

What's So Hot About Texas? For Law Firms, Apparently Everything

The state's strong energy sector and booming economy are luring out-of-state law firms looking to boost business.

By Brenda Sapino Jeffreys
Texas Lawyer
March 13, 2018

Law firms have been setting up shop and expanding operations in Texas at a frenzied pace—the result of a strong Texas economy, the lure of the state’s high-profile energy sector, and the rainmaking opportunities that exist as the state adds to its long list of corporate headquarters.

It’s not a new thing—some out-of-state firms have had offices in Texas for 30 years. But Texas has lately moved high up in the action list of oh-so-many firms in an unprecedented way. Those already established in the state are expanding. Others, including long-established firms such as New York-based White & Case and Shearman & Sterling, have just joined the roster of firms with outposts in the Lone Star State.

“It’s been going on for 20 years, but all of a sudden the out-of-state firms have finally recognized the state’s incredibly vibrant and growing business opportunities and are trying to position themselves to take advantage of them,” said bankruptcy and restructuring lawyer Joe Wielebinski, who recently moved to Winstead’s Dallas office from Munsch Hardt Kopf & Harr.

Less than three months into 2018, more than half a dozen firms already have expanded or opened new offices in Texas, including Kansas City, Missouri-based Spencer Fane, which opened a second Texas office in Plano—just 20 miles from the Dallas office it opened in 2016; Katten Muchin Rosenman, which opened an office in Dallas with a group of lawyers from Andrews Kurth Kenyon; Orrick Herrington & Sutcliffe, which already had an office in Houston but added another in Austin after adding a 20-lawyer public finance group from Andrews Kurth; Shearman & Sterling, which launched its first Texas office in Austin and said it plans to open another in Houston soon; and White & Case, which in February opened an office in Houston. In addition, Manning & Kass, Ellrod, Ramirez, Trester opened an office in Dallas with two partners who relocated from Los Angeles and San Diego, and Segal McCambridge Singer and Mahoney launched an office in Houston.

The energy industry is almost always the driving force behind firms seeking to move into Houston, but Texas is a big state—and home to dozens of Fortune 1,000 companies. As the list of corporations opening large offices and relocating to Texas expands, they are serving as a calling card for firms looking for potential business development opportunities in Dallas, Austin, and elsewhere in Texas.

“You’ve just got a growing market, and growing demographics, and you’ve got a huge energy market in Texas that the national firms are no longer going to cede to the Texas-based firms because it’s a global industry,” said Timothy Powers, managing partner of Dallas-based Haynes and Boone. “And Dallas—just look around. Everybody’s coming here. There have been corporate relocations. And it’s a great place for millennials to live.”

Indeed, in the last few years, multiple large corporations have moved into Texas. Liberty Mutual and State Farm both announced they would locate large offices in an area north of Dallas. Facebook has built a sprawling new data center in Fort Worth. Mitsubishi Heavy Industries chose to move its U.S. headquarters from New York to Houston. And Toyota is planning to move approximately 4,000 jobs from its former headquarters in California to Plano over the next few years.

On the tech scene, Austin continues to lure Silicon Valley and other California companies. According to the San Francisco Chronicle, nearly two dozen Silicon Valley tech companies have relocated or opened offices in Texas since 2014. Tech giants such as Google, Apple, Amazon, Dropbox, and Oracle, all have built or expanded major campuses in Austin.

National law firms, Powers said, have “finally realized that Texas is going to be a huge driver of the future of the country.”

Bruce Oakley, managing partner of Hogan Lovells’ 38-lawyer Houston office, agrees. Texas is a diverse, business-friendly state, and law firms are attracted to the energy market in Houston, the banking industry in Dallas, and the technology sector in Austin, he said.

Demonstrating that energy is not the only game in the state, Shearman & Sterling, which has been eyeing the Texas market for some time, launched its first Texas office on March 1 in Austin, where lawyers will focus on advising emerging growth companies in the technology, life sciences, and media and telecommunications industries.

It’s not just firms that are finding opportunities in the state. Lawyers, too, are directly benefiting. All the new and expanding offices across the state have heated up the lateral market, offering options to Texas lawyers who want to leave their Texas-based firms for market newcomers.

“Changes in the legal market as it globalizes gives partners a choice now,” Oakley said.

Since the beginning of the year, lateral movement all over Texas has been especially active. Some of it is related to the pending merger of Houston-based Andrews Kurth Kenyon with Virginia-based Hunton & Williams, which prompted dozens of Andrews Kurth lawyers to jump to other firms.

Many other lawyers also have moved around, including six institutional investors partners who left Jackson Walker in Austin to join DLA Piper; two litigators who left Jackson Walker in

Houston to join Eversheds Sutherland; an energy transactions lawyer who moved to Willkie Farr & Gallagher in Houston from DLA Piper; a three-lawyer international trade group that left Gardere Wynne Sewell to join Akerman in Dallas; and two energy litigators who left Morgan, Lewis & Bockius to join Winston & Strawn in Houston.

The list goes on. Douglas Atnipp, who had been co-managing partner of Greenberg Traurig's Houston office ever since he helped launch the office in 2005, moved to Winston & Strawn, and two business litigators from Frost Brown Todd in Dallas jumped to Spencer Fane in Dallas. In addition, Reed Smith added four lateral hires to its 5-year-old Houston office and Duane Morris doubled to four the number of partners working in the Austin office it opened last fall.

While the energy sector does not tell the full story, oil and gas work is driving much of the movement to Texas and has been responsible for some of the biggest market moves during the early weeks of 2018. Firms open offices in Houston simply to "chase the oil and gas sector," said David Warren, a recruiter at Houston-based Warren Recruiting.

White & Case, which opened an office in Houston in February, said the principal reason behind its decision to put down roots in the Lone Star State was its desire to expand its oil and gas practice. That has been a theme for years, but the lure of capitalizing on energy work at a time when oil prices are improving has contributed to the feverish pace of market moves in Texas. White & Case hired energy lawyers from Andrews Kurth Kenyon, Vinson & Elkins and Akin Gump Strauss Hauer & Feld.

The cachet of energy work is also clearly demonstrated by the pending April 2 merger between Texas firm Andrews Kurth and Hunton & Williams. Leaders of both firms said a primary driver of the deal, which will create a 1,000-lawyer firm with offices in 15 U.S. cities and five overseas, is the link created between Andrews Kurth's strong oil and gas practice and Hunton & Williams' equally strong power practice.

But the Andrews Kurth/Hunton & Williams combination provides benefits that go beyond energy, said Kent Zimmermann, a Chicago-based consultant with the Zeughauser Group who worked on the transaction. Zimmermann said the firm will build "scale and bench strength and enhanced quality" across many practice areas, including capital markets, finance, energy and other high-demand practices.

Shearman & Sterling, too, has been attracted to the potential for energy work. While it opened its first office in Austin, where it will focus on tech, life sciences, and other industries, it is going after oil and gas work with its plan to open an office in Houston, hiring away lawyers from Baker Botts—including oil and gas practice chair Hugh Tucker.

Energy work produces such a resilient pipeline of work that firms were opening Houston offices even when energy prices were down. The benchmark price of a barrel of oil reached a peak of about \$140 in June 2008, before dropping precipitously in 2008 and 2009. After climbing back,

it dropped again in 2014, and climbed back to about \$60 a barrel at the end of 2017. It remains at about \$60 a barrel today.

The attraction of Texas has continued unabated, and out-of-state firms have been growing at a steady clip. In 2015, for instance, the five fastest-growing firms in Texas were each headquartered outside of Texas, according to The Texas 100 chart of the 100 firms with the most lawyers in Texas. Those firms were Kirkland & Ellis, McDermott Will & Emery, McGuireWoods, Holland & Knight and Wilson Elser Moskowitz Edelman & Dicker.

All of the nation's 10 highest-grossing firms in 2016 have Houston offices, according to The American Lawyer's 2017 Am Law 100. The influx of out-of-state firms in 2017 was strong, with a number of big firms opening offices—mostly in Houston and Dallas—by hiring Texas laterals. Those include Winston & Strawn and Dorsey & Whitney, both with Dallas offices, and Gibson, Dunn & Crutcher with an office in Houston. Firms have been able to quickly staff Houston offices because Texas lawyers have been open to changing firms.

Merger mania also has played a role in heating up the Texas lateral market, according to Jackson Walker managing partner Wade Cooper, who heads the largest firm based solely in Texas. And it's not just the recently inked deal between Andrews Kurth and Hunton & Williams. A few other big Texas firms are known to be in serious merger talks, including Gardere Wynne Sewell, which is in talks with Foley & Lardner, and Strasburger & Price, which is talking with Clark Hill.

It's not likely to end there. A recently released survey revealed that 82 percent of Texas law firm leaders have been approached over the last year about a potential combination, and 32 percent say they are open to considering it.

"We are seeing historic change right now," Cooper said.