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Amendment Increases Legal Competition in Israel



Revolutionary Amendment for Israeli Legal Competition



By Adv. Zohar Fisher

A recent revolutionary amendment to the Israeli Bar Association law recently passed, transferring the Israeli legal market into the 21st century and accommodating the Israeli legal sector to the ever-growing global habits. The amendment releases the cork of what used to be a sealed bottle, and since August 2012, foreign lawyers and foreign law firms are now permitted to provide legal services in Israel.

A Few Facts about Israel

Many Israeli companies are international by nature and work closely with businesses from numerous countries across the globe. The startups industry in Israel — often referred as “The Start-Up Nation” — has a unique influence on tech industries worldwide. Agriculture companies provide innovative solutions to countries around the globe and the list goes further, not mentioning the vast number of Israeli companies based overseas.

Such tendency is part of the ‘global village’ environment we all live in, but for Israel, a country small in territory with scarce natural resources, there are no alternatives but to find in-house and outsourcing solution for its ever-growing financial and economical markets, as well as for its legal sector.

The Israeli legal market adjusted itself to facilitate the needs of its clientele, acquiring remarkable knowledge and experience in providing services to global operations — from M&A transactions to complex distribution arrays, collaborations and agreements and so on — all meant for counseling Israeli companies operating abroad, as well as foreign companies active in Israel.

The current timing for allowing foreign law firms to operate in Israel is quite surprising. The fierce competition in the Israeli legal market is already overwhelming, as about 60,000 lawyers serve a population of 7.5 million — the highest amount of lawyers per capita in the world.

Some law firms have taken this competition to the extreme, using manipulative competition strategies. Such conducts are especially prevalent in the real estate practice, where some firms reduced their fees to less than 0.5 percent of a transaction’s worth — a non-profitable rate according to any standards. By doing this, they harm the entire practice. This recent phenomena triggered the intervention of the Israel Bar Association, which is promoting a resolution that will set a minimal fee rate in the real estate practice, in order to bind law firms from dropping under a certain legal fee level.

New Regulations and Instructions

The harsh competition in the overcrowded Israeli legal sector did not intimidate the Israel Bar Association and the new law was approved. Until now, a foreign lawyer could only operate in Israel after being certified as an Israeli lawyer; the new law enables foreign law firms to offer a wide range of services to the Israeli client.

Such services may include consulting and providing legal opinions on matters involving international law and the local law of their respective country.

Furthermore, they will be able to represent their clients throughout the negotiation process and to manage their contractual matters concerning local laws of their country of certification. They are not permitted to represent before Israeli courts where Israeli law applies.



Naturally, the new amendment comes with some regulatory instructions. Any foreign lawyer wishing to act in Israel has to be a member of a foreign bar association of which he or she claims to have expertise, in addition to at least five years of practical experience as a lawyer.

Foreign lawyers are also required to register with the Israel Bar Association, pass an ethics exam, and generally speaking, be supervised by the Israeli legal authorities. Qualified foreign lawyers who meet those entry conditions will be required to obtain insurance in the sum of NIS 2 million (~500,000 USD).

Foreign law firms may find legal fees as a problem while considering opening a branch in Israel. Law firms charge hourly rates that may vary according to an attorney's experience, the size of the firm and the nature of legal work performed.

The Israeli rates are not high in comparison to fees in the United States and European countries and can vary between \$75 per hour for work done by a legal intern, to \$250 in the case of a more experienced associate. Legal experts at prestigious law firms may charge a great deal more, and foreign law firms should do their investment-profit math while considering opening a branch in Israel, with regard to revenues estimation.

Legal Marketing Implications

Another consequence of the fierce competition in the Israeli legal market is the increased need for law firm marketing. However,

the Israel Bar Association ethics committee has made it quite difficult for law firms to promote themselves using conventional advertising.

The Bar's ethic code is a set of complex rules that were initially enacted in the 1950s and have been continually amended since. These rules still fail to match the technological advances and the ever-changing nature of the legal market, though.

The Bar's ethics committee imposes various limitations on legal marketing; advertising for law firms on television, radio and billboards is forbidden, as well as mentioning the names of firms' clients. Advertising via direct mail and other forms of proactive marketing are also generally prohibited. On the other hand, marketing using the Internet is generally allowed but is subjected to various limitations.

It seems that even with harsh competition and the increasing number of attorneys in Israel, the steady rise in revenues in the legal sector and stable economic growth nationwide have proven that there will always be room for quality, hand-tailored legal representation and blossoming opportunities for the legal marketing field. ■

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