

The trends of outsourcing legal services are becoming significantly visible. As a LinkedIn member of the *International In-house Counsel Journal*, I have noticed a flurry of blog activity on the subject of whether or not outsourcing is here to stay. In November, there were more than 50 blogs in only three days from around the globe.

Outsourcing Trends

BY KENNETH A. CUTSHAW

However, the most pertinent trend that confirms that outsourcing is permanent, is investors seeking opportunities to own an LPO (legal process outsourcer). These institutions — private investors, hedge funds and private equity groups — are now investing in companies that serve as an outsource platform for commoditized legal work.

In the September 2010 issue of the *ABA Journal*, there was an article, titled “Law the Investment” by Barbara Rose, that reviewed this trend and its legitimate practice. The ABA Model Rules of Professional Conduct at Rule 5.4 strictly limits the ability for lawyers to accept outside equity, private or public, to avoid potential conflicts of interest between investors and clients. Because there are significant investments being made into the LPOs in India and the United Kingdom, the discussion has begun on the investment into the legal services in the United States governed by the American Bar Association.

According to Mark Baughn and Integreon’s Grail Research, there has been more than \$2.5 billion of capital

invested in legal process outsourcing firms and ediscovery groups since 2006. The Integreon Group LPO in Los Angeles has raised more than \$100 million to invest in legal services companies. The United Lex Corporation LPO, based in Kansas, has been supported by a venture of capital firms. The Mindcrest, Inc., LPO, based in Chicago, has private equity investors supporting it. The Juridsea Capital Management Ltd LPO, based in the United Kingdom and New York City, is supported

by institutional investors; and hedge fund investors support the Juris Capital Corporation LPO in Chicago.

This position of outside investment in companies that are managed like a corporation with a board of directors, presents challenges to the traditional law firm structure and American legal practice standards. Nonetheless, this will continue to be a trend for corporate legal departments seeking to manage their budgets while delivering the same level of legal services.


LPO services are primarily located in India. Indian companies and law firms were encouraged by the success of the business process outsourcing trend from the late 1990s through today. Therefore, entrepreneurial lawyers and Indian business representatives that experienced success in the BPO industry have entered efficiently and quickly into legal process outsourcing and knowledge process outsourcing (KPO).

With skilled manpower, the English system, trained lawyers and a multitude of human resources, the LPO industry in India far exceeds other countries. This is why I have

focused on India more than other countries in this column. The facts support that it leads the industry.

India is symbolic for the movement of global services. It is true that the US legal profession will not be surpassed by the legal profession of other countries during our lifetime. However, emerging markets are becoming more dominant players in many industries, such as the “game changing” investments being made by the investors and entrepreneurs in emerging markets.

The traditional delivery of legal services from a traditional law firm, or even from within the corporate four walls of the legal department, is being tested by the legal process outsourcing model. The private equity and hedge fund owners have seen the opportunities of investing in the LPO industry because they know there is financial opportunity there.

As in-house counsel, we are excellent at delivering opinions, interpreting legal documents and providing structural legal advice. We also have to get better and improve on our entrepreneurial business skills as the commoditization of legal processing is becoming a reality within the global legal services industry. 

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KENNETH A. CUTSHAW is the executive vice president and chief legal officer of Cajun Operating Company, d/b/a Church’s Chicken, located in Atlanta, GA. Cutshaw served as honorary counsel for India in the United States and is an investor in several India-based groups, including those providing outsourcing services. He can be contacted at kcutshaw@churchs.com.

