

Demand Surges at Law Firms on Private Equity Dealmaking

For Kirkland & Ellis, the October deal that took cybersecurity company Imperva private was another example of how private equity -- along with a number of other red-hot practice areas -- is driving record client demand and profits at BigLaw firms.

The \$2.1 billion Imperva deal, in which Kirkland represented PE firm Thoma Bravo, and others like it are just the beginning, according to legal industry watchers. PE is expected to continue to lead the practice areas that are helping to grow the industry, they said.

"Private equity is what's booming," Kirkland PE partner John O'Neil said. "In the last 5-to-7 years we've been seeing tremendous growth, and we're still in the early innings."

Private equity's demand for attorneys is being fueled by the more than \$3 trillion that firms have raised over the past five years. O'Neil said that total will top \$5 trillion in the next few years. Transactions in alternative assets, such as private debt, real estate and hedge funds, are expected to push inflows to \$14 trillion.

"There's a lot of capital that continues to flow into alternative assets and private equity, and that's a sweet spot for Kirkland," he said.

And it's not just private equity that's pushing big profits at firms, O'Neil and other lawyers and consultants said. Healthcare, technology, cybersecurity, privacy issues and biotech are expanding the need for legal services. While these areas have been growing since the financial crisis a decade ago, new challenges — consulting with pharma companies on strategy, and helping tech companies manage networks of supplies and products — continue to keep these areas hot.

Demand in those areas helped Kirkland overtake Latham & Watkins last year as the world's biggest law firm by revenue, according to [American Lawyer](#). Kirkland's [revenue rose 19 percent](#) to \$3.17 billion.

"We hear from alumni, companies and students, that privacy and cybersecurity are super hot," Seton Hall University School of Law Dean Timothy Glynn said. "There's a lot of demand that transcends a particular area. We're not seeing any scaling back."

Law firms are posting record profits and law schools are seeing enrollments rise, said Mark Weber, assistant Dean for Career Services at Harvard Law School. Firms are investing in new areas: creating units that develop software, artificial intelligence products, founding tech incubators, hiring Chief Investment Officers.

Technology firms are forecast to boost legal spending 4-6 percent next year, the biggest increase among sectors surveyed by BTI Consulting Group, president Michael Rynowecer said. Healthcare and pharma will follow, he said.

Financial services firms are the largest buyer of legal services, followed by banking, pharma and tech, he said.

Keeping up with demand, as well as restructuring after the 2008 financial crisis, has sparked radical changes at firms as they rethink how to most cost effectively do business. A team-based approach is taking root at big firms that are moving away from the traditional model of having a single individual star lawyer for a particular specialty. Called a "platform," Kirkland has developed these groups of experts for investment funds, mergers and acquisitions and debt finance work. These teams of lawyers provide services like putting together deal terms, and advising clients on deals.

"The era of the superstar lawyer has gone away," O'Neil said, adding that the firm continues to seek and draw top talent. He said within his firm's fund formation practice, which advises on raising capital for PE firms, he believed when the platform was formed a sign of success would be if 7-10 clients signed on in the first year. "We had 103 move over."

Big firms are investing, creating new units and positions, to meet client needs in areas where they see demand rising. Chris Ryan, HBR Consulting Managing Director, says firms are collaborating with clients, establishing innovation programs, revisiting pricing plans by adding subscription models and hiring chief innovation officers.

"These law firms are trying to understand their clients, meet them where they are," he said.

Finding an area of slack demand in law is hard right now, experts said. "We don't see law firms making cutbacks, and we don't see anything falling off a cliff," Rynowecer said. Zeughauser said some firms are moving out of patent prosecution, and demand at big firms for labor and employment work is slack as that work moves to specialty boutiques. Big firms are doing less litigation, Weber said.

Law school enrollments are up as a result, Glynn and Weber said.

The busiest firms are finding recruiting insufficient to meet demand and are raiding rivals, he said.

"Firms have more work than they have people," Weber said. "All the firms that are busy are at Harvard."