lawjobs.com NEWS & VIEWS

Law Firm Mergers Populate First Quarter of 2009

Alana Roberts
2009-02-02 12:00:00 AM
As law firm merger activity has accelerated nationally, South Florida firms have gotten into the dealmaking.

Fort Lauderdale-based litigation firm Gordon Hargrove & James got together with San Francisco-based business law firm Sedgwick Detert Moran & Arnold after the latter firm targeted the Southeast for expansion.

Michael Tanenbaum, the Newark, N.J.-based chair of Sedgwick Detert, said its 12 offices provided it with coverage of the West, Southwest, Midwest and Northeast.

The South has become a major place of interest by law firms looking to merge.

The combination of Sedgwick and Gordon is one of 20 mergers around the country that are scheduled to close in the first quarter, and that number could grow to 25.

In recent South Florida activity, Coral Gables-based Adorno & Yoss grew by acquisition and recruiting to 300 attorneys, merging with Houston-based Monty Partners last September. In the same month, it acquired a seven-attorney group from Gordon Hargrove & James.

The 40-lawyer Katzman Garfinkel & Rosenbaum is the product of a June 2008 merger between Fort Lauderdale-based Katzman & Korr and Maitland-based Garfinkel Trial Group. The combined firm has since added an office in Las Vegas.

The Jan. 1 merger of the 400-lawyer Sedgwick firm with the 21-lawyer Gordon Hargrove & James firm offers the geographic presence the larger California firm was seeking.

"We believe and our clients have informed us, in order to provide comprehensive service to our clients, it was important we have an office in the Southeast," Tanenbaum said. "We have been working with lawyers from Gordon Hargrove & James for a number of years for a number of different clients, so it was just one of those circumstances where there was a perfect match where we could provide benefit to them and they could provide benefit to us."

The two firms have worked together for such clients as Caterpillar, Pfizer and ExxonMobil. He said the firm plans to expand the Fort Lauderdale office into corporate, labor and employment and environmental law and insurance defense, but he declined to offer a hiring goal.

The economic downturn played a minimal role in the firm's decision to enter the South Florida market, Tanenbaum said.

He said the two firms began discussions in February 2008, well before the recession was confirmed.

"It may have caused us to be more cautious," he said. "We felt the opportunity presented to us by the partners at Gordon Hargrove was a perfect match despite the economy. It was something we had to do without regard to the economy."

Gordon James III, a founding partner of Gordon Hargrove, said the combination is a good match because the two firms share similar values.

"We share cultural values. We have excellent clients. We share excellent clients," James said. "They're more than just a big national firm. They're a very fine trial firm that tries a lot of cases and has some of the best trial lawyers in the country. It's a great move for us. It gives us a national platform and them a Florida office."

The firms resolved tax challenges and client conflicts and gained the favor of attorneys and staff by clearly communicating their plans, Tanenbaum said.

Sedgwick is a limited liability partnership, and Gordon Hargrove was a professional association, which could have posed tax issues for equity partners because of the difference in corporate structures. Instead of combining the two entities, Sedgwick hired all 21 Gordon Hargrove lawyers as well as its staff.

Potential client conflicts were resolved by obtaining conflict waivers.

"Fortunately, there were few," Tanenbaum said. "That's reflective of the fact that their practice mirrored part of our practice. We were generally representing the same types of companies."

Roadblocks were similar to the challenges that put an end to merger talks between Miami-based Akerman Senterfitt and Philadelphia-based WolfBlock last September but on a smaller scale.

The firms blamed client conflicts when they called off their talks.

Tax implications also were named by sources as a reason the merger didn't happen, according to *The Legal Intelligencer* of Philadelphia, a *Daily Business Review* affiliate.

Gina Torres, a headhunter with Personnel Management Solutions in Fort Lauderdale who has worked with Sedgwick's Fort Lauderdale office on its attorney search efforts for 11 years, said the firm's entry into the market is a good sign for the area's legal industry.

"They're going to have a major growth spurt, and they're going to be adding to their attorney pool and add other practice areas," she said.

The current volume of merger activity is likely to jump compared with past years, said Lisa Smith, a Washington, D.C.-based consultant with Hildebrandt International.

A total of 55 law firm mergers were completed in 2008, 54 in 2007 and 59 in 2006. Much of this year's activity is not directly related to the recession because many of the deals were in play before the worst news set in, she said.

"I don't want to say the economy has nothing to do with it, but it probably wasn't the driver for the activity we're seeing," Smith said. "It's reflecting a continued focus on consolidation in the industry and continued international expansion that may be tempered by a global recession."

Bill Brennan, a consultant with Altman Weil, said the expected growth in merger deals is more directly tied to the economy.

"We expect to see an increase in the pace of merger activity in 2009," he said. "It's because they're finding some of their clients and normal business sources are drying up. It's creating a sense of insecurity, so partners in smaller firms are now more willing to consider 'going to the dark side' and joining a bigger firm in order to increase their security and probably their compensation as well.

Both consultants agree most mergers involve strong firms.

"Large law firms have become much more discriminating in terms of evaluating potential new lateral partners and acquisition targets," Brennan said.

"We continue to see a lot of interest and merger activity from strong firms. What we're not seeing to a significant degree is mergers of troubled firms," Smith added. "If a firm is in a stronger position, it puts them in a good position to do combinations."

Major law firm mergers last year included the combination of Kansas City, Mo.-based Blackwell Sanders and St. Louis-based Husch & Eppenberger and Chicago-based Mayer Brown and Hong Kong-based Johnson Stokes & Master. Pittsburgh-based K&L Gates has been actively growing by mergers and combined with Charlotte, N.C.-based Kennedy Covington Lobdell & Hickman last year.

So far this year, St. Louis-based Bryan Cave and Atlanta-based Powell Goldstein have joined forces as well as Birmingham, Ala.-based Bradley Arant Rose & White and Nashville-based Boult Cummings Conners & Berry.

Smith said U.S. firms aren't the only ones interested in growing by mergers.

"We see firms on both sides of the Atlantic continue to be interested in mergers," she said.