

## Pennsylvania Powerhouse: Reed Smith

By **Matt Fair**

*Law360, Philadelphia (June 23, 2015, 3:19 PM ET)* -- With one of the city's tallest towers bearing the Highmark Inc. logo, one need look no further than Pittsburgh's skyline to understand the insurer's prominent status in Pennsylvania's business community. To understand Reed Smith LLP's status in the state's legal community, meanwhile, one need look no further than its longtime representation of the company, including a major win before the U.S. Supreme Court last year.

Reed Smith, one of seven firms named by Law360 as Pennsylvania Powerhouses for 2015, helped notch a win for the insurer last April in a closely watched case, Highmark Inc. v. Allcare Health Management Systems Inc., that made it easier for courts to impose sanctions on so-called patent trolls and other plaintiffs that bring meritless patent suits.

A team from the firm has made headlines in the state more recently, as the lawyers represent Highmark in a protracted turf war with the rival University of Pittsburgh Medical Center that flared up after the insurer stepped directly into the health care business with its \$1.1 billion acquisition of West Penn Allegheny Health System in 2013.

Reed Smith represented Highmark throughout the West Penn acquisition, and the firm has continued to handle fallout from the deal, as UPMC moved ahead with a plan to stop allowing in-network access to the insurer's subscribers. The ongoing struggle for dominance in the western Pennsylvania health care and insurance markets has led to intervention from the state and several headline-grabbing court battles.

"Reed Smith has represented Highmark and its predecessors going back until at least the early '90s, and the relationship expanded and grew and has been substantial for the last 15 years," firm partner Daniel Booker told Law360. "It is very gratifying to be called upon to represent the company in what has been the most high-stakes litigation it has had really over the last decade."

Spending close to 20 years handling major M&A work and litigation for a marquee client like Highmark would be enough to place any firm in the constellation of Pennsylvania's top legal shops, but Reed Smith has been burnishing its powerhouse reputation in the state for nearly 140 years.

James Reed and Philander Knox opened the firm's doors in Pittsburgh in 1877 and quickly came to represent some of the city's — and the nation's — most famous industrialists and financial luminaries.

"They were an industrious couple of young lawyers who quickly added names to their client list that are

still relevant and familiar to many: Carnegie, Frick, Mellon, Heinz and Westinghouse,” Pittsburgh office managing partner George Stewart said.

The firm represented Andrew Carnegie in 1901 as he established U.S. Steel Corp. as the world’s first billion-dollar company. A dozen years later, the firm helped Andrew and Richard Mellon establish the Mellon Institute of Industrial Research. The institute would later become Carnegie Mellon University, which is still represented by the firm.

As many of its Pittsburgh-based clients started to expand nationally, the firm grew alongside them.

By the late 1970s, the firm had opened an outpost in Philadelphia. A spat of regional growth started in the 1990s as Reed Smith launched offices in New York; Princeton, New Jersey; and the Washington, D.C., area.

The firm spread nationally and internationally as it moved into the 21st century. A London office opened in 2001, and by 2003 the firm had expanded onto the West Coast.

“It was a lot of the relationship in Pennsylvania and in Pittsburgh that prompted the firm to take an introspective look at who we were and what our clients were doing,” Stewart said. “We formulated a strategy that we embarked on to follow our clients as they were becoming larger in scope geographically so that we could continue to service them as their business was evolving.”

Today, the firm boasts more than 1,800 attorneys stationed in 27 offices across the United States, Europe and Asia.

Pittsburgh, however, remains the beating heart of the firm’s global operation.

“Through all of that expansion, the Pittsburgh offices remains our largest domestic office,” Stewart said.

The firm maintains a staff of 440 attorneys in the Keystone State, with 286 stationed in Pittsburgh. The other 154 work out of Reed Smith’s office in Philadelphia.

Although the firm’s headcount in Philadelphia is a little more than half that of Pittsburgh, Philadelphia office managing partner Leonard Bernstein said he is eager to grow after adding a number of key practice areas — including state tax, bankruptcy and insurance coverage — over the years.

“This is a message that I want to emerge in a resounding way: If a partner has a business following and wants support and cross-marketing and teaming to grow that following across the country and across the world, then we want them,” he said. “This is a vibrant culture where we embrace additional talent, and we want to and need to grow in both of our Pennsylvania markets.”

Evidence of Pennsylvania’s importance as a driver of business for the firm, both historically and today, can be seen in the prominent work Reed Smith won as the Marcellus Shale boosted the state’s profile as a major player in the energy sector.

After the firm historically represented Pennsylvania-based companies like Gulf Oil Corp. and Quaker State Oil Refining Corp., Stewart said, energy work in the state had largely disappeared in the decades preceding the shale boom that started in the 2000s.

“What’s interesting about all that is for having represented companies in that space for years and years, that work largely dried up in western Pennsylvania as Texas and Oklahoma became the major energy centers in the United States,” he said. “Fast forward a few decades, and now all of those players are coming back into western Pennsylvania and the Appalachian Basin as a result of the Marcellus Shale.”

And Reed Smith has picked up right where it left off in the energy game. The firm represents a number of major players including Range Resources Corp., Chesapeake Energy Corp. and EQT Corp. as they work to tap the vast reservoir of natural gas trapped in the shale.

“It’s had a tremendous impact on our business in Pennsylvania,” firm partner Nicolle Bagnell said. “I was doing legal work prior to the the Marcellus Shale focused primarily on pipelines and storage issues. Since the Marcellus, the oil and gas work that I do keeps me busy full time. Our team here in the Pittsburgh office has grown from two to a team of 10 that are pretty much full time doing oil and gas litigation.”

In February, Bagnell and her team won a victory in the Pennsylvania Superior Court in a case finding that EQT’s storage of natural gas on properties leased from landowners was sufficient to automatically preserve the company’s reservation of drilling rights under the agreement.

The decision was the first by an appeals court in the state to address a company’s rights under so-called dual-purpose leases that allow for both drilling and storage of natural gas.

“There was no dispute that gas had been stored under the lease for many years, and the question was whether that was sufficient to hold the entire lease,” Bagnell said.

Although much of Bagnell’s work has focused on lease disputes that sprung up following a land grab by the industry in the first few years of the boom, new opportunities are starting to develop as pipeline projects pave the way for processing facilities, power plants, and export.

The growing volume of energy work the firm is handling — thanks in part to its opening of an office in Houston in 2013 — led Reed Smith to establish a new group to focus exclusively on the industry.

About 20 attorneys in the firmwide energy group are stationed in the firm’s Pittsburgh office, with another five working out of Philadelphia.

“The firm in the last few years has really prioritized the work we do for energy companies,” Bagnell said. “I think that’s a good example of recognizing the importance of the energy industry. We had lawyers doing all of that work before, but now we’re really making an effort to bring all of these lawyers together into one group to really focus the work that we’re doing.”

Pennsylvania’s historically strong pharmaceutical sector has also helped generate notable work for Reed Smith recently.

The firm is currently working to defend GlaxoSmithKline, which has its U.S. headquarters in Philadelphia, from claims in Pennsylvania federal court over decades-old injuries from the anti-nausea medication thalidomide.

The suits have sought compensation for more than 50 plaintiffs who say they suffered birth defects after their mothers used the drug while pregnant. The firm won summary judgment bids in 24 of the cases last July, and it notched another dismissal in October. The litigation has also resulted in sanctions being

imposed against plaintiffs' counsel for pursuing claims that a judge said they knew were "baseless, time-barred, or both."

The firm also represents Endo International PLC, whose U.S. headquarters are located in the Philadelphia suburbs, in multidistrict litigation in West Virginia federal court over alleged injuries from pelvic mesh products.

Reed Smith attorneys negotiated what the firm characterized as a favorable settlement totaling \$830 million to end a substantial majority of the cases in April 2014. Additional settlements were announced in April and May of this year.

"We've had years of deep investment in medical products defense litigation, and we're now doing it across the country," Bernstein said.

After years representing the Mellon family as its business grew out of Pittsburgh and eventually became the Bank of New York Mellon Corp., the firm still handles a substantial amount of work in the financial services industry.

The firm represented the Allentown-based National Penn Bancshares Inc. last June in its \$138 million acquisition of TF Financial Corp.

"We don't really have that many bank headquarters left in the Philadelphia area, so to support one like that is a really good thing and we're really pleased about it," Bernstein said. "To be on the forefront of a major bank M&A deal and to bring our different talents — the bank regulatory, benefits and corporate experience — to the table was a key positive for us."

The firm has also handled major M&A work in the state's thriving health care sector. In addition to representing Highmark in its acquisition of West Penn, a Reed Smith team worked with Abington Health as it hammered out a recently completed merger with the Philadelphia-based Jefferson Health System.

"That deal is one of the key combinations in the region," Bernstein said. "The economics of health care is pushing these hospital systems to achieve greater efficiencies by working together, and we were able to help with that."

-- Additional reporting by Ryan Davis. Editing by Jeremy Barker.