Legal Upheaval: Kirkland & Ellis and Paul Weiss Exchange Blows

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All Weiss then?...

When Chicago spawned **Kirkland & Ellis**, announced in early August that it was hiring a four-partner team from the London office of elite New York rival **Paul, Weiss, Rifkind, Wharton & Garrison LLP**, it looked like yet another recruitment coup by BigLaw's apex predator. Thanks to its incredibly strong ties to that dynamo of Biglaw (private equity), the past decade and a half has seen Illinois' finest overtake its White Shoe rivals who would once have regarded it as a poor cousin. Today Kirkland & Ellis is not only the second most profitable firm in BigLaw, it has become the World's highest grossing law firm.

Arriving at Kirkland & Ellis is a quartet of New York qualified private equity M&A lawyers comprising Paul Weiss' London office head **Alvaro Membrillera**, alongside lateral **Adam Wollstein** and two associates - **Anna Pollak** and **Pelin Demirdere Eski** – who are elevated to partnership at their new firm. Having only just lost a two-partner team, corporate duo **Ramy J. Wahbeh** and **Kaisa Kuusk**, to **Sidley Austin LLP** in June – to the outside world, things did not look too peachy in London for the seemingly hapless Paul Weiss.

There were rumours (there are always rumours!), but last week **James Booth** at Financial News broke the dramatic story that, in a bizarre twist, Kirkland's triumph was more than offset by the simultaneous loss of a, likely, much larger London and US team to the very same New York rival! Some reports now put the number of laterals departing Kirkland for Paul Weiss at more than a dozen.

Set to join the White Shoe firm are two English law leveraged finance laterals - Neel Sachdev and Kanesh Balasubramaniam; and two US qualified capital markets specialists - Deirdre Jones and Matthew Merkle. Sachdev, who is perhaps the biggest name in European leveraged finance, together with Balasubramaniam**,** advise on multi-jurisdictional leveraged buyouts and other complex debt financing transactions. California qualified Jones, and New York qualified Merkle, primarily advise issuers, sponsors and underwriters on high yield debt and initial public offerings. In addition, it has been widely reported (but not confirmed) that private equity M&A lateral Roger Johnson, who abruptly decamped from Kirkland & Ellis in August, is also set to join the New York firm. It is highly probable that these moves are linked to another (reportedly) multi-partner raid on Kirkland & Ellis by Paul Weiss in the US – led by Los-Angeles-based debt finance star Eric Wedel.

The Paul Weiss swoop is significant, not just because of the simultaneous raid in the US and UK, nor the undoubted calibre of the *dramatis personae*, but because it marks the launch of an English law offering by one of the top-five most profitable firms in America. Over the past 20 years, new US entrants to the London legal market have been a dime-a-dozen and their arrival, and eventual move into English law, has already dramatically altered the UK legal services market. As such it is hard to get too excited about a "re-launch", no matter how shiny the name, but Paul Weiss has the financial firepower, client base, experience of running overseas offices and, importantly, the scale to make a significant impact in London. By contrast, fellow New York patrician Cravath, Swaine & Moore LLP which launched an English law practice earlier this year to much fanfare with the hire of a two-partner leveraged finance team, has fewer than 100 partners vs Paul Weiss' c. 175. To calibrate for European readers, Paul Weiss has both more partners and is a good bit more profitable than, say, Cleary Gottlieb Steen & Hamilton LLP.

Whilst Paul Weiss looks to have bested Kirkland & Ellis in this exchange, competitor *schadenfreude*, on the part of the very many UK and US law firms which have themselves fallen victim to Kirkland's predatory attentions, is probably misplaced. It is not the end, it is not even the beginning of the end - Kirkland & Ellis has lost good people before, and doubtless it will again, but there is a reason why it became the World's highest grossing law firm.

For Paul Weiss, the move is truly significant and whilst we suspect that over time, the New York patrician will make more significant hires in London, it is unlikely that we will see European expansion on the scale of Latham & Watkins or Kirkland & Ellis anytime soon. Unlike those two firms, Paul Weiss is an all-equity partnership (albeit modified lockstep); a "purer" form of partnership which, whilst it conveys many, many advantages, makes it harder to expand the partnership and much harder to retain senior non-partner talent.

The market right now is also less forgiving for all private equity led law firm growth. Despite assertions from optimistic fund managers about billion-dollar piles of "dry powder" just waiting to be deployed, elevated global interest rates have ended that more than decade long bull-run where money was the cheapest it has ever been in the history of humanity. Because private equity relies on inexpensive debt, it has certainly been less frothy with leveraged finance, at times, all but dead on both sides of the Atlantic.

Whilst these adverse economic conditions may improve, an even greater challenge which may yet prove existential, comes in the form of the SEC's proposed rules changes (touted as the most significant since Dodd-Frank) which seek to impose tough new regulations on the $25 tn private funds industry. If adopted unaltered, they will prove pernicious for both the private equity industry and its law firm advisers alike. That being said, the well-funded private equity industry has proven time and again its adroitness at curtailing both regulatory and tax threats to its existence thanks in part to lobbying by its law firm advisers. For BigLaw private equity really is the gift that keeps giving.

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