

A Comprehensive Guide to the Asia-Pacific Legal Markets

JOHN GRIMLEY



Case study 2: K&L Gates – Examining a globally integrated model

THE CONCEPT of global integration exists as a core foundational element for the rapidly growing international law firm of K&L Gates. Much of K&L Gates' unprecedented growth has come as a result of significant combinations with other law firms, but new office openings and lateral partner additions have also contributed to the firm's development, in addition to more organic and traditional growth factors. Yet, as much as the firm has changed over the years, it has retained its singular focus on maintaining a fully integrated model, a standard predicated on a desire to provide seamless client service across its many locations around the world.

Over the past decade, the firm has expanded from approximately 800 lawyers based in ten offices located solely in the United States, to its present size of more than 2,000 lawyers in four-dozen offices located in 17 countries around the world. A significant part of the firm's five-continent strategy has been its continued growth in Asia and Australia, a regional presence that currently includes 11 offices and more than 400 lawyers. Indeed, in the recently issued FT Asia-Pacific Innovative Lawyers 2014 report, K&L Gates is described by the *Financial Times* as being the largest US law firm in the Asia Pacific region.

Strategically located in major financial and commercial centers, K&L Gates represents the prototypical law firm of the future, providing sophisticated legal counsel to global corporations, local companies, industry leaders, and governments, both domestically and internationally. K&L Gates is

uniquely positioned at the critical crossroads of the twenty-first century, offering clients advice and guidance at the intersection of globalization, regulation, and innovation. From helping clients to maintain a competitive edge through the development and protection of new ideas, to advising them in the face of an evolving regulatory landscape, the firm is well situated to respond to the myriad of challenges faced by its global clientele.

Clients have demonstrated that they have an appetite for the benefits gained by the integrated approach offered by K&L Gates. In 2013, for instance, 466 of the firm's 500 largest clients used lawyers from two or more firm offices, and 15 of the firm's 20 largest clients used lawyers from ten or more firm offices. The average number of offices engaged on projects by the firm's 20 largest clients in 2013 was 16. For the firm's 100 largest clients in 2013, the average number of offices engaged was 11.

Additionally, media outlets have started to notice and report upon the innovative approach employed by K&L Gates. In Law360's 2013 Global 20 report, the publication states that each expansion is "underscored by a guiding philosophy of borderless firm integration" and notes that "for K&L Gates, integration means attorneys with the firm are not hindered by interior firewalls and aren't forced to negotiate against internal profit borders to serve clients globally".

The Asia-Pacific region

In direct response to the growing needs of clients to conduct business across borders,

the firm supports the largest fully integrated network of law offices and law partners of any global law firm. With a single profit pool, a unitary governance program, a single technology platform, and a globally consistent brand, K&L Gates is operationally and functionally integrated. The concept of integration is paramount to the K&L Gates value proposition, and the firm's commitment to this collaborative approach is driven by the reality that full integration results in the offer of profound efficiencies for clients that other firms simply cannot deliver. It is also important to note that the firm's approach and vision regarding integration is as evident within the Asia-Pacific region, as it is in all other regions in which the firm operates.

The demand for legal services in the Asia-Pacific region has been in sharp focus, particularly since the global financial crisis in 2007. While most of the world's economies have either regressed (in some cases significantly) or stagnated, countries such as Australia, China, and India have recorded strong, sustained rates of growth. Countries located in the Asia-Pacific region were largely fueled by the growing prosperity created within their own economies and rising internal consumption by a growing middle class. A growing number of K&L Gates clients active in the region required assistance with their legal requirements in order to effectively seize the opportunities that abound in developing Asian economies growing at far greater, sustained pace than their western counterparts. The region contributed approximately 40 per cent of global trade in 2013 – higher than any other region in the world – and continues to have the fastest growth rate. Though the growth of the region's largest economic engine, China, has moderated, it is still expected to remain between 7 and 7.5 per cent in the medium term.

Since the opening of the Hong Kong office in 1996, K&L Gates has steadily built its Asia-Pacific practice with distinction from other international law firms in three respects:

1. All of the firm's lawyers in Asia-Pacific are based in their respective markets and do not simply rotate through their offices periodically;
2. The firm competes within each market to represent both local and cross-border clients in Asia-Pacific; and
3. The firm has a regional practice in Asia where over 40 per cent of its revenue derives from cross-office work.

As in other parts of the world, K&L Gates' significant Asia-Pacific expansion is guided by its client-focused vision and belief that a fully integrated global platform best serves clients' legal needs in today's globalized marketplace. The firm responded to increased opportunities that have been emerging in a stable economy, Australia, when it combined with the 300-lawyer firm Middletons on 1 January 2013. At the time of the merger, Australia had enjoyed 17 straight years of uninterrupted economic growth, a record unsurpassed by any other western economy.

The Middletons combination provided clients with a talent pool in Asia-Pacific's most important markets, establishing K&L Gates as the largest fully integrated US-based law firm in the region with 400 lawyers in similar time zones, and extending its global footprint to a fifth continent. This case study sets out the reasons the firm considers it has a unique offering in the Asia-Pacific region, and includes some history about how the firm has grown in the region.

Helping businesses capitalize on China's growth

The Hong Kong office was the first office in Asia to open (in 1996), providing the full

range of business law services to the firm's clients. Notably, the Hong Kong office distinguishes itself from other law firms as being among the first to qualify to practice locally in Hong Kong law. In 2007, a significant merger between Kirkpatrick & Lockhart Nicholson Graham (K&LNG) and Preston Gates & Ellis (PGE) created the law firm now known as K&L Gates. The Hong Kong office became part of K&L Gates as a result of this strategic combination. The legacy firm of PGE was a well-regarded firm with its head office in Seattle and with offices in major centers along the West Coast of the United States, which was a gateway to Asia, as well as maintaining an established presence in Washington, DC. The legacy firm of K&LNG had a formidable presence in the world's largest legal services market, the US, as well as an office in London. Over the ensuing years, the firm expanded more broadly into numerous markets in Asia, Europe, the Middle East, and South America. This continued and sustained expansion was in response to the growth experienced by the firm's clients.

One example of such growth was the firm's Taipei office, which opened in 2003. K&L Gates is one of a few international firms with a significant presence and domestic capabilities in Taipei. One of the largest investors in China, Taiwan is a leading manufacturer and exporter of semiconductors and high-tech products, which is a core technology for many of the firm's growing clients. In addition, the firm's experience working with new and emerging technology clients provided the firm great synergies with the Taiwan technology market. The significant experience K&L Gates had in raising capital for technology companies seeking to grow offered a global network of talent to access for client funding needs. Taipei's growth, strengthened by a rising Chinese economy,

saw the firm help clients with their needs throughout the region.

K&L Gates has been active in the China market for over two decades. The firm's Beijing office was opened in 2004 and provides on-site support for clients' activities in China. The office provides legal services and advice for a wide range of business transactions throughout China and strategic counsel for clients' relationships with various central government authorities in Beijing. Since most of the firm's lawyers in Beijing are dual qualified and dual trained in China and one of the common law jurisdictions, the Beijing office developed a robust regulatory practice from the beginning as another means to achieve solutions for clients.

When the regulations permitted a second office in China, the Shanghai office opened in 2009. Western companies had increasingly established regional head offices in the Greater Shanghai area, including companies in the financial services sector, and indigenous companies were seeking to list in foreign capital markets from this region. Although working in very close collaboration with the Beijing office, the Shanghai office also developed singular practices in such areas as compliance and investigations and food safety and food regulatory. Working together, the lawyers in these four offices offer a broad and deep set of experiences and legal services in Greater China.

Singapore is the financial and commercial center for South East Asia. In 2009, K&L Gates opened its office in Singapore with a focus on regional cross-border arbitration and litigation and a regional investment and finance transactions practice. Now, the office serves as the firm's hub for legal services throughout South East Asia for a range of private, government, state owned, and NGO enterprises in natural resources, energy, infrastructure, transportation, capital markets, finance, investments, and technology.

Lawyers on the ground in Singapore have extensive experience in structuring, executing, and closing corporate transactions and representing clients in dispute resolution matters in South Asia (India, Pakistan, Bangladesh, and Sri Lanka), South East Asia (Singapore, Indonesia, Malaysia, Brunei, and the Philippines), North East Asia (China, Korea, and Japan), and Indo-China (Vietnam, Cambodia, Thailand, and Myanmar).

Japan has long played a strategic financial and commercial role in the Asia region and globally for several decades. Recognizing the opportunities there, the firm opened its Tokyo office in 2010 with lawyers licensed to practice in Japan, *bengoshi*, and lawyers qualified in other jurisdictions such as the US, England and Wales, and Russia. Lawyers in the Tokyo office serve indigenous and global clients on a broad range of legal issues in Japan in such operating areas as employment, real estate, regulatory, transportation, and disputes and provide cross-border legal services in corporate mergers and acquisitions, aircraft financing, energy, and resources.

The firm's expansion down under

The firm's entry into Australia in 2013 cemented its place in the region as the largest and most integrated US-based law firm. The addition of Middletons' 300 lawyers and four offices in Melbourne, Sydney, Perth, and Brisbane extended K&L Gates' global reach and dominance in the Asia-Pacific region.

Middletons offered an established player in a mature legal market that had been growing significantly, having only a few years prior opened offices in both the west and north east of Australia, seizing on the resource-rich states where the country's fortunes were inextricably linked to the energy-hungry ascendancy of China and India.

Middletons also had aspirations for growth in the Asia-Pacific region, having grown steadily in the domestic market since the early 1800s. K&L Gates perfectly matched its service areas while also providing established offices in Asia. Culturally speaking, the two firms were aligned in their core values, which were evident in their commitment to people, diversity, and transparency.

Four strategic advantages were apparent in undertaking such a large combination. First of all, unsurpassed coverage in the Asia-Pacific region; expanding to a fifth continent, the combination significantly bolstered the firm's presence in the region to more than 400 lawyers across 11 offices. This meant a significant talent pool became available to clients in the Asia-Pacific region based in similar time zones. With the extraordinary inbound investment into Australia from the region, especially from China, and with four of Australia's five largest trading partners – China, Japan, Korea, and India – the combined firm has benefited from the enhanced offering to clients. No country in the region is more dependent on exports to China than Australia; its Chinese exports accounted for 36.1 per cent of the total in 2013, according to official data. Chinese investment into Australia is increasing year on year, with real estate investment last year reaching almost 20 per cent in Australia's major cities.¹ Further, with states such as Western Australia and Queensland moving to exploit their liquefied natural gas reserves, the firm's considerable expertise and direct experience emanating out of US offices such as Houston, Texas, becomes increasingly important.

Secondly, an extensive Australian base meant 300 lawyers, including more than 70 partners, located in established offices in Australia's leading financial and commercial centers added to the firm's capabilities

a vast knowledge of the Australian legal marketplace across a wide spectrum of industries. Lawyers in Australia act for industry leaders, major corporations, capital markets participants, and governments on groundbreaking legal transactions, both domestically and internationally.

Thirdly, along with the strong geographic advantages in the global economy, the combination also enhanced the firm's capabilities in a number of practices, among them, corporate, energy and resources, banking and financial services, intellectual property, labor law and industrial relations, litigation and dispute resolution, infrastructure and projects, real estate, competition and regulatory, technology, biotechnology and life sciences, and capital markets.

Finally, but importantly, as Australia has experienced an influx of firms with bases in the UK, with US direct investment in Australia over the past decade totaling in excess of \$500 billion, the combined firm has established itself as the legal solution for both inbound and outbound legal requirements involving Australia and the US. The US legal market is one that many of the UK-based firms have attempted to break into, some would claim with limited success. K&L Gates' strategic advantage in this respect not only offers its clients a new value proposition, but also puts the firm ahead of its competitors.

New frontiers in Asia

In 2012, K&L Gates was one of the first global firms to be granted a license to establish an office in Seoul as Korea opens its market to legal services. Korea's export-fueled growth of the past decades has led to the expansion of outbound foreign direct investments by Korean companies, and the firm's lawyers in Seoul are well positioned to provide Korea-based businesses with ready access to the resources of a global law firm. Lawyers in the Seoul office advise Korean

companies, funds, and financial institutions in outbound investment, M&A transaction, project development, financing, financial services, regulatory, and dispute regulatory matters.

Conclusion

The firm has long been committed to the Asia-Pacific region and has a robust strategy for growth well into the future. K&L Gates' track record has shown it to be a capable analyst of market developments and nimble enough to respond in a timely and appropriate manner to ensure continued client and market relevance. Recently the firm was ascribed "highly commended" status by the Financial Times Asia Pacific Innovative Lawyers Awards, which recognized the firm's integrated strategy and approach to markets in the Asia-Pacific region. Specifically, the Awards commended firms for providing innovative solutions for clients. As the world looks to the Asia-Pacific region for growth, K&L Gates is positioned in the right locations and is well placed to respond to the opportunities and the resulting client demand for legal services. Whatever develops throughout the coming period in the Asia-Pacific region, K&L Gates is determined to continue to be uniquely positioned at the critical crossroads of the twenty-first century, offering clients advice and guidance at the intersection of globalization, regulation, and innovation.

Reference

1. Browne, A. "Economic Reality Puts Australia in a Corner; Commercial Camp Argues for Keeping China Happy, Even at Expense of US Alliance", *The Wall Street Journal*, 19 June 2014.