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K&L Gates: A Compelling Convergence Of Interests

The Editor interviews Peter J. Kalis, Chairman and Global Managing Partner, Kirkpatrick & Lockhart Preston Gates Ellis LLP.

Editor: You have served as Chairman and Managing Partner of Kirkpatrick & Lockhart Nicholson Graham LLP in recent years. Please tell us something about the firm's origins and history.

Kalis: The firm has gone through a number of phases in its institutional history. The initial phase involves Pittsburgh, where the firm was created in 1946 by seven former associates of the Reed Smith firm who had returned from war service and decided to start their own firm. Over time, that office evolved into one of Pittsburgh's principal law offices, and in 1981 it entered into an important merger with a Washington securities boutique, Hill Christopher & Philips. That was the start of the multi-office format for what became Kirkpatrick & Lockhart. Thereafter, the firm entered a variety of markets on the East Coast, which included Harrisburg, Boston, Miami, and, eventually in 1993, New York. At this point the firm's practice had begun to take on the characteristics of a national law practice. At the same time, and with the consolidation that the profession was undergoing, the East Coast platform was beginning to be perceived by the firm's clients as somewhat limiting. Accordingly, we began to build out that platform while we at the same time tried to preserve the qualitative features of the firm. We were fortunate in 2000 in taking a variety of steps that brought us into Texas and California, which gave us many new resources with which to conduct a national practice.

Our strategic thinking then took us outside the U.S. and specifically to London,



Peter J. Kalis

where we sought to identify a potential merger partner among the high-quality mid-sized firms in that market. We were fortunate to connect with the distinguished firm of Nicholson Graham & Jones, which had approximately 135 solicitors at that time. In January of 2005 the two firms combined as Kirkpatrick & Lockhart Nicholson Graham LLP.

The combination with Preston Gates to form Kirkpatrick & Lockhart Preston Gates Ellis LLP, or K&L Gates as it will more commonly be known, is the latest and in many ways the most transformative event in the firm's history.

Editor: If you can, would you tell us something about Preston Gates Ellis LLP, its origins and history, its practice areas and geographic reach?

Kalis: As I said, in recent years we had found ourselves as a disproportionately

East Coast firm moving into Europe. At the same time, Preston Gates was a West Coast firm moving into Asia. The synergies were compelling.

Preston Gates had its origins in Seattle in the 19th century, and over time expanded up and down the West Coast – into the Orange County, San Francisco, Portland, Spokane and Anchorage markets, and also to Washington, DC. Ten years ago Preston Gates established an Asia presence, and today it has offices in Taipei, Hong Kong and, more recently, Beijing. An application for a Shanghai office is pending. Like K&LNG, Preston Gates was a full-service firm with recognized peaks of excellence within the profession at large.

The practices of the two firms are very complementary. Although operating successfully in a variety of industries, Kirkpatrick & Lockhart has had an historical concentration in financial services and in heavy manufacturing. Preston Gates, which also has operated with distinction across a range of industries, has long been a formidable presence in the technology sector while also being an important player in the energy sector. In discussing the proposed combination, each firm expressed an interest in the other's ability to provide access to their major practice areas.

With respect to clients, each firm has achieved positions of enormous trust with major global business enterprises, as measured by the qualitative character and the quantity of legal services provided to those enterprises. As between the two firms, however, very few of those enterprises overlap so in coming together the combined firm has an extraordinary opportunity to grow relationships with clients in areas to which the two separate firms would not have had access. We are very fortunate in having leadership on both sides of this combination

Please email the interviewee at peter.kalis@klgates.com with questions about this interview.

that understand the institutional history of their respective firms – their practices, their geographic platforms, their industry concentrations and their compatible value structures – as the foundation for a single enterprise going forward.

Editor: What are the two firms attempting to accomplish by coming together that neither can do on its own?

Kalis: This combination is about the market for talent and the market for clients. From the standpoint of clients, the two firms are aligning their services with the business needs of their clients in an era of consolidation and globalization. Together the two firms are mining the client community for knowledge and wisdom on configuring our enterprise and conforming the services it provides to a global template. In effect, we are putting ourselves in a position to serve those clients better as compared to what we might do individually.

From the standpoint of enhancement of law partner productivity – a key to success in the market for talent – invariably our people wish to give full expression to their ability to serve clients. By creating a platform that offers global reach, critical mass, scale and a rich diversity of practice strengths, we provide our partners full latitude to achieve what their ambitions and talents will allow them to achieve. And their success is a prerequisite for firm success.

In combination, the two firms are in a position to accomplish these goals. In accomplishing them, they are also better able to meet the expectations of clients.

Editor: In order for an arrangement like this to work, the two parties must have certain values in common and share a vision of what they can be together. How do you see this aspect of the K&L Gates combination?

Kalis: One of the most enjoyable aspects of the process leading to the combination has been our analysis of the values – the interior features – that the two firms have in common. Any complex organization is composed of certain exterior features – market positioning and the other aspects we have discussed – and certain interior features. It is the latter that, over time, serve to define and differentiate law firms operating in a professional services environment.

Our two firms enjoy a highly satisfying degree of compatibility with respect to these interior features. Both firms take their diversity initiatives very seriously. Pro bono and community activities are at the center of their institutional cultures. Both embrace

the intergenerational character of the successful law firm, which is another way of saying that firms that invest in their young people and regard mentoring and professional development as extraordinarily important to institutional wellbeing are going to be more successful than those firms that do not. Our two firms understand the stresses to which lawyers are subjected, and they seek to achieve a proper balance between the professional and personal commitments of their people. Both firms embrace the same notion of professional excellence and believe that excellent service, and service that is cost-effective, will be rewarded in the marketplace.

Editor: Would you comment on the global reach of the combined enterprise?

Kalis: We believe that positioning the enterprise in the major commercial and financial centers of Europe and Asia – as well, of course, in the largest market of them all, the United States – is fundamental to our strategic future. Looking at our clients, increasingly litigation and transactional work have a cross-border dimension. If we are properly positioned, the global enterprises we represent will need to go no further than K&L Gates when they are thinking of operations and undertakings in overseas markets. We believe that these clients, having a familiarity with the excellence and cost-effectiveness of our services, will welcome access to such services as they compete in the global marketplace.

Editor: Are there particular practice groups that constitute the core strength of the combination?

Kalis: One of the things we want to be careful about concerns our responsiveness to the market. The market will tell us which of our practice areas it wants to feature. Historically, we have had a highly active transactional practice. In the U.S. that involves hundreds of M&A transactions and an enormous volume of debt and equity offerings. We are the only U.S. firm ranked among the leaders in London's AIM market. The market appears to be telling us that the M&A and securities areas should be featured. That is also true of our large financial services practices.

If you look at the combined firm's IP practice, you see an extraordinary array of assets and resources across the globe. In the U.S. alone there is an extraordinary IP group in Seattle and historically strong practices in Pittsburgh and Boston. In January of 2005, two dozen IP lawyers joined our strong biotech-driven practice in

Boston from Testa Hurwitz & Thibault. Preston Gates has had an historical relationship with Microsoft and other technology leaders. We think that our IP practice is going to be featured by the market.

There are a variety of other practices in which we have a strong track record and which we believe the market will permit us to feature, including construction litigation, insurance coverage litigation, securities litigation, and many others in a lengthy list. I should add, however, that the market will provide us with a few surprises as well.

Editor: There is an interesting diversity to the K&L Gates Executive Committee. Is there a story here? Is the composition of the committee saying something about the firm and its projection for the future?

Kalis: The diversity of the K&L Gates Executive Committee says something about the past and about the future. It says that both firms maintain cultures in which lawyers from diverse backgrounds can achieve and can ascend to firmwide leadership. It says also that a leadership with such characteristics is a metaphor for the firm's position in a global marketplace. That is to say, for both the internal stakeholders of the firm and external observers, our Executive Committee is a metaphor for a globalized world, one in which merit is recognized and leadership from every corner of the undertaking is prized.

Editor: The obvious question, of course, is how do you top this? Alternatively, where do you go from here? Would you share with us your thoughts about where you see the current arrangement going over the next few years?

Kalis: We believe that we have formed the fundamental template of the law firm of the 21st century. We obviously do not believe that we are in a unique position in having done so, but with 22 offices from Berlin to Beijing and 1,400 lawyers we are among the firms with a head start on the 21st century. The idea of topping this combination is an unlikely prospect. At the same time, there is an enormous amount of work to be done on parallel tracks as we move forward. On the one hand, integration offers us the prospect of unlocking the absolutely enormous synergies that now exist in the combined firm. On the other hand, continued growth in both existing markets and in selected new markets is greatly enhanced by the momentum that results from the combination. We will bolster the practices in which we are currently engaged, and we will add new ones.