

THE RECORDER

COVER STORY

Market for tech transactions lawyers heating up

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Technology transaction practices have hit the big time.

And lawyers like Shearman & Sterling's Richard Hsu have the rise of multimillion-dollar patent deals and nonpracticing entities to thank.

For more than 10 years, the tech transactions lawyer worked one-on-one with serial entrepreneurs, hammering out standard licensing and partnership agreements at Silicon Valley-based firms Venture Law Group and Townsend and Townsend and Crew.

Now he's carving out and valuing IP assets on major M&A deals for global technology and life science companies, this time with teams of lawyers, after joining New York-based Shearman in April.

"I get involved from the very beginning of the deal," Hsu said, "understanding the technology and the IP, which for a tech company, is often the most critical asset."

And like Hsu's career, the contours of tech transaction practices are evolving. Since the late 1980s, Silicon Valley stalwarts like Cooley; Fenwick & West; and Wilson Sonsini Goodrich & Rosati have had teams of tech transactions attorneys devoted primarily to buying, selling and licensing products and technology for their startup clients, but rarely the patents themselves. But now that patents have become hot commodities for companies looking to boost their bottom lines and share prices by monetizing their IP assets, they're handling more patent-driven deals, too.

And firms are facing stiffer competition for the lawyers who can bridge the gap between the M&A and IP worlds. A growing number of national firms with high-end M&A practices that never had a tech transaction bench, thinking the work was too routine to justify their billing rates and generated too many conflicts, are clamoring to hire tech transaction partners, primarily to support their M&A teams working on a growing number of deals involving IP assets, recruiters say.

Sidley Austin snagged Glenn Nash from Latham & Watkins to become global co-head

Tech Translators

Lawyers who can bridge gap between M&A and IP teams in demand



Richard Hsu
Shearman & Sterling

JASON DOY

of its technology transactions practice in late August. White-shoe firm Sullivan & Cromwell made a rare lateral hire when it lured Palo Alto tech transaction partner Nader Mousavi away from Wilmer Cutler Pickering Hale and Dorr to co-lead its IP group in 2010. A year earlier, Mousavi had helped Silver Lake buy a majority stake in Skype Global from eBay Inc., settling an IP dispute over peer-to-peer technology to make the deal happen. Then in May 2011, he helped Silver Lake sell Skype to Microsoft Corp. for \$8.5 billion, again advising Silver Lake as lead IP counsel.

Wilmer, meanwhile, didn't waste any time replacing him. A few months later, the firm brought on Adit Khorana, a former tech transaction partner at Wilson Sonsini who'd been with the firm since 1994. In 2009, he repre-

sented Broadcom Corp. in a \$891 million deal with Qualcomm Inc., which had agreed to pay out the millions over four years as part of an agreement to end several patent and antitrust suits between the two companies. Broadcom and Qualcomm also agreed to exchange patent rights as part of the settlement.

This past May, tech transactions partner John Brockland was among the highly sought-after M&A team that left the then-ailing, now-defunct Dewey & LeBoeuf for Weil, Gotshal & Manges. Dewey had snagged that group from Cooley in 2009. Brockland handled the due diligence of IP assets and negotiated IP representations and warranties on big deals for clients such as Adobe Systems Inc., Applied Materials Inc., Dell Inc., eBay, Gilead Sciences Inc., Oracle Corp., Synopsys

Inc. and Zynga Inc.

"The kinds of matters we work on are very high stakes, and that's where it makes sense to hire a global law firm," Brockland said.

And the demand isn't expected to ease up any time soon. "The most profitable firms are all interested in tech transactions right now," said Natasha Innocenti, a recruiter at Major, Lindsey & Africa in San Francisco and Silicon Valley. "It's very hot. These transactions for big companies are a key component of their revenue streams."

In the past few months, several firms have asked recruiter Larry Watanabe of Watanabe Nason to recruit tech transaction partners, particularly in Silicon Valley, he said in an email.

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— DAREN WEIN
MLegal Consulting Inc.

And about five firms, all among the Am Law 20, have contacted Daren Wein at MLegal Consulting Inc. in San Francisco looking for tech transaction partners. Some only want lawyers with a portable book of business, but that's less important to others. All of them want lawyers with experience working on both high-end M&A deals and IP transactions.

"You have to look far and wide for these types of people," Wein said. "It's a pretty shallow pool that has that kind of skill set."

PATENT PRIMACY

What's driving demand has become headline news: the rising value of patents as a strategic asset and the growing number of blockbuster patent acquisitions, like Google Inc.'s \$12.5 billion purchase of Motorola Mobility last year. Companies looking for more ways to monetize their patent assets need lawyers to do it, whether they're selling patents, set-

ting up joint licensing agreements or buying another company for its IP.

Meanwhile, the cost of fighting infringement suits filed by nonpracticing entities has forced general counsel to focus more attention and resources on protecting those IP assets, said James Brelsford, general counsel at data storage company SanDisk Corp. in Milpitas, who announced last week that he's leaving the company to return to law firm life.

General counsel at several Silicon Valley companies have asked Brelsford about a licensing program he set up at SanDisk that generated \$375 million in 2011, or 8 percent of total revenue. Stock market analysts attribute nearly a third of the company's share price, which was about \$42 Friday, to those IP licensing revenues.

"The point is, you get great leverage in terms of driving shareholder value," he said.

But when it came to negotiating three acquisitions last year that involved IP assets, Brelsford needed help from transaction lawyers who understand IP valuation, as well as how to put together a deal. He hired outside counsel such as David Hansen at Skadden, Arps, Slate, Meagher & Flom and Rahul Kapoor at Morgan Lewis, & Bockius.

"They've got to be deal people and have that type of personality," Brelsford said. "You want them to understand your business, and have good deal instinct because they are helping drive value. You're going to be a little less price sensitive."

BIFURCATING MARKET

The work Hsu is doing now may be more lucrative, but he admits it has a downside, he said. He's been priced out of the emerging company market, work he always enjoyed because he got to spend time with startup founders working on cutting-edge products.

"But all Big Law firms are being priced out of that market," Hsu said, who spent about a year at King & Spalding before joining Shearman & Sterling.

As a result, the market for tech transaction talent is evolving into two groups, Innocenti said. There are the firms that primarily do traditional day-to-day tech transactions, often at lower rates. And then there are those that specialize in supporting big M&A deals, at much higher billing rates.

Competition is also increasingly fierce

among Silicon Valley firms that have handled day-to-day transactional work for startup companies for decades. A growing number of experienced tech transaction attorneys from these firms are leaving to either start their own firms, work on a contract basis, or go in house. That's creating new lower-cost competitors for the firms that have traditionally done this work. "Some people offer crazy discounts," said Adam Rutenberg, a Reston, Va.-based partner who is the head of Cooley's tech transactions practice. "You have to tell clients that's not how I'm competing in the marketplace. We want to charge a fair price for our services."

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— JAMES BRELSFORD
SanDisk Corp.

Tech transaction partner Maureen Dorney left what is now DLA Piper in 2008 to start Paradigm Counsel and says tech companies of all sizes are more than willing to hire small shops like hers. "The very large, very sophisticated consumers of legal services know when they can find the resources at a better price," she said.

While Hsu may miss working with entrepreneurs, he says the work he's doing now is more challenging. He used to think that the tech transactions partner on an M&A deal was like a football team's "long snapper," the specialized center who hikes the ball when his team needs to kick. He soon learned that wasn't the case.

"Now I realize how critical that role is, especially for technology deals," Hsu said.

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