

***FUTURE  
OF  
LEGAL PROCESS OUTSOURCING  
IN INDIA***

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## **Introduction**

**Legal Process Outsourcing (LPO)** is the industry in which in-house legal departments or organisations outsource legal work from areas where it is costly to perform, such as the United States or Europe to areas where it can be performed at a significantly decreased cost, primarily India. Legal Process Outsourcing is a high end industry that has been growing rapidly in the recent years.

Legal Process Outsourcing covers the following services in general:

- Legal Research
- Document Drafting like standard contracts, agreements, letters to the clients, patent applications etc.
- Legal Billing activities like preparation of invoices, collation of time sheets etc.
- Intellectual Property research--substantive and administrative
- Paralegal Services
- Administrative and secretarial activities like following up with clients, etc.

The work is done by experienced paralegals and attorneys using industry standard databases like Lexisnexis and Westlaw. The main criteria for deriving value from such services are the level of maturity of delivery processes of the service provider. Also sufficient control should be exercised on the operations to ensure that the work is delivered to the level of expectation of quality of the client and the data is secure.

## **Definition of Outsourcing**

Outsourcing is the act of obtaining services from an external firm.

## **Offshore Outsourcing**

Offshore outsourcing, or “off shoring”, refers to outsourcing to firms in foreign countries, often to take advantage of labor arbitrage

Major countries providing legal services market include USA, UK, France, Australia, South Korea, Japan and China.

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. India's legal process outsourcing business to grow by 7% by 2010.

### **Why outsource?**

The legal industry across the globe is gradually turning towards outsourcing for gaining efficiencies and staying profitable in a highly competitive marketplace. Recognition of the fact that legal companies need to focus on their core competencies and leave back office processes to the hands of competent outsourcers is creating a compelling case for outsourcing out non-core processes. A further rationale for the outsourcing is to facilitate at the same time the in-house counsel of the foreign law firms to concentrate on core legal issues. The availability of outsourcing ventures with world-class resources and expertise is also boosting the growth of outsourcing by legal entities. Legal Process Outsourcing is a lucrative route to reduce cost and increase efficiency by outsourcing legal works to India.

### **The realm of LPO**

The LPO derives its roots from KPO (Knowledge Process Outsourcing). KPO refers to knowledge-intensive work that involves specialized domain expertise. High value processes that fall into this realm include: valuation research, investment research, patent filing and legal and insurance claim analysis. LPO in India started as a low-end work that mainly included transcription. But now LPO in India is a high-end knowledge intensive work. Presently everything from patent application drafting, legal research, pre-litigation documentation, advising clients, analyzing drafted documents, writing software licensing agreements to drafting distribution agreement is being outsourced to India. This potential growth took place to such an extent that today patent filing has its own separate existence different from LPO referred to as Patent Process Outsourcing (PPO).

### **India, a preferred location for outsourcing**

The Indian Legal System is much like the UK, US, Canada, and a sizeable part of Europe -- the major source of outsourcing. The Indian litigation and dispute resolution methodologies are well founded on the classic Constitution of the biggest Democratic Republic in the world and are understood universally. Indian legal system is also one of the most researched and informed legislations to ensure a uniform yet practical interpretation of the legislation throughout the breadth and depth of this land of unique diversity. There are several factors that favour Indian attorneys:

- The advantage of the time zone
- Availability of English speaking attorneys
- Familiarity with common law doctrines
- Indian attorneys with US/UK qualifications are in plenty
- Labour cost differential- It almost costs up to 80 percent less than the US firms
- The quality and speed of work done
- Most LPO outfits in India are reported to be staffed 24/7
- The Indian legal professionals are taught to analytically interpret the laws Regulations of the Land by generously drawing on the similar legislations of other similar legal systems and are exposed to Common English Laws.

The **Legal Process Outsourcing**, more commonly known as the LPO industry is the latest kid in the domain of ITES services and though today is only about US\$1bn in revenues, is expected to reach US\$17bn in revenues by 2015. First level document review encompasses anywhere between 58% and 90% of total litigation costs. This is a huge piece of the litigation costs pie. Therefore, companies are quickly working to identify strategies to control and reduce these costs. As such, interest and demand is growing in legal process outsourcing (LPO) that allows for economies and efficiencies in first level document review.

In litigation vast amount of data is reviewed by team of lawyers, attorneys and paralegal experts to ascertain the relevance of the data to the case in hand, the nature of data

whether privileged or confidential in nature and as these data is voluminous in nature the need to classify the data in time is of utmost importance. Hence, the need of outsourcing research and analytics and data review has become very relevant to the entire process of Legal Process Outsourcing.

### **The benefits of legal process outsourcing**

- 1. Cost:** Using an offshore professional support lawyer is 30-55% cheaper than using or hiring the services of a USA or UK based legal staff.
- 2. Time:** time zone difference work in favour of time bound zone.
- 3. Language:** there can never be communication gap on account of difference in language as Indian lawyers are well versed in English as all courts in India work in English .
- 4. Quality:** the Indian intellect and intellect and intelligence is known to the world. the same may be applied to Indian brain.
- 5. Resource accessibility and elasticity:** the ability to ramp up and down to meet short-term requirement without compromising on quality.
- 6. Relation of legal system between India and the USA and Uk:** Indian laws share an apparent similarity with UK because both follow the common law system. As far as the USA laws are concerned Indian have an in-depth knowledge of their laws too.

Most firms and corporations outsource primarily for cost saving measures and this is considered the biggest advantage for legal process outsourcing. While an attorney in major legal markets such as the US charge at minimum 250 dollars for work, countries that are offering legal process outsourcing charge just a fraction. Some countries, especially in the Indian sub-continent have gained prominence due to the fact that some of their attorneys with higher degrees work at meager salary. This has attracted major corporations to outsource some of the minor and less sensitive work in their legal departments. Another comparable advantage is the turnaround time since most countries that offer legal process outsourcing are either on the other side of the Atlantic and generally with customers from the US.

At face value, it would appear that outsourcing service work to another country is detrimental to the U.S. workforce. This is only at the surface, though. The net effect created is a positive one for the U.S. The creation of jobs in countries such as India leads to the creation of new wealth, and a new class of consumers will have increased purchasing power to buy U.S. goods. Countries like India, to which jobs have been outsourced, make for new markets for the U.S. to export to, and this in turn creates revenue for the U.S.

The outsourcing of service work also lends itself positively to the overall development of a U.S. business. Workers can focus more on specialized areas and precious resources can be freed up to further these. In turn, more specialized and focused businesses have a chance of creating additional jobs for more skilled workers by branching off into areas that require a special skill set. On a more macro level, the overall wealth of a nation like the U.S. can improve if companies are focusing on developing core businesses.

It goes without saying that the LPO trend offers great benefits. India's legal services are affordable, efficient, and above all, skilled. Outsourcing legal work to India costs up to 80% less than the cost of using the services of American law firms. Because it is far less expensive to hire talent in countries such as India, an outsourcing company is in the enviable position of being able to commit larger teams of talented workers to more specific areas of concentration. An LPO, for instance, can afford the luxury of dedicating an entire team to register trademarks or process immigration visas.

But it isn't just cost savings that make the LPO an attractive business prospect for U.S. companies and forward-looking law firms. As is the case with the BPO and the KPO, LPO users can avail of a range of benefits, not least saving time on getting important work done. LPO users can gain more operational efficiencies by focusing on core business activities while having access to a breadth of skills, technology and service offerings, at a reduced cost.

### **India's Advantage-**

As US and UK litigation costs soar the need to outsource certain part of the entire value chain has grown rapidly in order for the US and UK Law firms to remain competitive and also provide seamless round the clock data flow. We have distinct advantages over the others for the following reasons: -

1. Immense pool of English speaking law graduates which can easily blend to our US and UK counterparts needs.
2. A legal system based on English common law (US and UK). Therefore, legal understanding and analysis is applicable and adaptable.
3. Time differentials that allow for around-the-clock document review.

With associate lawyers in the US carrying a price tag of \$225 per hour in their first year and \$450 an hour in their eight, it was only a matter of time before law firms sought to outsource some of their more mundane tasks to cheaper areas such as India. With the rate of pay at between 10 to 15% of that of US lawyers and a turnaround time of 24 hours for outsourced work, Legal process outsourcing (LPO) is catching on quickly. While the industry is rather nascent and has initially encountered many of the same struggles that early BPO outsourcing faced, it is poised to become a major sector of offshore outsourcing in coming years.

Business model allows for the UK law firms and in house legal departments to outsource their Para-legal requirement to India. The aim is not to replace fee earner in usa, uk and other parts of Europe, but to provide to lawyers of these countries a cost effective advantageous posititon, which is high in quality and absolutely flexible, so as to enable them to encash busy period s and cost and time bound projects.

### **Project viable for outsourcing to India**

Well-known projects such as transcription, secretarial support, voice messaging and word processing are being outsourced to India. More and more back office and administrative functions are being considered for offshore servicing.

This includes:

- (i) Billing
- (ii) Finance and accounting activities:
- (iii) Hr (human resource) related activities
- (iv) Promotional and marketing data compilation
- (v) Formatting and conversion of applications

Process which may be outsourced, related to work mainly performed by Para –legals, legal assistants, and professional support lawyers, this includes:

- (i) Contract review, amendments and proofing.
- (ii) Litigation support, discovery and document processing, preparation of case laws bibles, compilation of client/witness attendance and document.
- (iii) Patent writing and other IPR services.
- (iv) General research and review.

### **Future of Legal Process Outsourcing in India**

US-based research firm Forester finds "legal process outsourcing can bring \$4 billion and 79,000 jobs in India in ten years and boost Knowledge Process Outsourcing." On the other side, the National Association of Software and Service Companies (NASSCOM) projected that legal processing outsourcing providers in India will soon rise up to \$3 billion. In 2004-05, India earned \$6.7 billion by providing services in software, technology and manufacturing outsourcing. In view of US associate lawyers' price tag between \$225 and \$450 per hour, India becomes a natural choice and already five of the 20-odd domestic KPO firms have established themselves and are tapping skilled legal professionals to handle the outsourced work. In another report 'Off shoring Legal Services to India', Value Notes, a leading provider of intelligence and research services, estimated that the sector employs around 1,800 professionals and expects this to grow to 24,000 by 2010.

### **The LPO Growth Prospects**

Industry (ASSOCHAM), more than 200 top US companies alone are looking for offshore locations towards achieving saving of 30-70 per cent. The Chamber says, "India is already known for its large and increasing pool of quality engineering graduates, many of who are being attracted to the patent services segment of legal BPO."

About one-third of the registered professionals currently provide patent services to European and American end clients, and this number is likely to double to 1,800-2,000 by 2010. India is set to achieve significant growth from its current share of 3-4 per cent to 6-7 per cent in the 250 billion dollar global market of Legal Process Outsourcing, by 2010. The global knowledge process outsourcing industry is expected to reach about USD 17 billion by 2010, of which USD 12 billion would be out sourced to India.

In addition, the India KPO sector is also expected to employ more than 250000 KPO professionals by 2010. Legal process outsourcing, as it is being called, has very high growth potential. It can fetch 79,000 jobs in India by 2015. While the LPO industry is rather nascent and has initially encountered many of the same struggles that early BPO outsourcing faced, it is poised to become a major sector of offshore outsourcing in coming years.

### **The LPO Service Providers**

None other than the U.S does the majority of legal outsourcing. Legal services, outsource-able from the US alone are pegged at 3-4 billion dollars comprises paralegal and research support, contract drafting and revising and contract management, library services, patent and trademark prosecution and litigation support. It also includes some other European countries. Other major countries providing legal services market include UK, France, Australia, South Korea, Japan and China.

### **Legal process outsourcing -The Argument for India**

In Today's competitive world of business, gaining efficiency and staying profitable have become the corporate *mantras*. Most international law firms based in the US and Europe are taking the Legal Process Outsourcing (LPO) route to be lucrative. Several international law firms, legal departments of large corporations and also state and federal

government agencies are increasingly outsourcing their legal work to India to reduce cost and increase efficiency. Like other BPO (Business Process Outsourcing) activities, India's legal services are affordable and efficient. Preparation of pleadings, docketing, proof-reading, transcription of recorded documents, litigation support and research, case studies and law firm marketing are various avenues of work that are being outsourced to India. Outsourcing legal work to India costs up to 80 per cent less than the cost of using the services of American law firms. The advantage of the time zone, availability of English speaking attorneys and familiarity with common law doctrines attract foreign firms. Indian attorneys with US/UK qualifications are sought after. International attorneys are impressed not only by the labour cost differential, but also by the quality and speed of work done. Most LPO outfits in India are reported to be staffed 24/7.

Legal outsourcing is one of the most risk-prone sectors given issues of confidentiality and attorney-client privilege. However, research analysts have concluded that its overall benefits have tremendously boosted business. LPO is also gaining momentum in countries such as China and South Korea. However, given the advantages of Indian lawyers, experts believe that it is unlikely that other Asian countries will compete in this sector, as has been the case with call centres.

Popular BPO outfits, which undertake legal outsourcing, are Office Tiger, Intellevate, Prism and Comat. Hourly rates charged range between \$40 and \$60. The same work performed in the US would cost a whopping \$350. Indian companies also provide legal transcription services, which involve providing accurate tape and digital voice transcriptions. They transcribe audio files into wav, vox, dss and mp3 forms in less than 12 hours. The LPO business will soon become a mainstream practice for many attorneys in India. Professionals with Indian law degrees, including paralegals, are assets to multinational law firms. Outsourcing helps the in-house counsel to concentrate on core legal issues while outsourcing research and managerial tasks at effective costs.

Many Indian law firms have opened up offshoots of LPO business to cater to international law firms. The average salary of an attorney working at an outsourcing centre is around Rs 25,000. However, the job is said to be monotonous and routine.

Practicing professionals and corporate attorneys refrain from undertaking tasks of research and case studies, as they do not add value and are not professionally challenging.

**Thank you**