Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Pennsylvania Powerhouse: Reed Smith

By **Joshua Alston**

Law360, New York (June 27, 2014, 4:42 PM ET) -- The United States Steel Corp. has undoubtedly seen its share of changes since its inception in 1901, when Carnegie Steel Co. merged with Federal Steel Co. and National Steel Co., becoming the world's first billion-dollar corporation. What hasn't changed is its place among the clientele of Reed Smith LLP, one of few Pennsylvania firms with a history and track record to match it.

Reed Smith was founded in Pittsburgh in 1877 by Philander C. Knox and James H. Reed, and over its next two decades, the firm built such a sound reputation that Reed was selected to represent Andrew Carnegie in the U.S. Steel merger when Carnegie ceded his company in favor of philanthropy.

Hitting the billion-dollar mark was quite a feat for U.S. Steel, considering the annual household income at the time averaged around $750. Today, billion-dollar mergers are not uncommon, but with the legal industry as competitive as its ever been, it is uncommon to see an attorney-client relationship celebrate its centenary. This longevity is a testament to the dedication and client-focused culture that has fueled Reed Smith's success and landed it a spot among Law360's Pennsylvania Powerhouses.

Reed Smith counts its size among its many distinctions. It's now Pennsylvania's largest firm, with 226 attorneys in Pittsburgh, still its home base, and another 163 in Philadelphia, an office established in 1978 when Reed absorbed Townsend Elliott & Munson. The practices at the core of Reed Smith's dominance in the Pennsylvania market are its corporate mergers and acquisitions team, its labor practice and its product liability defense team, particularly when it comes to Reed's representation of pharmaceutical and medical device clients.

The firm handles an array of litigation and transactional needs for clients representing virtually every business sector, including Sovereign Bancorp, Dick's Sporting Goods, PPG Industries Inc., Siemens Medical Solutions and HSBC Bank USA. As with U.S. Steel, Reed Smith has maintained decades long relationships with many of its clients.

"We're interested in representing a client in not only the current matter, but future matters," said George L. Stewart, managing partner of the Pittsburgh office. "It's all about quality and value. And we think if we get that right on the first matter, we'll get it right on subsequent matters."

Reed Smith assisted one long-standing client, H.J. Heinz Co., in dodging a cluster of derivative lawsuits in 2013.

In April 2013, Judge Christine Ward of Pennsylvania's Allegheny County Court of Common Pleas booted seven putative class actions out of a dozen state and federal shareholder actions launched in the wake of Heinz's acceptance of a $28 billion buyout from 3G Capital Partners Ltd. and Berkshire Hathaway Inc.

Shareholders alleged the iconic ketchup maker's board of directors didn't bother to shop the company around when it agreed to go forward with a deal giving investors a $72.50 per-share payout. The investors also took issue with the $200 million former Heinz CEO William R. Johnson personally made as a result of the buyout.

Judge Ward hewed to a 1997 Pennsylvania Supreme Court decision allowing a company's board to seek dismissal of a shareholder derivative action after an independent review of the claims by a special committee. Heinz assembled such a committee, and after deeming the claims unfounded, it sought dismissals.

Judge Ward granted its bid, declaring that the review and a written report prepared with Reed Smith's assistance were independent, disinterested and thorough. In her decision, Judge Ward said the firm's work created a "road map for the defense of future shareholder derivative litigation in Pennsylvania."

Reed Smith secured similarly impressive results for Highmark Inc.'s January 2013 acquisition of West Penn Allegheny Health System, a $1.4 billion tie-up with the Pittsburgh-area health network that was steered to completion after running through a lengthy gauntlet of antitrust litigation.

Highmark agreed to pay $635 million to the bondholders, who held debt worth $726 million at face value — a haircut of roughly 88 cents on the dollar. The agreement shaved about $90 million off the purchase price and also resolved a dispute over pension liabilities for some 12,000 West Penn workers.

The firm scored another win in October 2013 when Kristin Wells, a partner in Reed Smith's corporate and securities group, represented PA based SKF in its $1.25 billion all-cash acquisition of Kaydon Corp., an Ann Arbor, Michigan-based bearing manufacturer.

Reed Smith's Pittsburgh and Philadelphia branches overlap considerably in their core practices, but each office has its unique strengths. In Pittsburgh, the firm excels in litigation related to securities, bankruptcy and employment, along with transactional work in the financial industries and the energy arena, particularly in the oil and gas industries.

"The rediscovery of Pennsylvania's bounty of natural resources, particularly in the western part of Pennsylvania, as well as into West Virginia and east Ohio, has spurred some significant growth in our energy practice," Stewart said.

Ronald L. Francis, a partner in the firm's business and finance practice, says the sector has only scratched the surface of its potential, particularly in the shale gas field.

"We're really in the early stages of growth of the shale gas field, and because of that, we're going to see a ton of growth in Pennsylvania. And with development comes increased manufacturing, for example, and the shale gas growth will drive that," Francis said.

In Philadelphia, the life sciences industry makes up a larger portion of the client base, thanks to the concentration of pharmaceutical companies in Pennsylvania and New Jersey. But Stewart says attorneys in both offices are handling more product liability litigation, a practice that has grown significantly within the past five to 10 years, both in terms of the number of attorneys doing the work and the revenues they generate.

Reed Smith currently serves as national counsel to Endo International PLC and its American Medical Systems Inc. subsidiary, which were hit with some 25,000 claims in a product liability mass tort over AMS' vaginal mesh products.

In April, Endo and AMS agreed to pay $830 million to settle the majority of the lawsuits, reaching agreements with several plaintiffs' firms, including Motley Rice LLC, Blasingame Burch Garrard & Ashley PC, Levin Simes LLP and Clark Love & Hutson GP. The settlement resolved roughly 20,000 claims related to AMS's vaginal mesh devices, which plaintiffs have claimed are defective and have caused chronic pain, incontinence and other injuries.

The firm is responsible for defense strategy, lead counsel and overall coordination of the mass tort, in which 20 trials are scheduled this year around the country.

Leonard A. Bernstein, managing partner of the Philadelphia office, has seen growth in other areas as well.

"We have a couple of additional, very intensely busy practices, one of which is state tax, a group that came over from Dechert years ago," Bernstein said. "That practice has exploded here in terms of client following. Another is our insurance recovery practice, which exclusively represents policyholders. That's a specialty area that has grown tremendously in advocating against insurance companies to insure adequate recovery."

The firm is also no slouch in the transactional arena, having worked on deals such as Georgia Gulf Corp.'s $2 billion acquisition of a division of Reed Smith's client PPG Industries Inc. The Atlanta-based chemical maker acquired the PPG division through a so-called Reverse Morris Trust transaction, a deal agreement in which PPG formed a new company by spinning off or splitting off its commodity chemicals business. That company immediately merged with Georgia Gulf.

PPG shareholders received a handsome 50.5 percent stake in the newly merged company, and Georgia Gulf paid PPG $900 million in cash and issued roughly $1 billion in Georgia Gulf shares to existing PPG shareholders to finance the deal.

Reed Smith prides itself not only on the results it attains for its clients, but also the value it provides them. Some of Reed Smith's practices conduct as much as 75 percent of their cases based on an alternative fee arrangement or a capped fee. And it touts its e-discovery capabilities as larger and more sophisticated than those of any other firm in the state, allowing discovery savings for cost-conscious clients.

This willingness to meet clients' needs, even if the bottom line occasionally suffers, is part of the culture that has allowed Reed Smith to hold onto clients for decades and sustain its noteworthy growth, Stewart says.

"We have, probably in the past 12 to 15 years, seen what would be by any measure fairly impressive growth for our firm," Stewart said. "We've gone from a mid-Atlantic regional firm to one with over 20 offices all over the country and into Europe, Asia and the Middle East. But despite that growth, we've been resolute in preserving and honoring our culture."

--Additional reporting by Matt Fair, Jeff Sistrunk and Jake Simpson. Editing by Kat Laskowski and Katherine Rautenberg.
