

K&L Gates: combining mergers and international growth

In a very fragile economic climate, the achievements of the Anglo-American firm K&L Gates are to be envied. In 2009, the firm acquired a new presence in Chicago by merging with a leading local firm, and then went on to open no less than three new offices in Frankfurt, Dubai and Singapore. And it started 2010 by entering three new markets in Warsaw, Moscow and Tokyo. K&L Gates is confidently preparing for the end of the crisis, when it hopes to become established as a leader on the global legal market.



Pittsburgh et Seattle, les deux berceaux historiques de K&L Gates

Hyperactive. This is the adjective that best describes K&L Gates. In the last five years, the firm of American origin has pursued its high-speed expansion strategy. After merging with the London-based firm Nicholson Graham & Jones in 2005, followed by a series of mergers in the United States in 2007 and 2008 and a succession of new offices in Europe, Asia and the Middle East, the firm's sound health is looked on longingly by the fragile market.

Between 2007 and 2008, global revenue rose by more than 20%, reaching \$959.4 million, before breaking through the one billion barrier in 2009. Quite a performance in times of crisis. The organization has expanded in America and then on the international stage at breakneck speed. Finally, K&L Gates is a young company, the successful offspring of

a three-way and multi-cultural merger that took place in two steps.

A firm rooted in Pennsylvania

The founder members of K&L Gates include Kirkpatrick Lockhart, which was born in 1940 in Pittsburgh on the East Coast of the United States. Located in the heart of Pennsylvania, the city was hit hard by the economic crisis in the 1980s and is no longer the sad Steel City of 20 years ago. It is now the home of prestigious research centers (Sony and Google have both chosen to locate their offices there) and is part, not only the regional and national legal markets, but also of the international market, with some top-rung law firms. One of these was Kirkpatrick Lockhart. In the 1980s, the firm expanded on the coast and in the Southern United States. New K&L offices were opened in cities and business centers such as Boston, Dallas, Miami, Washington DC, etc. Pittsburgh is still the firm's biggest

office in terms of headcount, with more than 200 lawyers and some 100 partners.

US legs, UK arms

Peter Kalis, the chairman and Global Managing partner of Kirkpatrick Lockhart, who went on to become the chairman of K&L Gates, was the architect behind the firm's further expansion. In 2005, the Pittsburgh practice took a new direction, when it concluded the high-profile merger with the London-based firm Nicholson Graham & Jones. It was a risky move. Very often, the ocean between the British and American cultures proves to be an insurmountable obstacle to the effective integration of the teams and a successful merger (different business models, different forms of remuneration, etc.). But this was not the first time a firm from Pittsburgh merged with a practice from the City. In 2006, Reed Smith merged with the London firm



K&L Gates in key figures

- 1,864 Lawyers, 913 Partners
- 36 offices located in United-States, Europe, Asia and in Middle East
- **Turnover 2009 :**
\$1.034 billion
- **K&L Gates in Pittsburgh :**
233 Lawyers, 102 Partners
- **K&L Gates in Seattle :**
196 Lawyers, 104 Partners
- **K&L Gates in Washington DC:**
205 Lawyers, 104 Partners
- **K&L Gates in London :**
136 Lawyers, 57 Partners
- **K&L Gates in Asia :**
68 Lawyers, 21 Partners

Richards Butler, creating a new international giant. Martin Lane, the London-based associate of Nicholson Graham & Jones, who is now the Managing Partner for Europe at K&L Gates, claims that there were no disappointments or clashes on either side of the Atlantic. *“The merger project was a success because we were both ready and willing to be part of the creation of one single firm.”* He emphasizes *“the deployment of a robust integration process in the com-*

pany, not only after mergers, but every time a new partner arrives”. A process that makes everyone feel comfortable and at home.

The union between Pittsburgh and Seattle

In January 2007, Kirkpatrick & Lockhart Nicholson Graham made a quantum leap by merging with the Seattle-based firm Preston Gates & Ellis. A new US giant, K&L Gates, was born. The new partner had a fine reputation in IP/IT. The historical clients of the West Coast firm included the US giant Microsoft. In fact, one of the founding partners of Preston Gates & Ellis was none other than the father of a certain Bill Gates. When it merged with Preston Gates, not only did Kirkpatrick Lockhart become K&L Gates, but it also crossed the United States and the Pacific. Martin Lane explains: *“The merger made three fundamental contributions to the firm: presence in*

Asia, with almost 60 lawyers, a strong regulation and public policy practice in Washington DC, and a presence on the entire West Coast, including Seattle and San Francisco.”

Coast-to-coast coverage of the United States

But the conquest of the United States was not over yet. One year later, in January 2008, K&L Gates merged with the Texan firm Hughes & Luce and its 150 lawyers. In July 2008 it merged with Kennedy Covington Lobdell & Hickman, a team based in North Carolina, and last March, with the independent Chicago firm Bell Boyd & Lloyd, one of the largest in the city, whose IP team has a high profile on the domestic market. The mergers in the US have enabled K&L Gates to cover the whole nation from coast to coast, with offices in Miami, Austin and Chicago. And to diversify its skill set. Today, the firm is active in corporate affairs, real estate (espe-

➤ cially in Texas and North Carolina), regulatory affairs (in Washington DC) and in its traditional fields of financial services, litigation, arbitration and IP/IT.

After the United States, destination Europe, Middle East and Asia

While the Pittsburgh had a European focus, with an office in London following the merger with Nicholson Graham & Jones, the Seattle firm had grown in Asia, opening an office in Hong Kong in 1996. K&L Gates is now an international firm and the management team is striving to reinforce its globalization. The Managing Partner explains that *“when Kirkpatrick and Nicholson Graham merged in 2005, the goal was not to become a US / UK firm with an international dimension, but to become a genuinely international firm. Our customers became international, and we followed them beyond the frontiers of the United States, which was the traditional territory of K&L Gates”*. This year, K&L Gates moved into the Middle East by opening an office in Dubai. The firm has also strengthened its presence in Asia, with branches in Singapore and Tokyo.

Germany: an opportunity for growth

K&L Gates is in a position to conquer Europe from its London base. The first step is Germany, where an office was opened in January 2007. The firm successfully penetrated the market, and at the beginning of this year, K&L Gates moved into the Frankfurt business center by recruiting four lawyers from the local office of the British firm Simmons & Simmons. The firm also continues to grow in the German capital. At the beginning of the summer, the firm welcomed a team of lawyers specialized in PPP and competitive law, headed by the former Freshfields Bruckhaus Deringer partner, Friedrich Ludwig

The Paris office K & L Gates

corporate, litigation and arbitration for development pillars

Activities	Partner(s)
Corporate / Private equity	Joseph Aragonès, Diane Hedary, Olivia Lê Horovitz
Litigation and arbitration	Louis Degos, Sabine Konrad
Real estate	Diane Hedary



Peter J. Kalis, chairman and global managing partner, K&L Gates

Hausmann. At the same time, the firm made inroads into the French market.

Paris: the third European office

In January 2008, one year after the inauguration of the Berlin office, K&L Gates opened for business in Paris. The foundations of the new firm were laid by a pair of women. Diane Hedary and Olivia Lê Horovitz, who were previously with Kahn & Associés, mainly operate in the corporate, mergers and acquisitions, capital investment and real estate law sectors. In March 2009, the Paris office further strengthened its cross-border skills with the arrival of the former Dechert partner, Joseph Aragonès, who is registered with the New York and London bars, like Diane Hedary. The German scenario was repeated in Paris. The new arrivals continued, but were very different. In the summer of 2009, K&L Gates Paris extended its

service offer by hiring two partners specialized in national and international litigation and arbitration. Sabine Konrad, formerly with Dewey & LeBoeuf in Paris, and Louis Degos, formerly with Eversheds, arrived with their respective teams. The firm was now in a position to challenges the top practices in Paris. Louis Degos recalls that *“litigation was part of the K&L Gates culture. A significant proportion of our business comes from this department, and the president, Peter Kalis, is himself a litigation specialist.”* But the office is still only at its beginnings. *“There are some missing links in Paris, like banking law, competition, IP/IT and labor law. But we are working on it”*, comments Martin Lane. But the partner from London is not worried. He promises that several new arrivals in the Paris office will be announced shortly.

In the starting-blocks

Far from being aggressive, the impressive expansion policy of K&L Gates has been carefully thought through. The firm is already looking beyond the crisis and is preparing for the recovery. An entrepreneurial project that will attract new partners from Europe and beyond. After the wave of multi-cultural mergers, the time has come to consolidate. ■

“OUR CUSTOMERS MUST BE ABLE TO WORK WITH ALL OF OUR OFFICES”



Martin Lane

Managing Partner for Europe, **K&L Gates**

Martin Lane joined K&L Gates when the British firm Nicholson Graham Jones merged with the firm from Pittsburgh, Kirkpatrick & Lockhart. Today, he is the Managing Partner for Europe and a partner in charge of the worldwide corporate and transactional practice.

Décideurs: The international development of K&L Gates is impressive. You have not been hit by the crisis?

Martin Lane: The firm had a very positive 2009. Our new office in Chicago is a great success. While other firms slowed down or postponed their development projects, we opened for business in the Middle East for the first time, we opened a second office in Germany and inaugurated two new offices in Asia and Moscow. These options may seem ambitious, but we are prepared to accept the consequences. We are robust enough to do this. But K&L Gates does not intend to set up shop in every country. We have carefully chosen the jurisdictions in which we want to work, in particular in France and Germany, where we have grown in the last two years.

On the strength of these various operations – domestic mergers and

penetration of new markets – our goal is still to offer our customers a genuinely international platform.

Décideurs: Could you tell us something about the decision to open a K&L Gates office in Paris?

M. L.: Paris is a mature market, where many American and British firms have been present for many years. And it is a market where K&L Gates had to be present if it was to become a global firm.

The office was opened in January 2008 and has quickly strengthened its resources, as demonstrated by the latest arrivals, like Sabine Konrad and Louis Degos, both renowned experts in litigation and arbitration. We still plan to hire more partners in order to broaden the service offer of our Paris office. We are also thinking about developing new skills in labor law, fiscal law and IP/IT.

We hope to build a team of about 20 lawyers in the French capital by the end of 2010.

Décideurs: There are 120 lawyers in the London office. Is a merger one of your options to strengthen these resources?

M. L.: In a place like London, our outfit, which already proposes a full service offer, could indeed be strengthened in the years to come. We can even imagine an office with 200 to 300 lawyers, and approaching a local team is one of the ways of achieving this goal.

London still has a special status at K&L Gates. It was the starting point of the firm's European expansion.

Décideurs: You are an American cabinet with coast-to-coast coverage. Is New York a priority for you?

M. L.: The New York market is very competitive and very dynamic. There are always opportunities for growth, which are often very challenging.

K&L Gates does not intend to challenge the star firms on Wall Street, nor to employ 500 lawyers, but to grow gently and cautiously. By way of example, in 2009 we focused on gaining strength on the capital markets.

Décideurs: So what are K&L Gates' forthcoming projects?

M. L.: Growth will not come from the number of jurisdictions that we cover, but from the consolidation of our teams in key locations like Europe and Asia. In our Asian offices, we are lucky enough to have a strong team that is well established and already has an excellent reputation on the local markets.

Another major project on the international scene will be to reinforce the cooperation between our offices. In 2008, inter-offices business accounted for more than 20% of our activity. We want our historical customers, especially the largest and most recent ones, to work with all of our offices.