Fasken probably has more lawyers than the lot of them combined. Howes expects the firm to get to 100 lawyers in the next year to 18 months, adding more lateral hires and a few teams here and there. "Some other Canadian firms have taken on English lawyers, but it is difficult when you're from a Canadian law firm and there's only five of you. It's really hard to build something from scratch," he adds.

On the question of another merger, Howes says: "There are boutiques around which are interesting – we have an open mind – but I don't think there are any other smallish firms that are still available that we would want to take on. That makes it difficult for anybody new coming into the marketplace."

The story for European firms, though, is one of consolidation and some downsizing. The big three firms in Spain, Uria Menendez, Cuatrecasas Goncalves Pereira and Garrigues, are all down to having one-partner offices in London. In the latter case, Garrigues had six fee earners in London when the office opened in 2007 – just before the credit crisis. Current London office head Ignacio Corbera Dale took charge in 2011. He has a junior corporate associate joining this year, taking the fee earner headcount up to three. A lot of the work he is doing now is originating from New York rather than the UK, so the firm is acting alongside the big US firms that don't have offices in Spain or Portugal and want to run the deal out of London. It was never the intention to practise English law, Corbera Dale confirms.

Outside of North America, then, the next wave of start-ups in London could be coming



from farther east. The last 12 months have seen Chinese law firms Yingke and Zhong Lun open up in London, and Dacheng is still reported to be opening up in the capital soon. The immediate motivation for these firms is to win the inbound China referral work from international law firms that are still barred from practising Chinese law, as well as the outbound work from Chinese clients looking to expand into Europe and the US. This approach may sound similar to the representative model employed by the likes of Garrigues, but already there are signs that these fast-expanding Chinese firms are adopting more of a hybrid – not to mention expansionist – approach from the outset.

Zhong Lun is the most recent Chinese entrant to the London market, opening up its office in May 2012. The 11-person office is split between eight lawyers and three support staff. Half of the current fee earners are dual-qualified lawyers and the London office is authorised to practise English law by the Solicitors Regulation Authority, according to London managing partner Xue Haibin. The plan is to get total headcount up to 20 in the next year. Accordingly, the firm is on the lookout for leading corporate and international dispute resolution lawyers with an interest in China – Mandarin-speakers preferred.

The intention for the time being is to offer 'early stage' English law advice to Chinese clients prior to leveraging the size and expertise of local English law firms. What happens beyond that waits to be seen. In the meantime, it is certainly interesting for London that the international start-ups of former national law firms from East and West, the likes of Locke Lord from the US and Zhong Lun from China, are crossing paths in the capital as they embark on the expansionist trail. Setting out the firms' main reasons for opening up in London, Xue says: "As a part of the firm's international expansion plan, London has been chosen because it is within Europe and has a special relationship with the US."

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and open-minded. We don't just have one path dictating how we're going to do it – whether it is a single lawyer here or there, a group of 10 or 20 or a combination in London." In many ways, Locke Lord's approach illustrates a wider shift in the City ambitions of international firms. Ironically at a point in which London has been hard hit by the prolonged global downturn, many foreign firms have decided they need a credible hub in the City if they are to keep pace with a globalising legal market.

Where previous US entrants drawn from the upper reaches of Wall Street largely favoured conservative steady growth, the willingness of iconoclastic US players like Quinn Emanuel Urquhart & Sullivan, Greenberg Traurig and Ropes & Gray to execute audacious expansion has given a new model for making waves in London that more seem ready to follow.

This dynamic – combined with the pressure of a turbulent and low-growth legal market – appears to have convinced more law firms that being cautious may just mean missing the boat. Instead, they are considering more aggressive growth, with 13 out of 63 law firms responding to *Legal Week's* survey admitting that they would consider a UK merger – roughly double the normal response. (Only 25 say they expressly rule out a merger).

Legal Week research also shows the number of UK-qualified partners and lawyers at responding firms rising by 7% on last year. Established firms to see dramatic growth over 2011 included Dechert, which added 33 lawyers in London during the financial year, and White & Case, which added a total of 10 partners in London. Kirkland & Ellis and Latham – already established as credible forces in London and Europe – were also in expansion mode, increasing their local lawyers by 28 and 25 respectively.

Good winds

At the end of last year, David Evans

turned up for his first day at the London office of Boston's Goodwin Procter and immediately doubled the headcount. Previously there had been only a single US partner in residence operating the UK branch of the US law firm – Matt Pohlman, who joined Goodwin Procter after the Heller Ehrman partnership dissolved in the US.

Thus, one of Evans' first tasks as the new local managing partner of Goodwin Procter was to set up a UK limited liability partnership (LLP) with the Solicitors Regulation Authority (SRA). "For me, I needed to be stretched again and this was something that would certainly do that," says Evans, who spent 26 years with City firm Ashurst.

Half a year later, the London office now has five lawyers in total – another partner and two associates from Ashurst in addition to Evans and Pohlman, making the firm majority English law-qualified. This number will be added to shortly when Joe Conder joins the firm, straight from being co-head of the real estate sector at Linklaters. Evans is also in discussions with a tax partner, a regulatory partner and some real estate finance lawyers. He can see headcount growing to 15 by the end of the year and about 40 in three years' time.

The strategy for the London office, in the short to medium term, is to build up its presence around two core areas, real estate and private equity – a reflection of the firm's US practice. Of those two areas, the decision has been made to prioritise the real estate sector first, hence the hire of Conder from Linklaters and Evans as the former global real estate funds head at Ashurst.

"To penetrate a legal market like London you have to do it off something that is very strong and offer something as a differentiator," says Evans. "Starting off with private equity is difficult because it is infrastructure-hungry."

The 'differentiator', according to Evans, is that the firm is building up a "high-quality, joined up" offering to fill a hole caused

The story for European firms, though, is one of consolidation and some downsizing

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by the withdrawal of London's top law firms from mainstream property work. Should real estate prove fruitful, followed by private equity, Evans will look at Goodwin Procter's other strengths in the US, such as litigation and technology.

Maher of London

Before opening up in London, Clements of Locke Lord says the firm strived to learn from the experiences of other US firms; both examples of it going right and going awry. She will not be drawn into naming names, but one recent example of the former is arguably Miami-bred Greenberg Traurig, which in recent times has set a new benchmark for aggressive London launches.

Like Locke Lord, Greenberg Traurig's London arm has its connections to Mayer Brown. Paul Maher, chairman of the London firm and partner, or 'shareholder' as they are called at the firm, used to be London head of Mayer Brown and previously its UK legacy partner, Rowe & Maw (he also leant his name to the firm's UK practice, which goes under the brand Greenberg Traurig Maher (GTM)).

Maher led the London side of the Mayer Brown & Platt/Rowe & Maw transatlantic merger, the union with Johnson Stokes & Master (JSM) in Asia as well as the aborted takeover talks with the aforementioned Heller Ehrman, before leaving to set up his new firm in 2009 with a small group of like-minded partners from his old firm.

"Right at the beginning, we decided we wanted to have a strong M&A team, significant capital markets strength and large energy and restructuring teams," he recalls. "For one reason or another, I don't think the big energy push worked out – it was a difficult market. Restructuring here in the UK was slow for the first couple of years. So we've sort of reduced our exposure to that and focused a lot more on M&A, the transactional practice and building out the other

TAKING ON TRAINEES

In *Legal Week's* annual survey of international firms in London, over three in five said they take on trainees every year (62%), with an average intake of eight. Taking on UK trainees is also crucial to the business models of US start-up law firms like Greenberg Traurig Maher (GTM), Locke Lord and Goodwin Procter.

GTM's first trainee started six months ago. Locke Lord has budgeted for between two to three trainees in its first year – some of whom may be rescued from the ruins of Dewey & LeBoeuf. Goodwin Procter is roughly two to three years away from taking its first trainee, reckons London managing partner David Evans.

"For any expanding firm to be successful, it has to grow from within. If you can't do that you will die from the bottom up. It is fundamental to us that we bring people in at all levels and especially at the junior end, so we can nurture them and shape them into our culture and into our style," he says.

practice areas as well." The London office is building up its own book of UK and European business, including instructions from Volvo and Colt. Meanwhile, legacy clients that came over with Maher and his partners from Mayer Brown – multinationals like AstraZeneca – have been "very loyal", according to Maher. He has also been "pleasantly surprised" by the amount of work the London office has been receiving from the US.

The business model for London budgeted for between 10% and 15% of work coming from the US but, says Maher, it has turned out to be about 30% of London revenue. What is more, existing client relationships belonging to the US, such as banks like Nomura, have since become clients in the UK. "The platform in the US has been exceptionally good for the London office," he reiterates. Greenberg Traurig doesn't publish its financial results – *The American Lawyer* puts its 2011 revenues at \$1.243bn (£796m), with profits per equity partner of \$1.47m (£942,000) – but Maher says the next UK accounts will show a profit for the London office – "Not bad, two and a half years in."

Headcount at the London office rose up to nearly 70

lawyers at one point. It is now around the mid-50 mark. Only four of the 55 or so are US-qualified lawyers, two shareholders and two associates in the high-yield and US capital markets. It is the most US expertise the London office has ever had, recently boosted by two partners coming across from Dewey's London and Warsaw offices. "It is an organic growth model," maintains Maher. "I can't see us doing a full blown merger."

Organic or not, there is little doubt that the firm has pretty much rewritten the book in terms of attempting rapid expansion. With GTM's thrusting style and Maher's similarly robust approach attracting plenty of admirers and detractors, the firm's fortunes look set to either reinforce the competitive threat of US invaders or underline the limitations of this approach.

When asked whether he hears of other US names looking to open up in London, Maher says that there are a bunch of US law firms that want to get bigger in the City, as well as those who perennially dip their toe in the water and take it out again. "I meet a lot of chairmen and women of US law firms who ask me how it's going, and their starting out place is: 'We've got to be in London,'" he says.

Dew on the ground

Hiring lateral partners is obviously a crucial growth strategy for any firm trying to make a name for itself in a new market. Picking up pre-existing teams of lawyers or even an entire office can be a particularly beneficial fillip for nascent offices, even if US firms have learned to take a more jaded view of the realities of securing productive partners in a market

as competitive as London. The shock collapse of Dewey has unsurprisingly been a busy time for many of these firms. Greenberg Traurig's annexation of Dewey's Warsaw arm is being viewed as particularly shrewd business for the London arm,

IN NUMBERS:

7%

The increase in the number of UK-qualified partners and lawyers at responding firms in London last year

not just by Maher but also his contemporaries at rival US firms in the capital.

Another firm set to benefit is Philadelphia-bred Morgan Lewis & Bockius, which has made a number of lateral hires recently in London and five of its other offices, many of them from Dewey. The top 50 US firm also took over the entire Moscow office of Dewey, securing its launch in the Russian capital. "In our experience, hiring whole teams from other law firms can result in a much smoother transition for clients," explains Fran Milone, chair of Morgan Lewis. "The relationships remain intact, not only with clients – whose trust partners have already earned – but among the lawyers and staff who have learned how to work well together over many years."

For Morgan Lewis – for decades an upwardly mobile and highly successful national player in the US, but one that has yet to build a high profile in Europe – the Dewey recruits appear to hand it a rare chance to materially raise its international profile.

Naturally, these lawyers remain tight-lipped when it comes to speculating on the reasons for Dewey's fall. Still, for partners like Clements and Maher, veterans of previous firm mergers, the news has brought back old lessons from past experiences – chief among them the importance of proper integration. "Recent events have reminded me that culture, *esprit de corps* and team work are not just buzzwords, they are the beating heart of a successful firm," says Maher. "As an office we are very careful that we keep true to the culture. Culture evolves, so it will change, but you've got to have everyone bought into it. All hires have to buy in to this very simple idea that it's all about quality of client service and the client experience."

Talking to multiple managing partners about firm culture and integration, the conversations drift close to cliché and

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Paul Maher, Greenberg Traurig Maher



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platitudes. At one stage, Maher draws a tangent between the integration of a new law firm and a book he has just read about the foundations of Israel in the 40s, when the shared experience of national service bonded a nation of different nationalities together.

Even so, there are a certain number of quantifiable actions that these law firm leaders have taken to aid integration. For GTM – built from a patchwork quilt of other firms like Lovells, Hammonds, Field Fisher Waterhouse, Eversheds, DLA Piper, White & Case and, of course, Mayer Brown – this means leaving baggage at the door. The ‘we did it this way at White & Case’ mentality is only tolerated during strategy sessions when the firm is trying to work out how to deliver something better.

Paying large guarantees to attract star names is another no-no at GTM, says Maher. In fact, Maher enthuses about the closed-compensation model at his firm, where salaries are kept private, as much as such things can be. It is something he has been striving his whole career for, so it was a large attraction to join up with Greenberg Taurig back in 2009. “The short point is that because money is taken out of the environment, people relate to each other better,” he maintains.

The compensation system is designed to encourage cross-selling as well, another aid to integration, although Maher would prefer to call it collaboration. Whatever it is called, Clements at Locke Lord swears by it, too. Any successful examples of cross-selling are internally marketed by the chair. There is also a six-person committee, half UK partners, half US partners, given the task of encouraging cross-selling.

Other Locke Lord initiatives to encourage integration include changing the partnership agreement to allow a UK-based partner to sit on the executive committee (Stephen Finch) and on the advisory board (Paula Howard). Clements is also committed to visiting the London office at least once a month.

Old dogs, new tricks

The ambitious English law start-ups of these US national firms stand in marked contrast to the steady expansion of some of the more familiar, elite Manhattan law firms

WORLDWIDE HEADCOUNT UP, EUROPE LAGGING

Worldwide partner levels at international law firms are up by an average of three per firm, according to *Legal Week*'s 2012 survey of international firms with an office in London. The average number of partners per firm has moved up to 300 this year, as a result.

Partner headcount at the London offices of these firms follow a similar upward trend, albeit less bullish. Total UK-based partner numbers are up one from last year, averaging 19 partners per London office. Breaking that figure down, new equity partner numbers remain flat, lateral hires average around 1.5 per office – the same as last year – as do internal promotions, but all are nudging up fractionally higher than previously. Excluding the partnership, the number of UK lawyers is up over 3.5 to an average of 52.5 fee earners per firm.

The number of English-qualified partners is up 1.5 on last year, rising to an average of 21 per firm. A large majority (80%) of the law firms that took part in the survey were from North America, primarily the US, with the remainder coming from Europe. Looking separately at the results for North American law firms sees all of the figures above either stay the same or move above average.

For instance, the number of UK-qualified



partners is up two at North American firms, compared with 1.5 overall. The figure for UK lawyers outside the partnership is up to over four compared to 3.5. Worldwide internal promotions are up four for US firms as opposed to three on average, and lateral hires stand at 14 a year instead of 12. On the contrary, the results for Europe are either the same as the overall figure or, more often than not, below average.

IN NUMBERS:

300

Average number of partners per international law firm in London, according to *Legal Week* research

SEE BOX, ABOVE

already in London. Earlier this year Davis Polk & Wardwell launched its English law practice in London with two lawyers from Freshfields Bruckhaus Deringer: equity capital markets partner Simon Witty in January, followed by tax partner Jonathan Cooklin in April. The move comes almost three decades after the storied Wall Street firm opened its London branch.

Similarly, Simpson Thacher & Bartlett opened in London in 1978 but didn't start practising English law until 2003, poaching banking partner Euan Gorrie from Allen & Overy. Now with six UK-qualified partners in the London office, the latest joining in 2010, the English law strategy is described as “patient” by London office head Greg Conway.

Conway has been in London since 1997. Since that time, the headcount of the law firm has roughly tripled – now covering three floors at its CityPoint building. In his view, the late 90s

saw the beginning of the trends that have seen the growth of the firm through to this day, such as an increase in cross-border M&A, the opening up of the European high-yield market and US private equity firms planting flags in Europe. “We anticipate modest further growth consistent with demand from our clients, but we do not have a specific number in mind for the size of our London office,” he says.

Like Simpson Thacher, Milbank Tweed Hadley & McCloy has been in London for nearly 30 years. The firm began practising English law around the time that tax partner Russell Jacobs, now London head, joined the City office in 2000. The firm made a flurry of high-profile European hires after recruiting Freshfields corporate partner Tim Emmerson in 2003, but it was not sustained in the short term, with the highly rated lawyer leaving Milbank in 2007 for Sullivan & Cromwell.

Recent years have seen Milbank move back into expansion mode. Headcount in the London office has doubled from 35 lawyers to well over 70

in the last two or three years. Fee earners are almost exclusively English-qualified.

Milbank recently added Mark Stamp from the corporate group at Linklaters, taking partner headcount up to 16 and bringing in a well-regarded all-rounder in public M&A with a strong pedigree. Two additional partners are set to join shortly as the firm expands: Nicholas Spearing – a recently retired antitrust partner from Freshfields – and a finance partner from Linklaters. The goal is to have 20 partners by the end of the year, with the final two partners likely to be in leveraged finance and litigation.

It has become easier to turn the heads of magic circle partners in recent years, according to Jacobs, partly because of the London office's increased headcount, partly because of the firm's hitherto ‘subterranean’ profile in the capital benefiting from moves into more public work – impacting its position in league tables and directory rankings.

The added attraction for recent lateral hires (people of my generation) is a yearning for the values, ethos and size of firms that the magic circle once were 30 years ago, says Jacobs, previously of Cadwalader Wickersham & Taft, Wilde Sapte and Slaughter and May. “When I joined here 12 years ago, the first thing I said to the managing partner was, ‘This is just like walking back into Slaughter and May,’” he recalls.

It seems that not everyone has caught the flashy start-up ethos just yet.

‘Until the office matures, we are after experienced people who have an entrepreneurial flair’

Stephen Finch, Locke Lord

