

Q&A With Cravath, Swaine & Moore's Stephen Gordon



Law360, New York (January 24, 2014, 11:12 AM ET) -- Stephen L. Gordon is a partner in Cravath, Swaine & Moore's New York office and head of the firm's tax department. Gordon's practice focuses on advising clients on the tax aspects of mergers and acquisitions and other major transactions, including spinoffs, international restructurings and corporate joint ventures. He also works with clients on issues related to corporate finance and domestic and international taxation.

Gordon has been repeatedly cited as one of the country's leading tax practitioners by, among others, Chambers USA: America's Leading Lawyers for Business from 2007 through 2013; Chambers Global: The World's Leading Lawyers for Business from 2008 through 2013; The Legal 500 from 2007 through 2013; The Best Lawyers in America from 2007 through 2014; and The International Who's Who of Corporate Tax Lawyers from 2007 through 2013. In addition, Cravath's tax practice received the publication's highest ranking for its ability to handle "any matter thrown at them with poise and flair." In 2012, Gordon was chosen by corporate counsel as one of the BTI Client Service All-Stars for his exceptional commitment to understanding his clients' legal and business objectives, recognizing client goals and providing innovative and effective solutions tailored specifically to the client's desired outcome.

Gordon was born in Syracuse, N.Y., and received an A.B. cum laude from Cornell University in 1978 and a J.D. cum laude from Harvard Law School in 1981, where he was an editor of the Harvard Law Review. He joined Cravath in 1981 and became a partner in 1987.

Q: What is the most interesting or challenging tax problem you've worked on to date?

A: Clients bring their most complex challenges to Cravath. This gives us the opportunity to design innovative, tax-efficient structures in a wide array of commercial contexts. In addition, our longstanding relationships with clients often allow us to see them through each stage of the organization's lifecycle. I recall sitting in a Los Angeles conference room in the early 1990s, working to hatch out plans to form a new kind of movie studio. Over the years, the DreamWorks partnership grew into a substantial enterprise and, in 2004, we helped it spin off DreamWorks Animation SKG as a new public company in a

tax-efficient separation. Two years later, we helped sell the live action studio, DreamWorks Studios, to Paramount Pictures. In the years since, we have continued to work with Steven Spielberg's team on his new ventures and with the DreamWorks Animation team, including on its recent expansion into China. Being able to work with an organization for so long — from birth to division to sale to rebirth — is deeply gratifying and allows us to deliver the highest-quality tax advice.

It is difficult to single out one tax problem as the most challenging or interesting. Each deal presents special challenges and requires unique and thoughtful solutions. As part of designing structures to meet our clients' needs, Cravath has worked on the first stock-for-debt exchange in connection with a tax-free spinoff, some of the first cash-rich split-offs and one of the first single-issue Internal Revenue Service rulings. I'm grateful to have the opportunity to do such interesting work with outstanding clients and a superb team of lawyers.

Q: Currently, what is a pressing tax concern for your clients, and how are you addressing it?

A: Our U.S. multinational clients — like so many other U.S. companies — are focused on how to remain competitive with companies headed in more tax-efficient jurisdictions. One pressing tax concern for these clients is how best to redeploy funds from offshore businesses back in the U.S. We help clients develop repatriation strategies through thoughtful, long-term planning and careful assessment of U.S. and foreign tax risks, taking into account their nontax objectives and sensitivities. There are no cookie cutter solutions; instead, we work with clients to devise plans tailored to their specific facts and goals.

In some cases, competitive pressures push U.S. clients to consider "inverting" by migrating to a foreign jurisdiction, typically as part of a strategic combination with a foreign company. Such a dramatic reorganization of a company's structure presents the opportunity for greater tax efficiencies in the future, but also introduces a host of potential tax and nontax issues. We help clients consider whether such a significant move makes sense for them and their shareholders.

Q: What do you anticipate being the biggest regulatory challenge in your practice in the coming year and why?

A: The prospect of dramatic tax changes looms large for both our U.S. and non-U.S. clients. While a reworking of the tax code would be welcome in many cases, the uncertainty created by the debate around simplifying the domestic tax landscape and rethinking how the U.S. taxes overseas profits creates meaningful challenges for taxpayers looking to manage their capital structures and operations in a tax-efficient manner. The pending expiration of various tax provisions adds to this uncertainty. We monitor these possible changes for our clients. While none of us can predict future legislative or regulatory changes, particularly in this political climate, we help our clients ensure that their structures are flexible enough to respond to whatever the future may bring.

Q: Outside of your own firm, who is an attorney in your practice area whom you admire, and what is the story of how s/he impressed you?

A: Liese Kambour, the senior vice president of tax at Time Warner, is a first-rate tax lawyer. She has an excellent command of the technical tax issues in a wide range of areas and also understands the accounting rules that govern the way tax items are reported in a company's financial statements. In addition, Liese is well-versed in public company rules and considerations with which many outside lawyers do not become familiar. Her ability to balance various competing objectives is a rare and valuable trait.

In working on deals, Liese also has a keen sense of how to negotiate fairly, efficiently and effectively. In addition, she is eminently practical. Cravath has worked with Liese on many matters over the years, including four tax-free spinoffs/splitoffs (Atlanta Braves (2007), Time Warner Cable (2008), AOL (2009) and now Time Inc. (2014)) and countless M&A matters, internal restructurings, financings and securities offerings, and other projects. She is always a pleasure to work with.

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