

Kobre & Kim Commits To China As Other Firms Reevaluate

By **Kevin Penton**

Law360 (May 28, 2024, 9:44 AM EDT) -- While a spate of BigLaw firms have announced in recent weeks their plans to exit or downsize operations in China, Kobre & Kim LLP is settling in, focusing its efforts on areas such as cross-border disputes, firm leaders recently told Law360 Pulse.

Areas such as venture capital and corporate transactions may be becoming more challenging for non-China-based firms, given the geopolitical issues arising between China and its counterparts in Europe and the United States, but opportunities remain for firms that are strategic in their areas of concentration, two Kobre & Kim attorneys based in Shanghai told Law360 earlier in May.

Kobre & Kim sees opportunities in China in areas such as international asset recovery, government enforcement work and joint venture shareholder disputes, said Jian Wu, the firm's regional managing director for its Asia Pacific region.

For example, the firm anticipates that there may be an increased number of cross-border joint venture investment disputes related to Chinese companies and investors from China and the Middle East, said Jason Kang, a partner in the firm's Shanghai and Hong Kong offices.

"We believe we could be a uniquely good fit for some of those investment-related disputes," Kang said, noting that Kobre & Kim has an office in Dubai.

Since the middle of 2023, at least seven law firms have reduced their presence in China, with such moves accelerating this spring. Weil Gotshal & Manges LLP, Orrick Herrington & Sutcliffe LLP, Perkins Coie LLP and Latham & Watkins LLP all announced the closure of offices in Shanghai and Beijing. Linklaters and Kirkland & Ellis LLP conducted layoffs in the country, and Dentons shed thousands of lawyers in China when it separated from Dacheng.

International law firms are currently attempting to balance the myriad challenges of making healthy profits in the Chinese legal market and the country's promise of future growth, according to legal recruiters and law firm management consultants who serve firms with a presence in China.

According to Zeughauser Group partner Kent Zimmermann, the hurdles include a challenging macroeconomic environment driven by geopolitical tensions; laws and regulations that make it harder for foreign law firms to thrive in the country; increased competition with the rise of large, high-quality Chinese law firms; rate constraints; and in some cases, challenges in getting paid by clients.

All that leads to decreased profits for law firms' China operations, and in BigLaw, if a region can't hold its own when it comes to profits, cuts are often needed, Zimmermann said.

Capital markets — where many non-China-based firms concentrated their efforts — is a practice area that has seen recent challenges, given geopolitical constraints, Wu said.

While Kang agreed that there has been significant growth in recent years in the quality of China-based law firms, in the areas in which he has seen them grow — such as international arbitration in locations such as Singapore and Hong Kong — they do not directly compete with Kobre & Kim.

China-based firms have also improved in areas such as litigation, but few have a significant litigation presence outside the country, while Kobre & Kim and other non-China-based firms can't really compete with them inside China, given government restrictions, he said.

"We don't see a lot of direct competition from those firms in the areas that we practice in, such as international asset recovery and government enforcement defense," Kang said.

Even as a number of firms are scaling down in China, others are opening new offices. Quinn Emanuel Urquhart & Sullivan LLP last year opened an office in Beijing, its second in China, and Morgan Lewis & Bockius LLP opened an office in the Chinese technology hub of Shenzhen.

Looking ahead, Kobre & Kim is currently actively recruiting for positions in China, Wu said. It sees potential for growth during the next year in practice areas such as cross-border intellectual property disputes that are initiated outside China by Chinese companies, in industries such as biotechnology, artificial intelligence and consumer goods, Kang said.

"We're still committed to China and we're trying to grow our practice and business in China," Kang said.

--Additional reporting by Aebra Coe. Editing by Robert Rudinger.