

Legal Process Outsourcing Industry – An Analysis

Question 1. 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 2. What are the key compelling reasons for outsourcing by law firms based in UK & US?

Answer: The following are the compelling reasons for outsourcing:

- 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 3. What about the market size and growth prospects?

Answer: Table 1 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.

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 4. 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



— Pankaj Parnami

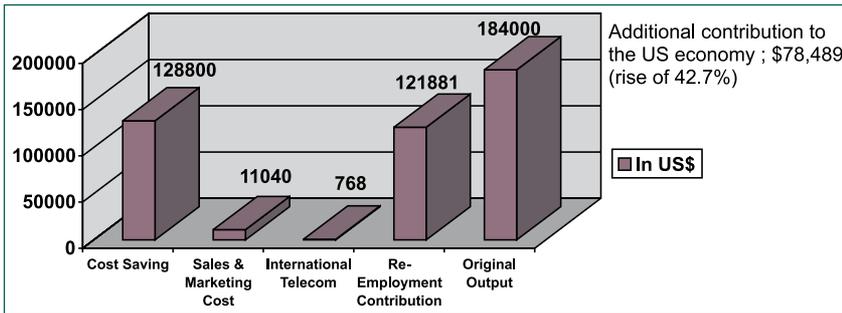
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2004. The total employee base engaged in providing legal BPO services from India (captive and pure-play third party) is estimated to be at least 600-700 employees.

Source: NASSCOM

Question 5. What is the annual contribution made to the US economy due to outsourcing?

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



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

Question 6. What are the major legal areas which US law firms cover?

Answer: This chart shows the major areas:

- Banking laws
- Bankruptcy: business
- Bankruptcy: consumer
- General corporate laws
- Commercial laws
- Civil rights and liberties
- Criminal defence
- IPR laws
- International business laws
- Securities/financing laws
- Tax laws

Question 7. 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

Source: Evalueserve

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-labour cost locations around the world.

Source: ALM Properties Inc.

Question 8. What is the business expected to come to India pertaining to legal outsourcing?

Answer: The current addressable potential (demand) in US\$:

By 2015 it is expected to be \$3 bn

And Indian share is expected to be – 60%

Market tapped so far by existing LPO service providers till date – 3%.

Source: The Management Accountant

Question 9. Why is India in the lead in the legal outsourcing industry?

Answer: The following advantages make India the 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 Government 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 10. What type of government support is available for the LPO players in India?

Answer: Government has provided various supports, which are as follows:

100% Income tax exemption for export of services:

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
- Promotions 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

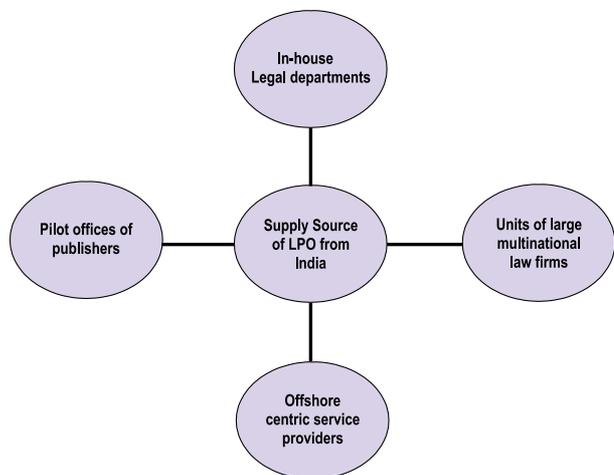
Question 11. What are the spheres of businesses which can be covered in the LPO business?

Answer: The spheres of business which can be covered, are:

<ul style="list-style-type: none"> • Appeals • Arbitration & Mediation • Banking and Lending • Corporate and Securities • Broker/Dealer (Finance) • Commercial Litigation 	<ul style="list-style-type: none"> • Mergers and Acquisitions • Real Estate • Taxation • Insurance • Intellectual Property • Business Advisory Services
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Question 12. What is the supply source of legal outsourcing services from India?

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



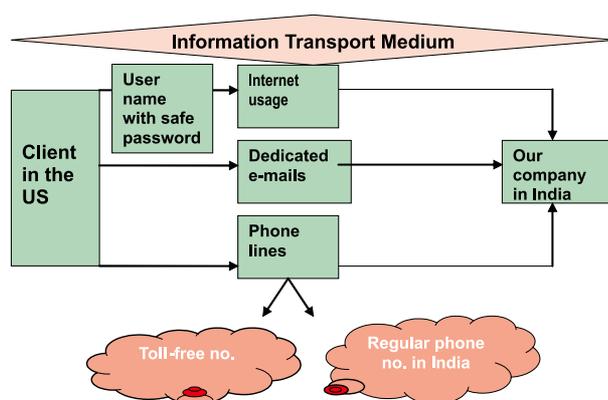
Question 13. What are the billing charges in the outsourcing industry?

Answer: The billing charges are as follows:

Area	Amount (US\$ 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

Question 14. What is the channel structure for the flow of information?

Answer: The channel structure is given in the chart exhibited below:



Question 15. 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 US federal and state case laws, statutory laws and regulations
- Collection, organising, 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

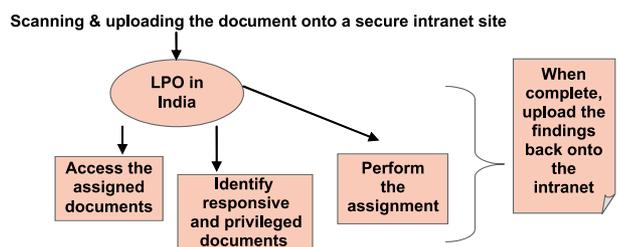
Question 16. What about patent oriented services?

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

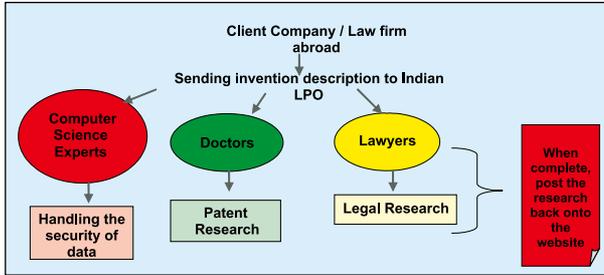
Question 17. What is the LPO business process in brief?

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



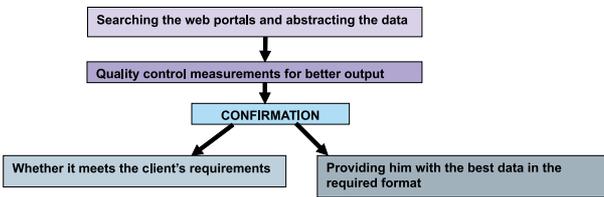
Question 18. What about the IP prosecution work in the LPO industry?

Answer: The following chart explains the IP prosecution work:



Question 19. What is the data extraction service in the LPO business?

Answer: The data extraction service is elaborated below:



Question 20. What are the necessary requirements to target a UK based client?

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
Companies & Commercial Law	<ul style="list-style-type: none"> Buckley on the Companies Act Bulletins Index Companies House Forms Corporate Law Update General Case Digests

Financial Regulations	<ul style="list-style-type: none"> Butterworths Banking Law Handbook Butterworths Company Law Handbook EU Materials UK Legal News Analysis UK Legal Newspaper Index
Intellectual Property & Information Technology	<ul style="list-style-type: none"> Domain Name Decisions with Case Comment General Case Digests Intellectual Property & Technology Cases IP Decisions IP Newsletter
Tax Reference	<ul style="list-style-type: none"> Simon's Direct Tax Service Simon's Tax Cases Simon's Tax Intelligence Simon's Tax Planning

Source: LexisNexis

Question 21. What are the few online resources available for research purposes?

Answer: The available online resources are:

Execution resource	<ul style="list-style-type: none"> Legal forms http://secure.uslegalforms.com Discussion forum http://www.outsourcingforum.net/ Find articles http://www.findarticles.com/
Legal Search	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 Business Networking	<ul style="list-style-type: none"> 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