



LEGAL SERVICES OFFSHORING - (LSO)

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Unlike other products, it seems that more and more of our WORK products are being transferred out of the United States to other locations around the world, primarily India. It's occurring more often than you think, even in highly specialized areas like accounting and, yes, the legal industry. LSO, or Legal Services *Offshoring* is the practice of in-house legal departments or organizations sending legal work from areas where it is costly to perform, like the United States and Europe, to areas where it can be performed at a significantly decreased cost. It is a practice that has seen rapid growth over the last several years and law firms nationwide are starting to take notice.

More and more substantive services such as legal research, legal analysis, or drafting of complaints, contracts, patent applications and legal briefs are being *offshored*. In the past, easily replicated tasks that did not require much education were sometimes sent abroad, such as word processing or answering calls based on a pre-written script. But this new practice is different. *Offshoring* should not be confused with *outsourcing*. Corporate clients have always "outsourced" legal services to outside legal counsel...to law firms. Those of us working at law firms understand this relationship very well. *Offshoring*, on the other hand, sends the types of tasks that we as paralegals do on a daily basis to similarly

situated workers overseas, namely India. The services are being performed by experienced paralegals and attorneys using industry standard databases like LexisNexis, Westlaw, ProDocs and other corporate databases unique to the employer.

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Many of these service providers spend a great deal of money marketing their services to large corporations and by flooding the internet with what would seem legitimate articles heralding the so called advantages of LSO. Such articles are quick to point out that an attorney in a major U.S. market charges a minimum of \$300+ an hour, while an attorney in India with higher degrees works at a meager salary. The same articles point out that, as a by product, contributing to the Indian economy opens up a brand new market for the U.S. to export to! Major corporations are being courted to *offshore* some of the minor and less sensitive work in their legal departments and free up U.S. workers to focus on more specialized areas of concern.

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Imagine a new graduate working for a major corporation that has just been named as a Project Manager for a major transaction. What if he saves the company over 80% by *offshoring* some of the legal services previously provided by the go-to law firm that his former colleague hired? Or, imagine that a new CFO with several years experience is attracted by the LSO material he has been receiving lately and decides he wants to be seen as the new “boy wonder” for saving the company hundreds of thousands of dollars previously earmarked for legal services? Not hard to imagine at all, right?

Now let’s imagine the repercussions that might begin to domino because the same new Project Manager or CFO failed to accurately judge the overall level of quality of services performed by the service provider and/or because they failed to appreciate that the nuances and intricacies of U.S. tax, corporate, real estate, banking and securities law, business practices, and customs can never be understood fully by offshore workers, much less replicated by assembly line, albeit talented, technicians. Preparing boilerplate patent applications, contracts, purchase agreements, leases, billing invoices, letters to clients or providing substantive intellectual property or trial research may seem harmless to the uninformed. But let me share with you my own personal experience, not involving LSO but what is, in my opinion, the same careless philosophy.

I remember my days working in the oil & gas industry and all the times the VP of Sales, or even the President of one of our subsidiaries would come to the legal department and DEMAND that no comments or revisions be made to the Indemnity (or other) provisions of the Master Service Agreements that accompanied their bid proposals to the BIG THREE (I’ll leave the identity of those to your imagination), lest their bid be disqualified. The General Counsel’s response was emphatically the same in every instance. The mother corporation was lucky to have a GC whose “NO” was as firm as diamond nanorod. In contrast, I literally saw entire competing service companies go bankrupt as a result of one instance of ignoring unfavorable contract language. And as we know all too well here in Houston, sometimes when the corporate shoe drops...it drops all the way to \$0.90 a share. Some have elected to go down the road of making ill-conceived decisions based on cost-saving interests - it often isn’t pretty. Not for them, the company, it’s employees, their families or the community.

The moral of this story? Law firms and corporate legal departments need to become more aware of LSO, understand its obvious attraction for our business counterparts, and formulate a clear plan for advising clients/managers on the dangers. Simply put, shipping legal services overseas is an extremely poor business decision. Not only does the shipper risk sinking their own career, but all those who happen to be in the boat with them.