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FAQs on Legal Process Outsourcing Industry

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INTRODUCTION

United States is the country which spends around US\$ 150 Billion every year towards legal services which keeps on rising by 5% every year. According to our industry research, this demand emanates not only from small and big law firms but also from practitioners, attorneys, legal research companies, legal departments of various MNCs who have realized the need of outsourcing. After United States, there are other countries like UK, France and Australia which are gearing up for legal outsourcing from India. Very conservatively speaking, over 50% of legal outsourcing happening world-wide would come to India. Some frequently asked questions on business process outsourcing in general, and legal process outsourcing in particular are sought to be answered in this article.

This is an era of outsourcing. First the outsourcing of business process – then knowledge process and now it is legal process. Everyone is expecting a large growth of LPO in time to come. Some basic questions which frequently arise in the context of LPO are answered here.

I. BRIEFING ABOUT OUTSOURCING (BPO & KPO)

Question 1. What are the options available with a company for sourcing the services?

Answer. A company may have the following options available:

Domestic in house sourcing	Example : Company provides its services domestically without any outside contracts
Offshore in-house sourcing	Example : Company uses services supplied by its own foreign based affiliates (subsidiary)
Domestic outsourcing	Example : Company uses services supplied by another domestically based company
Offshore outsourcing	Example : Company uses services supplied by an unaffiliated foreign based company

Question 2. What is the difference between BPO and KPO?

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Answer.

BPO - Transaction Intensive Service

Clients expertise and service provider merely provides delivery.
Example:

- Customer Contact Services
- Transaction Services
- HR Data Processing
- Medical Transcription

KPO - Knowledge Intensive Service

Clients expect company to be the domain expert.
Example :

- Insurance Underwriting, Risk assessment, and Equity Research

- Intellectual Property Research
- Financial Analysis
- Legal Research

Question 3. What is India's positioning vis-a-vis contemporary countries in the world pertinent to the BPO outsourcing ?

Answer. India's positioning in BPO outsourcing is as under :

PHILLIPINES	: Capitalizing on a strong telecom service base
JAMAICA	: Answering the call or low cost call centres
CHINA	: Asian language skills and large labour pool
MEXICO	: Technical labour base for Latin America
INDIA	: Best mix of breadth and depth of labour with strong English Language skills and 24X7 support

Question 4. What exactly KPO is all about?

Answer. According to Harvard Business Review:

"KPO is another flavor of BPO where the work involved calls for some measure of expertise on the part of the company. It provides value to the client through domain expertise than process expertise."

Question 5. What are the broad areas covered in the KPO industry?

Answer. The following* are the key areas covered in KPO industry:

*Source : ACCLIVANT Research

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Technology Research	■ IT Services ■ Application development and maintenance ■ Security Internet & E-commerce
Business Research	■ Economics Research ■ Company and Industry Research ■ Documentation & Library Services
Investment Research	■ Corporate Finance ■ Financial Modeling and Analysis ■ Investment Banking Support
Market Research	■ Data Acquisition and Data Entry ■ Data Processing ■ Presentations
Analytic Services	■ Data Warehousing ■ Data Preparation, ETL services ■ MIS & Reporting ■ Business Intelligence ■ Statistical and econometric Modeling ■ Optimization modeling and OR solutions
Intellectual Property Research	■ Patent Drafting and Filing, Patentability Assessment ■ Overlap Analysis, Competitor IP Landscaping ■ IP Portfolio Management, IP Licensing & Commercialization
Legal Research	■ Legal, Para-Legal Content and Services ■ Drafting, Review of Documents and Contracts ■ Legal Research (Case History)

- To adapt themselves to meet changing opportunities
- To focus on broader business issues
- Cost effectiveness
- Increased external focus of the employees
- Access to world-class talent
- 24/7 working

Question 8. What about the Market Size and Growth prospects?

Answer. The following table illustrates the market size with the growth :

Global spending on legal services is estimated to be at least over US\$ 250 billion, with the US accounting for more than two-thirds of the market.

Market Size for Legal Services in 2003**

Country	Amount (US \$ Billion)	Growth over the previous year (%)
Australia	6.9	11.6
China	1.6	7.0
France	18.4	14.0
Japan	1.09	8.0
South Korea	1.61	-3.3
UK	34.2	3.6
USA	166.8	5.6

Question 9. What is the break-up of total spending by the top US based law firms ?

Answer. The following table** shows the annual spending break up:

Category	Annual spend (US\$ billion)	Share of total spend (%)
Office operations	6.2	31.1
Litigation support	4.9	24.6
Word processing and secretarial	2.9	14.6
Information systems	2.5	12.6
Marketing	0.85	4.3
Legal research	0.62	3.1
Finance and accounting	0.50	2.5
Library	0.50	2.5
Legal recruiting	0.35	1.8
Human resources	0.20	1.0
Patent & trademark prosecution	0.40	2.0
Total	19.92	100

According to Forrester Inc., though there is little hard data available to quantify the legal offshoring segment of the Indian BPO industry, it is estimated that only about 2-3% (US\$ 60-80 million) of the potential market has been tapped so far. Reports indicate that billing by Indian lawyers to US firms for in-house work alone ranged from US\$5 million to US\$15 million in 2004.

II. LEGAL PROCESS OUTSOURCING INDUSTRY - INDUSTRY ANALYSIS

Question 6. Where does the business of legal process outsourcing emanate from ?

Answer. The legal process emanates from the following entities* :

- Several MNCs (in-house legal departments)
- Legal research firms
- International law firms
- Legal publishing companies
- Solo attorneys
- Attorneys at law

Question 7. What are the key compelling reasons for outsourcing by the law firms based in UK & US ?

Answer. The following* are the compelling reasons for outsourcing:

*Source : ACCLIVANT Research

**Source : NASSCOM

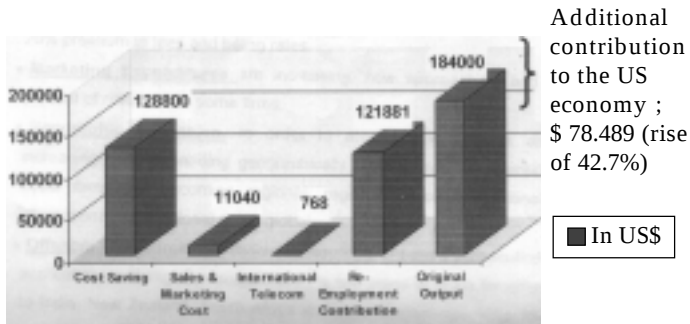
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The total employee base engaged in providing legal BPO services from India (captive+pure-play third party) is estimated to be at least 600-700 employees.

Question 10. What is the annual contribution made to the US economy due to outsourcing ?

Answer. The annual contribution is shown in the following chart* :



Question 11. What are the major legal areas which U.S. law firm covers ?

Answer. The following are the major areas :

- Banking laws
- *Bankruptcy* : business
- *Bankruptcy* : consumer
- General Corporate laws
- Commercial laws
- Civil rights and liberties
- Criminal defense
- IPR laws
- International Business laws
- Securities / financing laws
- Tax laws

Question 12. What about the General Legal Market Trends specific to operations of law firms in US ?

Answer. Despite the encouraging prediction regarding outsourcing, legal practices are subject to a number of external forces affecting all law firms, including the following** :

- **Changing Economics.**
There are restraints on revenues driven by client fee resistance.
- **Overheads are escalating,** driven by support staff employment costs, IT expenditures, marketing costs, professional liability and health insurance premiums.
- **Marketplace Maturation.** There are shifts from the sellers' market of the past to a buyers' market in

which clients increasingly determine pricing, staffing and strategy.

- **Firms are earning Brand name recognition.** The benefit of brand recognition is a 10% to 20% premium in fees and billing rates.
- **Marketing Expenditures are increasing,** now approaching and even exceeding two percent of revenues in some firms.
- **Geographic Expansion.** In order to access new markets and clients, law firms increasingly are expanding geographically. This is true for diversified, full-service firms. Local firms are becoming regional, regional becoming national, national becoming international, international going global.
- **Offshore Outsourcing.** Offshore outsourcing of patent prosecution is increasing. Patent applications and litigation support are the two areas of focus for offshore legal outsourcing to India, New Zealand, South Africa and other English-speaking, low-labor cost locations around the world.

Question 13. What is the business expected to come in India pertaining to legal outsourcing ?

Answer. The Current addressable potential (demand) in US :
By 2015 – it is expected to be \$3 bn of which the Indian share is expected to be 60%
Market tapped so far by existing LPO service providers till date is 3%

III. LEGAL PROCESS OUTSOURCING INDUSTRY - BUSINESS INSIGHTS

Question 14. Why India is in the lead in the legal outsourcing industry ?

Answer. The following advantages make India leader in the legal process outsourcing industry:

Demonstrated advantages :

- Vast resource of talented English speaking lawyers
- Pay rate between 10 to 15% of that of US lawyers
- Helping US law firms operate 24x7
- Friendly Govt. policies for IT and ITES exports

Country specific advantages :

- India, like the US, is a common-law jurisdiction rooted in the British legal tradition
- Appellate and Supreme Court proceedings in India takes place exclusively in English
- Indian legal opinions are written exclusively in English

Question 15. What type of government support is available for the LPO players in India?

Answer. Government has provided various supports which are as follow :
100%Income tax exemption for export of services :

*Source : Evalueserve

**Source : ALM properties Inc.

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According to CBDT, the exemption would embrace the following (few) services :

Back-office Operations + Content Development or Animation + Engineering & Design services + Human Resource Services + Insurance Claim Processing + *Legal Databases*

Other support

- Duty-free imports of capital goods (under the Export Promotion of Capital Goods scheme)
- Foreign Direct Investment (FDI) for 100 percent of the equity in BPO companies
- Promotion of STPs which provide ready-to-plug IT and telecom infrastructure
- National Venture Fund for the Software and IT Industry with a corpus of Rs. 100 crore

Question 16. Which are the key players leading the India Legal BPO industry?

Answer. The major players' information is as follow* :

Company	Personnel	Most popular outsourcing requests
Acclivant Outsourcing (www.acclivant.com)	16 employees (lawyers+MBAs) in Delhi	Legal research and Business Surveys for law firms
Intellevate	72 employees in Bangalore and Delhi	Patent proofreading, prior arts searches, and paralegal functions.
Lawwave.com	8 lawyers working on an as-needed basis in Chennai	Document review and legal research
Lexadigm Solutions	6 lawyers in Gurgaon	Research memos, briefs, and survey of state laws.
OfficeTiger	5 lawyers in Chennai	Word processing and legal research
Quislex	11 lawyers in Hyderabad	Research and document review

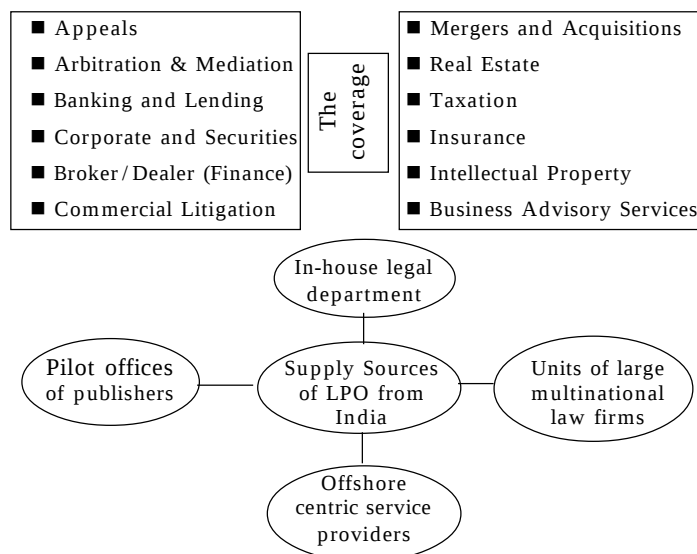
Question 17. What are the primary services in the LPO business ?

Answer. The following table illustrates the primary services in LPO business:

Quantitative/low-skilled tasks	Qualitative/skill-intensive tasks
■ Document management	■ Due diligence reports
■ Database creation and maintenance	■ Fifty-state surveys
■ Legal transcription	■ Patent and trademark work
	■ Review of transactional and litigation documents
	■ Drafting contracts, research memoranda
	■ Pleadings and briefs

Question 18. What are the industries / spheres of businesses which can be covered in the LPO business ?

Answer. The industries which can be covered are* :



Question 19. What is the supply source of legal outsourcing services from India?

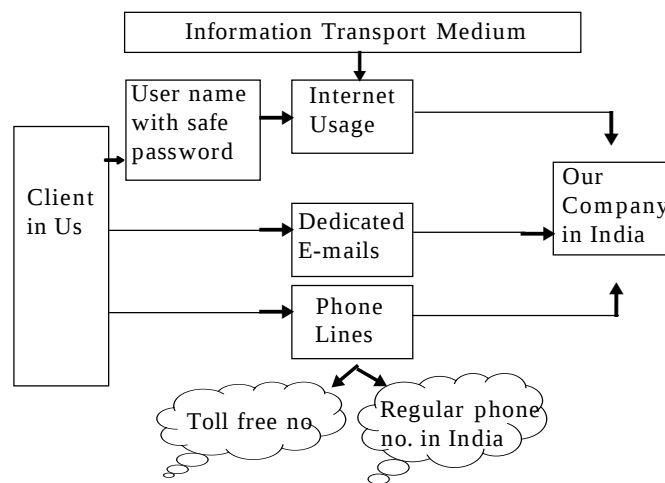
Answer. The following diagram shows the supply source of legal outsourcing services from India

Question 20. What are the billing charges in the outsourcing industry ?

Answer. The billing charges are as follows :

Area	Amount (USD per hour)
Telemarketing	5-12
Transaction Processing	10-14
Tech Support (inbound)	11-12
Printing Support Services	15-25
Basic Back Office	15-25
F&A	15-35
Document Management Services	30-50
Research & Analysis	40-90
Patent Drafting & Legal Research	150

LEGAL PROCESS OUTSOURCING INDUSTRY – THE EXECUTION



* Source : ACCLIVANT Research

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Question 21. What is the channel structure for the flow of information ?

Answer. The channel structure is given at the end of the previous page.

Question 22. What types of services are covered in the legal research and information area?

Answer. The services covered are:

- Draft research memoranda, law surveys and comparisons of the laws of various jurisdictions with respect to U.S. federal and state case laws, statutory laws and regulations
- Collection, organizing, reviewing data and preparation of the due diligence reports pursuant to a due diligence investigation, including M&A due diligence and due diligence related to SEC filings and financings
- Review documents for transactions and litigation and preparing appropriate reports
- Preparation of legal opinions for all practice areas and of briefs and facts at all levels of courts

Question 23. What about patent oriented services ?

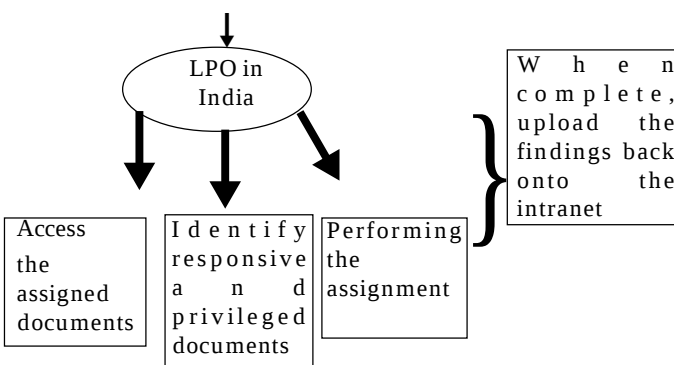
Answer. Following are the patent oriented services :

- Patent Portfolio Analysis
- End-To-End Patent Application Drafting and Filing
- Patent Mining and Administration
- Competitor Analysis
- Patentability Assessment
- Licensing Support
- IP Monitoring
- Patent Claims Mapping
- Patent and Technology Landscaping

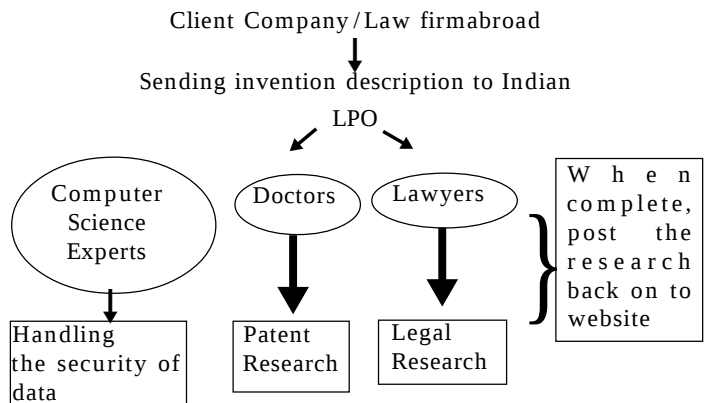
Question 24. What is the LPO business process in brief ?

Answer. The diagram represents the LPO* working process in brief :

Scanning & uploading the document onto a secure intranet site



*Source : ACCLIVANT Research

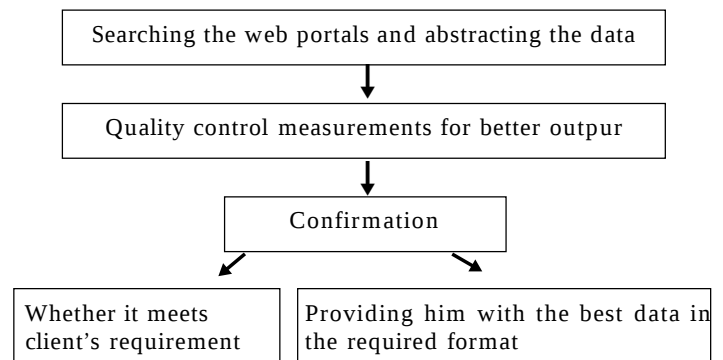


Question 25. What about the IP prosecution work in the LPO industry ?

Answer. The chart above explains the IP prosecution work :

Question 26. What is the data extraction service in the LPO business ?

Answer. The data extraction service is elaborated as below :



Question 27. What are the necessary requirements to target a U.K. based clients?

Answer. The vendors based in India must imperatively get well-versed with the lexis-nexis software workings (to target a UK based client) encompassing the following vital aspects** :

- | | |
|---------------------------|---|
| Legislation | <ul style="list-style-type: none"> ■ UK Act Summaries ■ UK Bill Summaries ■ UK Parliament Acts ■ UK Parliament Statutory Instruments |
| All England & Case Search | <ul style="list-style-type: none"> ■ All England Annual Review ■ All England European Cases ■ All England Law Reports ■ All England Reporter ■ Case Search |

** Source : LexisNexis

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- | | |
|-------------------------|--|
| Companies & | ■ Buckley on the Companies Act |
| Commercial Law | ■ Bulletins Index |
| | ■ Companies House Forms |
| | ■ Corporate Law Update |
| | ■ General Case Digests |
| Financial | ■ Butterworths Banking Law Handbook |
| Regulations | ■ Butterworths Company Law Handbook |
| | ■ EU Materials |
| | ■ UK Legal News Analysis |
| | ■ UK Legal Newspaper Index |
| Intellectual Property & | ■ Domain Name Decisions with Case Comment |
| Information Technology | ■ General Case Digests |
| | ■ Intellectual Property & Technology Cases |
| | ■ IP Decisions |
| | ■ IP Newsletter |
| Tax Reference | ■ Simon's Direct Tax Service |
| | ■ Simon's Tax Cases |
| | ■ Simon's Tax Intelligence |
| | ■ Simon's Tax Planning |

Question 28. What are the few online resources available for research purposes ?

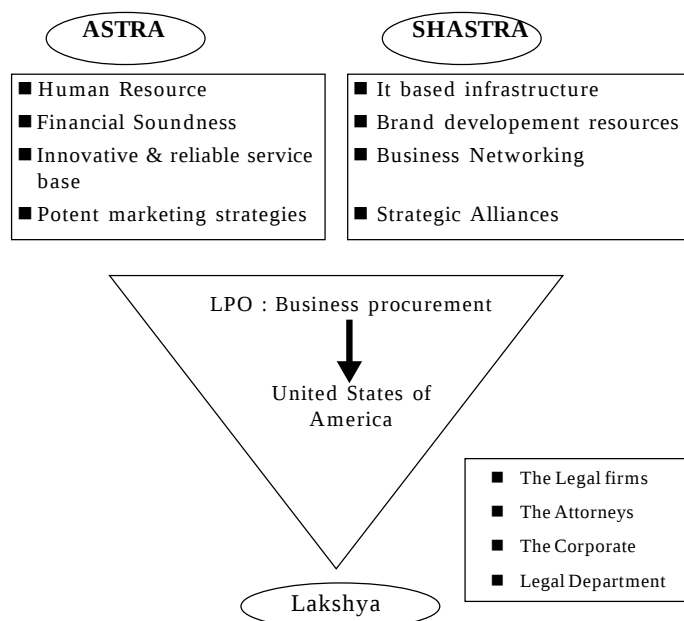
Answer. The available online resources are:

- | | |
|--|--|
| Execution resource | Legal forms http://secure.uslegalforms.com
Discussion forum http://www.outsourcingforum.net/
Find articles http://www.findarticles.com/ |
| Legal Search | law.com http://www.law.com
Findlaw http://www.findlaw.com
Hieros Gamos http://www.hg.org
ABA Factbooks http://www.abanet.org/media/factbooks/home.html
ABA Lawlink http://www.abanet.org/lawlink |
| Law-Related Associations | National Association of Legal Assistants http://www.nala.org
Association of Legal Administrators http://www.alanet.org
American Association of Law Libraries http://www.aallnet.org |
| Marketing, Sales and Busienss Networking | Business development in us http://www.legalsales.org/features/index.cfm
Website making for lawyers in us http://www.abanet.org/tech/ltrc/npbars.html
American Marketing Association http://www.marketingpower.com/content753.php |

IV. ASPECTS OF MANAGEMENT INTEREST

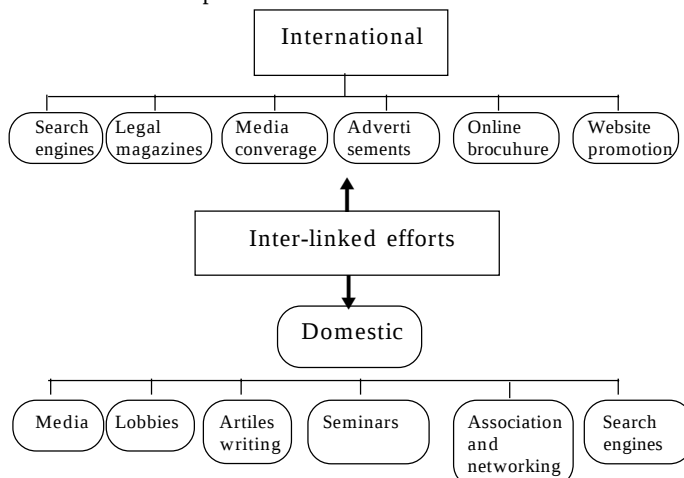
Question 29. What are the Astra, Shastra and Lakshya in the LPO business ?

Answer. The chart depicts the term as elaborated below :



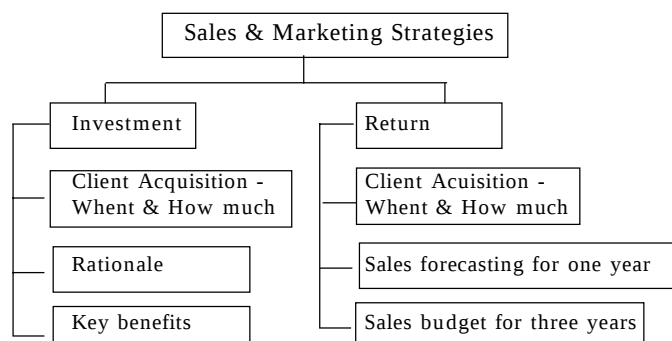
Question 30. What are the promotional efforts to be made in the industry to allure foreign clients ?

Answer. The promotional efforts are :



Question 31. What should be the sales & marketing strategies?

Answer. The chart depicts the strategies to be followed:



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Question 32. What about quality related accreditations ?

Answer. The accreditations can be in the following forms:

- International Standards Organization (ISO) 9000 series
- Six Sigma
- CMMi Model (Capability Maturity Model)
- SEI-CMM Model
- People Capability Maturity Model (People-CMM)
- e Services Capability Model (eSCM)

Question 33. What are the Information Security aspects ?

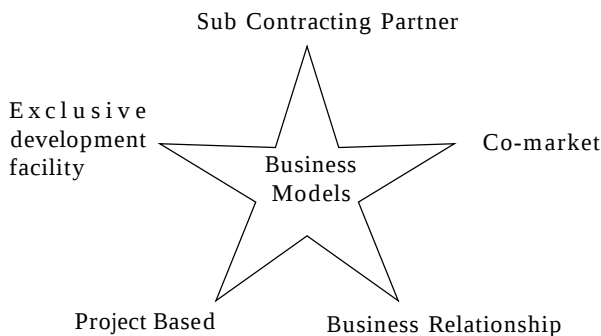
Answer. Security: It's the process of avoiding misuse of information and protecting data from disclosing to an unauthorized person.

In this context the data security properties can be categorized as follow :

- Privacy
- Confidentiality
- Integrity
- Authentication
- Authorization
- Accountability
- Confidence
- Digital right management
- Link-ability

Question 34. What type of business models are prevailing in the LPO industry ?

Answer. The business models are :



Question 35. What are the prime challenges in doing legal process outsourcing business ?

Answer. The prime challenges are:

- Confidentiality issues
- Abdication of responsibility
- Risk management
- Quality assurances

Question 36. How well are we equipped to do the LPO business sitting in India ?

Answer. We are well equipped to do LPO business due to the following facts :

- Dexterous in legal activities (domestic / foreign)
- Versed with the English language skills
- Good at formulating legal opinions
- Research oriented mind-set
- Arrangement of the best possible talent
- Managing 24x7 working for US clients
- Giving services at only one-third costs □

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