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UNDERSTANDING OUTSOURCING

Legal Services Enter Outsourcing Domain

**U.S., British Companies
Send More Work to India;
Patent Applications Are Big**

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It happened with tech support, financial services and catalog order-taking. Now, a growing number of U.S. and British companies as well as law firms are outsourcing legal work to India.

The practice started a few years ago with simple word processing and filing services performed by nonlawyers. But increasingly, squads of experienced but inexpensive lawyers based in India are doing things ranging from patent applications to divorce papers to legal research for Western clients.

"Short of anything where you have to physically be there or sign on the dotted line, we can do" it, says Sanjay Kamalani, co-chief executive officer of Pangea3, a New York-based legal outsourcing firm that opened shop a year ago and already has more than 25 lawyers in India and over 20 U.S. clients.

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Not many large American companies will openly admit to sending legal work to India, but a few do. **DuPont Co.** says it uses Indian lawyers to help draft patent applications. The lawyers conduct searches to ensure that DuPont's proposed patents don't conflict with other companies' existing patents, says Michelle Reardon, a DuPont spokeswoman.

Alan Sege, the general counsel of Roamware Inc., in San Jose, Calif., which sells computer systems to cellphone carriers, says he hired Pangea3 this year to create an electronic database highlighting the key terms in about 200 contracts in order to monitor contract compliance. He estimates it would have cost at least \$60,000 for a U.S. law firm to create the database, because each contract was long and complicated, and using even first-year associates can cost more than \$200 an hour. Pangea3's price: \$5,000.

DirectoryM, a Cambridge, Mass., online marketing company, uses Indian lawyers to do legal research on litigation matters, says General Counsel David Kahan. "The people to whom you are

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outsourcing are well-educated and can work at an hourly rate that is 10% of what large-firm lawyers charge."

The cost saving on salaries isn't the only attraction. Lawyers in India are less likely to demand perks like big offices and personal assistants, says Alok Aggarwal, chairman of Evalueserve, a New Delhi corporate-research outsourcing company. That's partly because being a lawyer isn't a high-prestige, big-income profession in India. "The pecking order is engineering, medicine, M.B.A., CPA and then law," Mr. Aggarwal says.



Pangea3's employees, for example, are squeezed shoulder to shoulder into two small rooms in Mumbai's business district. Even after the company moves to new, much larger premises later this year so that it can triple its staff, its lawyers will have to share cubicles.

But because the legal systems in India, the U.S. and the U.K. are all rooted in British common law, Indian lawyers don't need much additional training to do standard legal work, such as vetting contracts, checking on patent registrations or reviewing documents related to foreign cases, says Poonam Vasudeva, who recently joined Pangea3 after

spending 13 years doing Indian corporate law. She says she jumped at the chance to work at a legal outsourcing firm because the pay and the working conditions are better than those at the standard Indian law firm.

Patent-application services are particularly in demand. Using high-speed Internet connections to access U.S. legal and patent databases, Indian lawyers can file and defend patents, an increasingly important job for companies trying to show investors they are constantly innovating. American law firms also hire legal outsourcing companies to comb through evidence and documents from past court cases, highlighting what is important and relevant.

"If you have large volumes of documentation or a repetitive activity that can be easily emailed or scanned, it can be outsourced," says Mathew Banks, a British attorney who is the chief executive officer of ALMT Synergies, a new legal outsourcing firm in Mumbai. "Anything is possible."

And lowering costs lets companies spread their limited legal budgets more broadly. "It gives me more time to do other things," says Rishi Varma, general counsel for Trico Marine Services, a Houston-based offshore drilling support company, who used Pangea3 for some legal work.

Indeed, outsourcing could ultimately change the way legal work is done in Western countries, industry analysts and company executives say. They expect it to free up American and British lawyers from time-consuming paperwork, allowing small firms to take on bigger cases -- while cutting the number of legal jobs needed in the U.S. Some suggest it could even encourage companies and individuals to become more litigious by lowering the costs of filing lawsuits.

So far, outsourcing has created as many as 12,000 legal jobs world-wide, according to Forrester Research. The Cambridge, Mass., firm predicts that number could shoot up to 29,000 in 2008, with most of those jobs going to India.

One lure of the Indian legal market: the sheer number of lawyers it offers. More than 200,000 Indians graduate from law school there every year -- five times as many as in the U.S. -- creating an enormous pool of talent to tap.

While American law firms routinely use domestic contract lawyers to save money, most have been slow to send work to India. Gregg Kirchoefer, a partner at Kirkland & Ellis of Chicago, one of the more prestigious and profitable American firms, estimates it could be 50 years before lawyers in India do more than "routine, prosaic" American legal work. He expressed reservations about whether Indian lawyers are ready to handle the complex, high-end work in which his firm specializes. "Firms like ours that work on complicated and significant cases don't expect the main part of that work effort to be done [offshore] at the same level we do it," he says.

But that attitude may change once major companies grow comfortable using Indian lawyers. "Law firms don't want to be the first to embrace the trend," says Philadelphia lawyer Ajay Raju, who advises companies doing business in India. They figure, "Let others get burned first," he says. But he says he plans to propose that his firm, Reed Smith LLP, which has about 1,000 lawyers, start using lawyers in India for litigation support and other discrete tasks. After all, he says, "Why have a \$300-per-hour lawyer do due diligence when it can be done [more cheaply] by someone else?"

Bickel & Brewer, a Dallas law firm that specializes in litigation, has already moved in that direction. In 1995, it created a subsidiary business in Hyderabad, India, called I&A International, to help it enter documents onto a searchable, electronic database. That's a nonlegal task, but more recently the firm's I&A unit has hired lawyers to review documents produced in lawsuits. "We specialize in big-ticket cases that often involve millions of pieces of information," says firm co-founder William Brewer III. "So having [Indian] lawyers on staff allows us to control expenses."

Some U.S. lawyers and legal journals have voiced concern about liability issues should a legal outsourcing company make mistakes writing contracts or interpreting documents. They also worry about how well lawyer-client confidentiality will be protected when important documents are sent abroad.

But Indian outsourcing companies contend that law firms around the world already take the same risks when they subcontract work to local firms in their home countries. They note it is standard practice in the legal industry to use outsiders, even if they are not accredited attorneys, as long as the work is supervised by a lawyer.

And as in other sensitive areas involving outsourcing, including accounting and research, analysts predict that the huge cost savings will more than offset the risks, attracting increasing amounts of business.

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