

Paul Weiss - The invasive species that upset the London Big Law ecosystem

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To a large extent all ecosystems are shaped by their apex predator and, since August 2023, it is indisputable that the London Big Law biome has been profoundly impacted by the European re-launch of **Paul Weiss** and its (significantly more than) \$100 million investment in an English law offering. The Wall Street raptor’s aggressive hiring strategy has been partly facilitated by the abandonment of its (once sacrosanct) all equity partnership, along with the adoption of “black box” partner compensation – peppered with some stellar top-end offers to laterals of (reportedly) up to \$20 million p/a.

Although Paul Weiss was only the third most covetous firm in London in 2024, it actually hired the same number of partners this year (**14**) as it did last year when it took the top slot for laterals. Since August 2023, its Air Street office has hired **28** partners – **24** of whom were laterals. Although impressive, the number belies the multiplying impact these hires have had on the market as a whole – both peer and near-peer rivals have scrambled to restock by poaching laterals from other firms. As many of these knock-on hires have been “distressed purchases” they have come with significantly inflated compensation. The ripple effect of this has often been to force tertiary firms in the chain to make their own losses good through a mix of external recruitment and associate battlefield promotions; an ongoing process that will continue well into next year. Indeed, in a boon for head-hunters, in some instances the arrival of a single Paul Weiss lateral has ultimately led to three, or even four, collateral re-stock hires.

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Even before Paul Weiss, US law firms were already heavily investing in private equity and debt finance in London. Over the past 18 months, the combined impact of: (i) existing pre-planned set-piece investments by US firms; (ii) Paul Weiss' own unprecedented expenditure; and (iii) forced collateral re-stock hires as a result of (ii), has pumped scores of \$millions in additional annual partner compensation into a relatively closed system. This has, unsurprisingly, had an inflationary impact on top-end partner compensation.

This London specific issue has coincided with, and possibly contributed to, a stream of fundamental changes in historically *über* conservative partnership structures at other elite US law firms. The widespread abandonment of all-equity partnerships, and the corresponding rise of non-equity partnerships, has enabled firms to free up partnership points and upwardly stretch their top of equity to attract and retain star rainmakers. In the longer term, those firms (including Paul Weiss itself) which have added a non-equity cadre of partners to their ranks will find that it both elevates recruitment and increases partner attrition.

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Whilst the ripple effect of Paul Weiss' London hires will continue to impact the market well into next year, now that it has reached critical mass, it is unlikely that the Wall Street firm will continue its own hiring spree at the same breakneck speed – at least for transactional lawyers. Indeed, in general, Paul Weiss' partner hires of 2024 were of less market significance than those of the previous year, with four of the new joiners being verticals or from in-house.

Paul Weiss does appear to have picked up some genuinely significant English law mandates, and it has already likely established itself as a permanent London alternative to its arch-rival Kirkland & Ellis. However, it is doubtful that its work winning success has yet covered its enormous outlay and eventually its New York management will want to see a proper return on their eye watering expensive investment.

Indeed, history tells us that Stateside partners often fall out of love with bankrolling a shiny new London office right around the time they find out they can no longer afford that boat they'd set their sights on. Wayback in 1998 another US law firm – McDermott Will & Emery – launched in London to much fanfare advertising the (then) unheard of sum of £1 million to laterals. After a few short years of dominating the news cycle with impressive lateral hires and gaining a cornucopia of top directory rankings, the (then) management, purportedly frustrated with the lack of return, pulled the plug and the firm quickly retrenched into relative obscurity for more than a decade.

To be clear, there is no suggestion that Paul Weiss has overstretched – but any slowdown in its predations is good news for Big Law rivals who, to paraphrase Winston Churchill, can at least hope that, if this is not the end, and not even the beginning of the end, it is, perhaps, the end of the beginning.

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