



**CPA GLOBAL**

LEGAL SERVICES OUTSOURCING

***Legal Services Outsourcing:  
What it is & how it could help your legal  
practice***

**State Capital Group  
Annual Meeting  
The Peninsula, Chicago, Illinois  
October 15, 2012**

# Agenda

- **What is Legal Outsourcing (“LPO”)?**
- **Legal Outsourcing Trends**
- **What types of services can an LPO offer?**
- **Why is LPO Part of the Menu of Options for Corporations and Law Firms?**
- **Role of the Corporate Legal Department or Law Firm in an LPO partnership**
- **Rio Tinto – CPA Global Partnership: Model for Emulation**

# What is Legal Outsourcing?

- **The outsourcing of legal tasks from a corporate legal department to an external provider**
- **Other examples of outsourcing for corporations:**
  - **Back-office: payroll, invoicing, IT, etc.**
  - **Accounting: auditing, tax returns, etc.**
  - **Food service**
  - **Mailroom**
  - **Copy room**
- **Outsourcing does not necessarily equal off-shoring work. Other options:**
  - **Lower cost resources on-shore or lower cost areas within the country.**
  - **Mixed, blended models combine on-shore and off-shore operations.**
  - **Off-shore operations can be combined with relationship and senior management on-shore.**

# LPO Trends: 2012 Global Survey

## Market Size

- **2012 Market Size:** \$1.1 billion of annual sales
- **Employment:** 9,000 people
- **Growth:** 32% avg. in each of last 3 years
- **Projected growth:** 30% + for next 3 years
- **2015 Market Size:** \$2 billion in projected annual sales

1. Source: The 2012 Global LPO Study, The LPO Program



LEGAL SERVICES OUTSOURCING

# Aspects of Legal Outsourcing

Legal outsourcing creates value by taking on legal work that cannot be done in-house by the corporate legal department. In-house Counsel are then free to focus on what they do best: strategic and tactical advice to their business units within their technical and subject matter expertise.



Strategic Legal Advice

Complexity/Cost

Technical Legal Advice

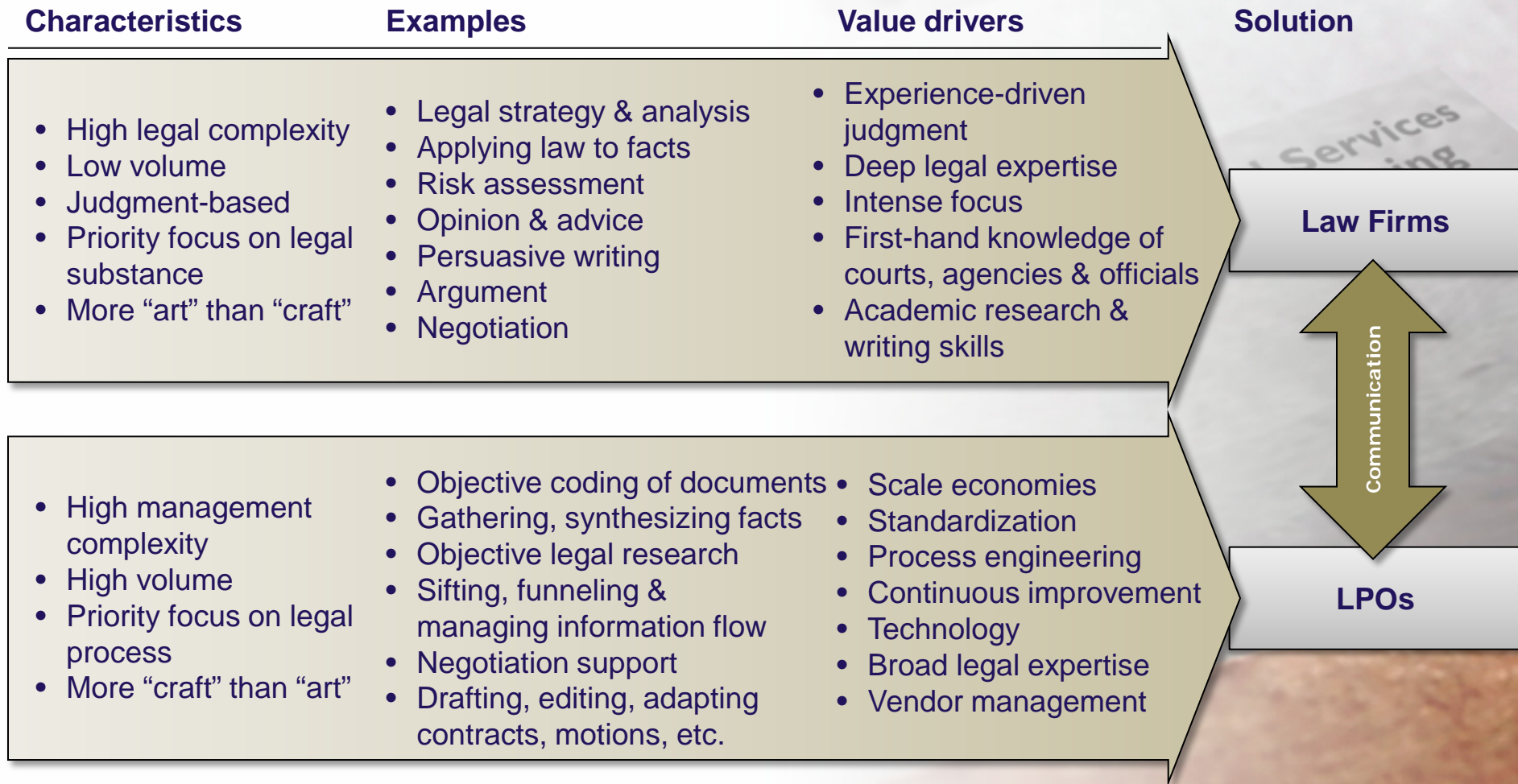
General Legal Work



Repeatable Legal Work



# LPO can help disaggregate activities among providers based on their core competencies and business strategy



# Typical LPO Services

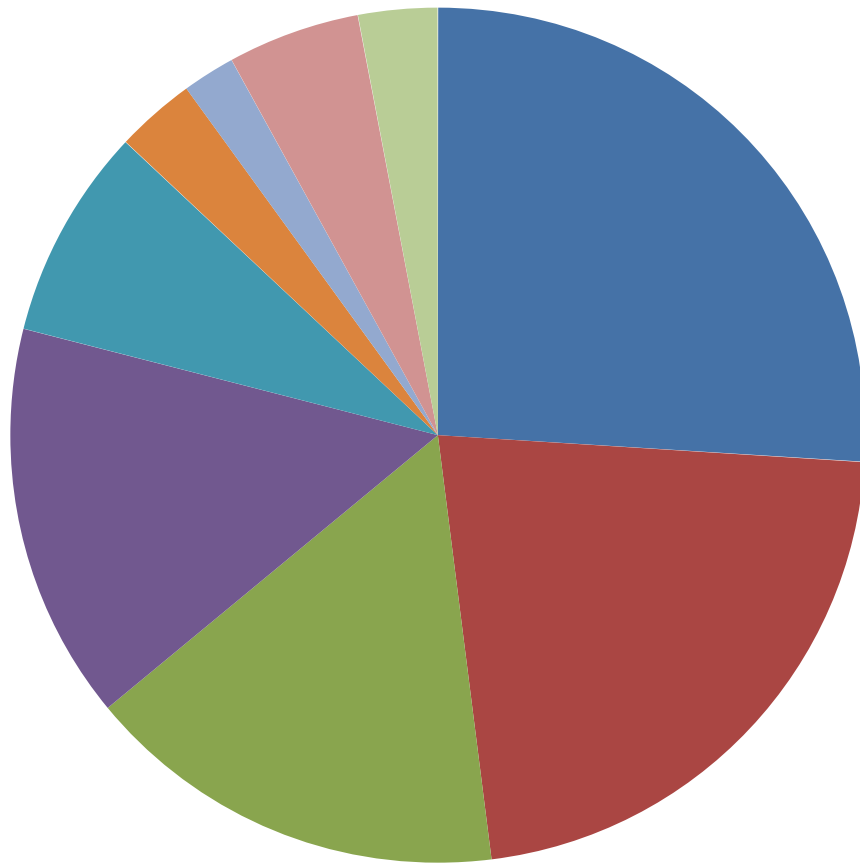
## ENTERPRISE DELIVERY CAPABILITIES

- Expertise
- Multi-shore delivery
- Quality and Metrics

Document Review	Contract Management Solutions	Compliance	Legal Research	M&A / Transaction Support		Litigation Support	IP Outsourcing
<ul style="list-style-type: none"> <li>Litigation</li> <li>Government investigations</li> <li>Fraud</li> <li>Internal Investigations</li> <li>Regulatory Matters</li> </ul>	<ul style="list-style-type: none"> <li>Drafting bespoke contracts</li> <li>Template drafting</li> <li>Contract review and analysis</li> <li>Contract comparisons</li> <li>Contract summarisation</li> <li>Contract management</li> <li>Legacy Contract Review &amp; Management</li> </ul>	<ul style="list-style-type: none"> <li>Anti-bribery</li> <li>Third Party Due Diligence</li> <li>Counter Party Due Diligence</li> <li>Regulatory</li> <li>Governance</li> <li>Corporate Secretary</li> </ul>	<ul style="list-style-type: none"> <li>Multi-jurisdictional surveys and updates</li> <li>Case law research, and drafting of legal papers (memos, motions, etc.)</li> <li>Legislative tracking and analysis</li> <li>Regulatory analysis</li> </ul>	<ul style="list-style-type: none"> <li>VDR preparation and maintenance</li> <li>Document review and summarisation</li> <li>Contract review and analysis</li> <li>Redaction</li> <li>Q&amp;A process</li> <li>3rd Party Restricted Screening</li> <li>Reputational Due Diligence</li> </ul>	<ul style="list-style-type: none"> <li>Pre-deal Due Diligence</li> <li>Post-deal Due Diligence</li> <li>Divestment Planning</li> <li>Key Term Review</li> <li>BU Restructure</li> <li>Post Acquisition Integration Support Services</li> </ul>	<ul style="list-style-type: none"> <li>Legal research</li> <li>Deposition &amp; Document summary/analysis</li> <li>Document review</li> <li>Witness interviews</li> <li>Medical Summaries</li> </ul>	<ul style="list-style-type: none"> <li>Paralegal</li> <li>IP Litigation</li> <li>Prior Art Search</li> <li>Docketing</li> <li>Proofreading</li> <li>Patent Invalidation Studies</li> <li>Invoice / Agent Management</li> </ul>

# LPO Trends: 2012 Global Survey: Services

Service Type

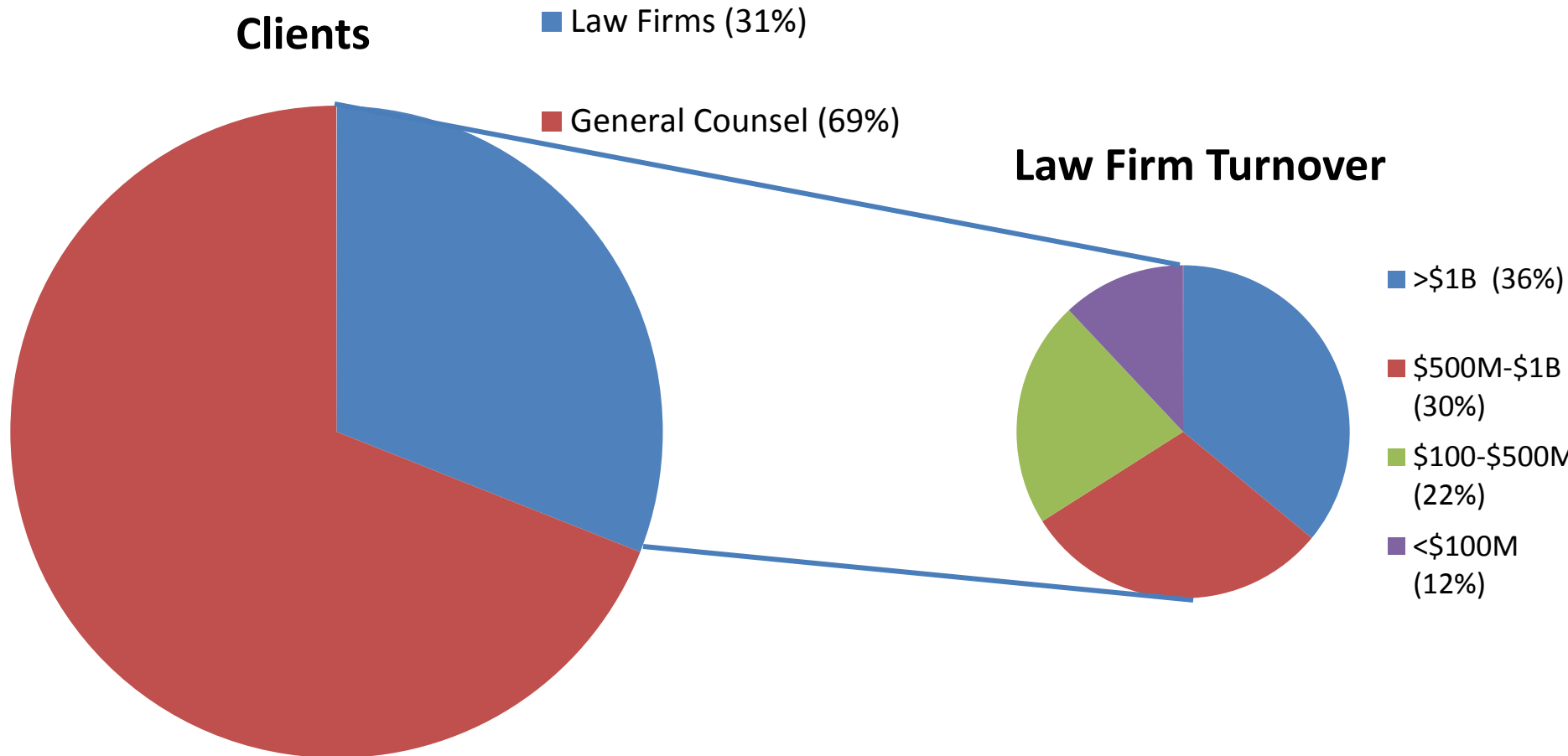


- Doc Review/E-discovery (26%)
- Contracts Management (22%)
- Litigation Support (16%)
- Legal Research (15%)
- Financial Reviews (8%)
- Managed Reviews (3%)
- Drafting/Negotiations (2%)
- Legal Content Publishing (5%)
- Compliance (3%)

1. Source: The 2012 Global LPO Study, The LPO Program



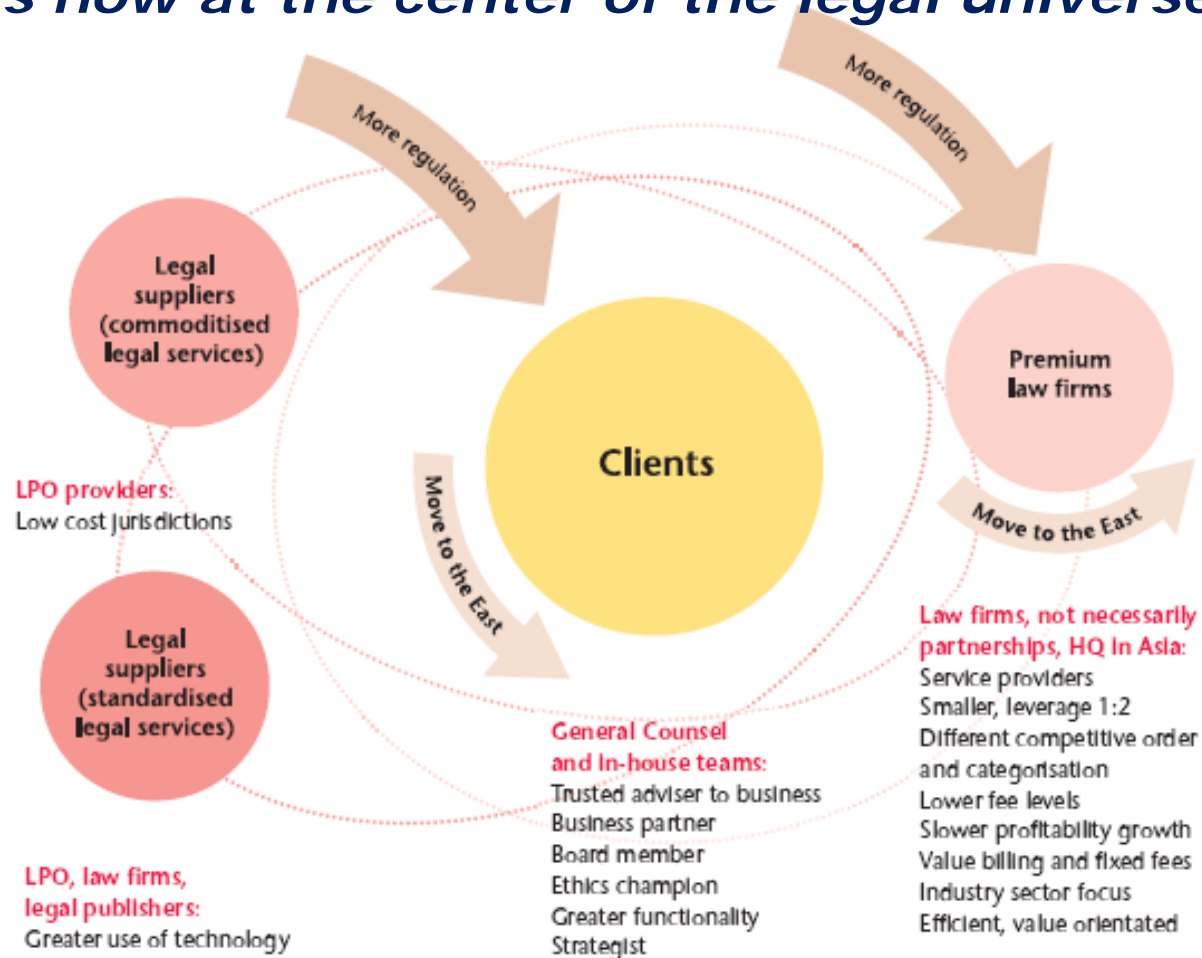
# LPO Trends: 2012 Global Survey: Purchasers



1. Source: The 2012 Global LPO Study, The LPO Program

# Why is LPO Part of the Menu?

*Client is now at the center of the legal universe*



Source: "The firm of the 21<sup>st</sup> century: The clients' revolution. An Eversheds report on the post-recession legal sector in 2010," Eversheds"

# Why is LPO Part of the Menu?

## *Direct Benefits to Corporate Counsel*

Traditional Approach	Tasks	LPO
Process Varies with Each Law Firm	General & Repeatable Work	Uniform, Client-Designed Process
Platform and Charges Vary by Firm; No Post-Case Data Access by Client	Technology Platforms	Single Platform; Competitive Pricing; Data Repository Owned by Client
Junior Attorneys or Non-Attorneys	Project Management	Experienced, Dedicated Attorneys
Different Teams for Each Different Matter	Review Resources	Ability to Use Single, Consistent Review Team for Multiple Projects
Unpredictable, Hourly, Rates that Vary by Law Firm	Pricing	Predictable Pricing Across All Matters

# Why is LPO Part of the Menu?

## *Pressure on Corporate Legal to Reduce Costs*

- Increased pressure on Law Firms to reduce costs and increase efficiency
- Trend: Corporate Legal and Procurement now requiring Law Firms to incorporate LPO into their service delivery model.
  - Barclay's Legal Panel Selection – Fall 2011 - \$150 million annual spend
    - GC Mark Harding: Wants law firms for more than top notch legal advice, but also wants them to develop cost-effective service delivery models and value added extras, like outsourcing.
      - *Source: Fronterion Forefront, November 2011*
  - Royal Bank of Scotland Legal Panel Selection – Summer 2012
    - Review of entire law firm panel
    - Weaker financial position – GBP 45 Billion Government Bailout
    - “The bank is putting an emphasis on legal process outsourcing (LPO), with law firms seeking positions on the panel required to demonstrate they have sufficient capabilities in place.”
      - *Source: Legal Week, 8 June 2012*
  - Lloyd's Bank Legal Panel Selection – Late Summer 2012
    - *Source: Legal Week, 8 June 2012*

# Why is LPO Part of the Menu?

## *Direct Benefits to Law Firms*



**DON'T WASTE TALENT**



LEGAL SERVICES OUTSOURCING

- Demonstrate commitment to clients' business objectives
- Offer alternative fee arrangements
- Increase the value of \$-£-€/hour
- Focus on core expertise
- Upscale and upskill Associates & Partners
- Improve attorney satisfaction
- Flexible staffing arrangements

# Why is Legal Process Outsourcing Part of the Menu?

## *Maturation of the Industry and Resolution of Past Issues*

### Historical concerns

- Security
- Confidentiality
- Quality
- Ethical Implications
- Client relationships



### Industry Responses

- Acquire certifications
- Strong processes
- Build strong SLAs
- Educate & Explain
- Adopt hybrid models

# Corporate Legal/Law Firm Obligations with regard to LPOs<sup>2</sup>

- Disclose and obtain consent from clients before using LPO services.
- Supervise and monitor work by LPO provider, so that it aids in client representation.
- Perform sufficient due diligence into the LPO provider:
  - Competence and capacity to perform the work at the standard required:
    - Legal system and education
    - Rigor of hiring process
    - Supervisory system
  - LPO provider can adequately protect the confidentiality of information:
    - Background checks
    - Conflicts checks
    - Physical security
    - IT infrastructure and security
    - Security in transferring electronic data to/from LPO

2. See generally:

• ABA Comm. on Ethics and Prof'l Responsibility Formal Op. 08-451 (Aug. 5, 2008) (Lawyer's Obligations When Outsourcing Legal and Nonlegal Support Services), available at <http://www.aapipara.org/File/Main%20Page/ABA%20Outsourcing%20Opinion.pdf> (discussing the ethical nature of outsourcing and the continued need for outsourcing attorneys to comply with certain ABA Model Rules of Professional Conduct, specifically Rules 1.1, 1.6, 5.1, 5.3, and 5.5. The ABA also states that outsourcing lawyers must comply with ABA Rule 1.5, which applies to law firms. Rule 1.5 requires the outsourcing lawyer to charge reasonable fees.

• NYCBA Com. on Prof'l and Judicial Ethics, Formal Op. 2006-3 (August 2006), available at <http://www2.nycbar.org/Ethics/eth2006.htm>; see also SDCBA, Ethics Op. 2007-1, *supra* note 5; see also LACBA Com. On Prof'l Responsibility and Ethics, Ethics Op. 518 (May 1999), available at <http://www.lacba.org/showpage.cfm?pageid=432>.

# Data Security and Confidentiality

## Security

- Physical security with Access Control, Visitor Process, etc.
- Multi-tier network security using IPS, Firewall, Anti Virus, Content Filtering, Monitoring etc.
- Dedicated Virtual LAN to segregate each client
- Robust Data Backup Process
- Encrypted & Secure data exchange
- Restricted Email & Internet Usage Policy
- Restriction on USB, portable media and printers

## Confidentiality

- Comprehensive Data Classification guidelines
- Non – Disclosure Agreements (NDA) as applicable
- Clear Screen / Desk Policy
- Password Protected Screen Saver
- Strict Media Disposal policy
- Authorization & Access policy and controls for access to computers, file servers, etc.





# DR, Incident Response & Compliance

## Disaster Recovery

- Fully redundant technology infrastructure, including network connectivity
- Crisis & Risk Management Processes
- Quarterly DR test for technology infrastructure
- DR test for critical processes: Cold Test – Half Yearly; Hot Test – Annually

## Incident Response

- Detailed Incident Response process in place with Central Incident Response Team
- Roles, Responsibilities and Communication plans well defined
- Incidents classified as per the business impact

## Compliance

- Internal and 3<sup>rd</sup> Party regular tests for:
  - Penetration Testing
  - Vulnerability Assessments
  - ISO 27001
  - Client Audits (Microsoft / Nokia / HP etc)



Questions?

Legal Services  
Outsourcing

# Contact Us

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**Thank You**

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