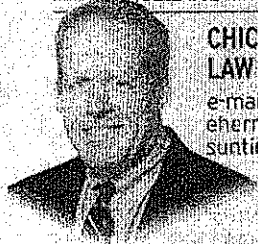


2001 merger has been very taxing for Sidley Austin firm

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Sidley Austin Brown & Wood faces an increasingly taxing situation.

One of Chicago's biggest and oldest law firms, Sidley & Austin secured its place among the giants with its 2001 merger with Brown & Wood, a Wall Street firm.

The combined entity pulled in gross revenues of \$831 million in 2002, fifth among U.S. law firms, according to American Lawyer magazine. But the merger created a giant headache for Sidley: lawsuits and federal investigations stemming from tax shelters peddled by a partner who came from the Brown & Wood side. Sidley lawyers here are said to be irked with how things are turning out.

Now, the firm faces a barrage of new lawsuits. Dallas lawyer David Deary told the Sun-Times he expects to file 20 more suits against Sidley over the next six months. One deep-pockets defendant already decided Deary's charges weren't frivolous. Last month, Dallas' **Jenkins & Gilchrist** paid a \$75 million settlement to make a

Deary lawsuit go away. **Jenkins** and **Sidley** worked on some of the deals together.

"They marketed, sold and implemented tax strategies that they knew were invalid, or should have known were invalid based on the IRS' positions," Deary said.

Clients represented by Deary and others have filed suit against Sidley in Florida, California and other states. They all took part in a tax shelter encouraged by partner **Raymond Ruble**. The shelter promised to offset their capital gains, greatly reducing their tax bills. But the IRS declared it invalid. Oops.

Sidley spokesman **Paul Verbinen** said the "cases have no merit, and we are not going to comment."

But the tax shelter fiasco has already caused a lot of heartburn at Sidley. In October, the IRS served a "John Doe" summons on the firm asking it to name clients who participated. **Thomas Smith**, Sidley's New York-based vice chairman, had to testify before a Senate subcommittee. The firm got rid of **Ruble**, who pled the fifth before the subcommittee.

With gas prices soaring, oil companies make convenient whipping-boys. But a trio of Chicago law firms just scored a big victory on their behalf.

The oil companies face a flurry of lawsuits over **MTBE**, a gasoline additive that reduces air pollution but also, it turns out, contaminates

drinking water and causes health problems. About 70 cases, many filed by state and local governments, are pending against the major oil companies to recover the cleanup cost.

The municipalities sued in state courts around the country, and the oil companies sought to have the cases transferred to federal court. Plaintiffs' lawyers usually find state courts more hospitable when seeking money from large, distant corporations.

Lawyers for the oil companies want to keep the cases out of state court — and with good reason. In 2002, a California jury ruled against five companies in a case brought by South Lake Tahoe, scaring the firms into settling for \$69 million. Estimates of total **MTBE** liability range wildly from \$1 billion to \$29 billion. U.S. House of Representatives Majority Leader **Tom DeLay** (R-Tex.) insisted companies receive protection against lawsuits as part of last year's energy bill, which failed to pass, in part because of the lawsuit ban.

The threat of the ban "forced all these plaintiffs out of the woodwork," said **Nate Eimer** of **Eimer Stahl Klevorn & Solberg**, who represents **Citgo Petroleum**.

The oil companies just caught a break from U.S. District Judge **Shira Scheindlin** of New York, who ruled the cases belonged in federal court.

Andrew Langan, **Mark Lillie** and **Wendy Bloom** from **Kirkland**

& **Ellis** are representing **British Petroleum**, while **Peter Scarpanti** of **McDermott, Will & Emery's** New York office is handling things for **ExxonMobil**.

The U.S. attorney's office could soon see a wave of departures by veteran prosecutors. For budgetary reasons, the Justice Department just launched a voluntary early retirement plan offering a lump payment of \$25,000, said office spokesman **Randall Samborn**. Another source said the deal includes early vesting of pension benefits, too. Some lawyers in the office are already working the phones and testing the law firm job market.

A batch of early retirements could give U.S. Attorney **Patrick Fitzgerald** the chance to replace some supervisors with his own people, one source said. But **Samborn** noted the program is nationwide and offered to secretaries and paralegals, too.

"I have no idea if there's anyone in this office who's even thinking about this offer," he said.

Big law firms go to great lengths to recruit law graduates. Next month, **Katten Muchin Zavis Rosenman** is taking over U.S. Cellular Field for a softball game between students at Northwestern and the University of Chicago law schools. Some might have fun pretending to play in the majors. Others will dream of being **Frank Thomas**' agent.

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