

# CORPORATE counsel

The Business Magazine For The Chief Legal Officer

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IN-HOUSE TECH SURVEY

## Under The Hood

**F**OR THE SECOND year in a row, *Corporate Counsel* surveyed Fortune 500 companies about their legal department technology. The 103 businesses that responded told us that they're staying the course. According to the survey, about half of company law departments say they are spending about the same this year on technology as they did in 2003.

Most law departments continue to have just the bare basics—a standard operating system and business software, a groupware program, and some form of matter management software. Only 45 percent of respondents say they have made inroads into electronic data discovery, and just 37 percent say they have developed electronic knowledge management systems for cataloging their work product.

Companies are unplugged when it comes to outside counsel, too. A tiny 21 percent of respondents said that they have access to their outside counsel's knowledge management system, and just under half—41 percent—say they receive electronic bills from their law firms.

But in a few targeted areas companies are becoming more high-tech. The Sarbanes-Oxley corporate reform law continues to reverberate

outside the boardroom. A majority—53 percent—of our respondents have decided to supply compliance or other training programs for workers online. This is a huge jump from last year's survey, when only a quarter reported doing so.

Also, we learned that the traditional desktop PC seems to be on its way out; two-thirds of the lawyers in the legal departments surveyed use a laptop computer, even in the office. But the stereotype of the busy in-house attorney always in touch with the office via a BlackBerry is an exaggeration; only half of our respondents supply them to lawyers.

We also look at Liberty Mutual Insurance Company—one business that's spending money on high tech—and doing it right. The Boston-based insurer went through a wrenching modernization, and in the process, Liberty's lawyers proved that they could handle a huge litigation caseload faster and cheaper than outside counsel. The company's 768 lawyers went from paper and pen and not being able to share documents to complete digital integration, with all the bells and whistles, in only a few short years. It was nothing less than a cultural revolution.

The lesson? Investing in tech can pay dividends in improved productivity—and reduced outside counsel costs.

# Mutual Satisfaction

By Eriq Gardner

**J**UST A FEW YEARS AGO, LIBERTY MUTUAL INSURANCE COMPANY'S legal department was caught in management's crosshairs. The number of insurance claims needing legal attention had increased 23 percent in four years, from 113,556 matters in 1998 to 139,360 matters in 2002. The 768 in-house lawyers who work on these claims weren't able to keep up with the extra work. The insurer decided not to hire more attorneys. Instead, the company's claims department, which can refer matters in-house or to law firms, sent more high-priced work to outside counsel.

Liberty's legal department had "capacity" problems, says William Kratch, assistant vice president and manager of Liberty's personal markets claims department. The lawyers were limited in the number of matters "they could handle at any one time because they hadn't developed their technology yet," he said.

Senior members of the law department argued that if they upgraded their technology, they could handle more cases. Their offices weren't networked, notes and drafts were done on paper, and ancient-looking mainframes were still in heavy use. At the same time, Liberty's management wanted to track the \$600 million the insurer spent each year on inside and outside counsel litigation costs. So Liberty brass gave the legal department a few million dollars to follow the money and upgrade its technology.

In 2000 Catherine Pomiecko, associate vice president of legal systems, hired Michael Russell, a goatee-sporting techie who was just 29 at the time, to manage the legal systems operations and training department. Russell spent his first few months conducting a comprehensive work-flow analysis, and soon after, bought and implemented the tools to turn the department's technology around. He made big investments in matter management, legal intranets, document management, timekeeping technologies, voice transcription, and client-to-legal systems integration.

Four years later, that investment has paid off. Russell says the Boston-based insurer has "saved hundreds of millions of dollars." Liberty is sending a smaller percentage of its litigation load to outside counsel, and to handle the increased in-house workload, Liberty has taken on 114 lawyers in the past three years. In 2003 Liberty's staff lawyers billed \$194 million to the claims department and worked on approximately 135,000 matters. Outside counsel, handling similar claims, charged \$245 million to handle 42,000 matters. (The company spent \$137 million on other litigation issues.) "We're a very unique animal," says Helen Gillcrist, vice president of corporate legal, who's in charge of field operations for the department. "One of the big challenges this department has faced has been in maintaining this giant, enormous structure. The metrics we're now deriving as a result are really phenomenal. Hopefully, it goes to show that we're providing cost-effective legal services."

Liberty Mutual's investment in legal technology makes the private company one of the most progressive businesses on *Corporate Counsel's* 2004 In-House Tech Survey, which looks at the technology used by law departments from Fortune 500 companies. In 2003 Liberty's legal department

**After a massive tech upgrade, the insurer is hiring additional in-house lawyers and keeping more work in-house.**

spent \$21.8 million on technology. That makes Liberty the biggest spender of the survey respondents that supplied budget data this year.

Liberty's rollout is particularly impressive, considering that it happened as other companies around the country put the brakes on technology spending following the Y2K blowout and the recession. "Liberty Mutual's legal department now has an excellent reputation in terms of technology," says Charles Durtschi, senior project manager in the IT department at American Airlines, Inc., and a member of LawNet, Inc., an IT networking group. "They are ahead of the curve; it was one of the first departments I know that instituted e-billing, among other things."

**Liberty's law offices are** modeled after a traditional law firm. The company currently has 768 lawyers (and 766 support staff, plus 302 paralegals) at 69 legal offices. Most of the 768 are "captive" lawyers who work exclusively on claims disputes. Each law office is referred to by the supervising attorneys' last names. Liberty's San Francisco law department is Muhar, Roberts, Fama, Kramer & Monty.

The captive lawyers serve their "clients"—the company's claims office—and their "client's client"—the policyholders. The lawyers have to assure policyholders that they will zealously defend them, while assuring the company's claims offices—

which "pay" for in-house and outside counsel out of their budgets—that they will do the job cheaply. According to Neil Rifenbark, resident attorney at Liberty's Woodland Hills, California, office of Rifenbark, MacNeil & Watkins, that's where technology comes into play. "We are as good as or better than any law firm out there," says Rifenbark. "We handle complex cases, just as they do. And if anything, the technology that we have at our disposal lets us do a better job than outside counsel."

But only four years ago, Liberty's law department lived in the Stone Age. Lawyers avoided anything with a keyboard, dictation was the norm, and paralegals and secretaries grappled with mountains of paperwork. As legal systems operations team leader Audrey Cantelli, who has worked in the company's Boston headquarters for more than three decades, recalls, "We used to have floors of office space in this building devoted just to the [paper] files we kept."

As a result, says Rifenbark, staff lawyers were losing the very asset that made them valuable to the company—their cost advantage over outside counsel. In 2000, 79 percent of the litigation workload was kept

in-house. The following year the percentage dropped to 77 percent, and by 2002 it fell to 71 percent.

That's where Russell stepped in. In the late 1990s he worked for two Kansas City, Missouri-based law firms—Spencer Fane Britt & Browne, as chief technology officer, and Wallace, Saunders, Austin, Brown & Enochs, as IT director—and was an associate member of the American Bar Association's Law Practice Management Section. Russell says that when he started the Liberty job, he was shocked by the law department's Luddism: "They had no matter management software, no document management, no standards, no automation in place, no tools, no HotDocs [document automation software]—pick your buzzword, but none of those tools existed."

**His first task** was to get the company

#### THE 2004 IN-HOUSE TECH SURVEY

##### Managing Matters

**There's no clear leader now that Hummingbird's LawPack has flown the coop.**

##### Matter management software

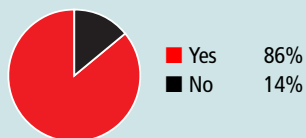
Custom in-house	17%
Hummingbird's LawPack	12%
Mitratech CLMS/TeamConnect	
Enterprise	10%
Elite's LawManager	7%
Bridgeway eCounsel/Secretariat	6%
Corprosoft Chief Legal Officer/	
Legal Desktop	6%
Other	23%
None	21%

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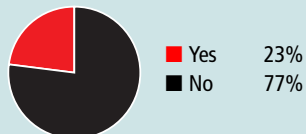
##### Antispam

**Nearly 90 percent of legal departments polled used filters to block unwanted e-mail. Nearly a quarter authorize the use of instant messaging to communicate.**

Does the legal department use spam filters in its e-mail system?



Does the legal department authorize the use of instant messaging?



#### THE 2004 IN-HOUSE TECH SURVEY

##### Spending More or Less?

**The median budget is about \$150K for capital expenses and nearly \$500K for operating expenses.**

What is the legal department's FY 2004 technology budget for capital expenses?  
Median budget: \$145,000  
(58 companies responded)

Will the legal department spend more or less on technology capital expenses in 2004 than it did in 2003?

About the same	42%
More	36%
Less	22%

What is the legal department's FY 2004 technology budget for operating expenses?  
Median budget: \$475,000  
(54 companies responded)

Will the legal department spend more or less on technology operating expenses in 2004 than it did in 2003?

About the same	50%
More	29%
Less	21%

What is the annual salary of the legal department's top IT professional?

Average Salary:	\$93,420
Median Salary:	\$85,500
(44 companies responded)	

a top-of-the-line matter management setup, crucial for a department whose bread and butter is litigation. At the time, many law firms had already adopted case management programs—software that helps lawyers organize client relationships, check on scheduling conflicts, record time sheets, and track progress on litigation matters—but the technology was virtually unknown in corporate legal departments. Russell wanted a system that would allow Liberty's attorneys, who work on some 100,000 cases a year, to sort through caseloads and to-do checklists in easily digested formats. He wanted a program that would generate templates and documents easily—and make the documents shareable. Russell also

looked to matter management as a way of integrating Liberty's constellation of branch offices.

"We have nine offices in New York," Russell explains. "They were all using the same courts, using the same forms, the same boilerplate language. But when a lawyer from one office e-mailed a lawyer from another, and said, 'Give me that settlement agreement you drafted for the slip-on-ice case,' it just wasn't possible. . . . The lawyer wouldn't even know that other attorney had even ever done a slip-on-ice or a dog-bites-man case."

After surveying such software programs as Amicus Attorney and TimeMatters, Russell chose Legal Files, a program that had many of the features he wanted, like document automation and calendar scheduling. It wasn't perfect, however: Legal Files was not built for the kind of loosely connected in-house departments that Liberty maintained. So Russell and his team used Citrix networking software to run and manage Legal Files from a central server.

Russell then faced his second challenge: He needed Liberty's lawyers to buy into the new system. Beginning in late 2002, Russell sent out two-person teams, composed of a trainer and an application developer, to customize applications to suit each office's needs. The teams also conducted seminars about the new matter management software for each of the company's 69 office

managers. Soon after, Russell says, managers required attorneys to enter their notes directly into the system instead of dictating to secretaries. Everything, the managers insisted, had to be standardized. Managers started coming up with tech ideas of their own, and Russell invited them to Boston for a three-day tech symposium. "It was nice," he says. "I'd sit back and let them present." The symposiums are now an annual event.

"I was one of those people who was very suspicious of computers," says Helena Yuhass, senior counsel at Liberty's New York office of Robin, Schepp, Yuhass, & Harris. "I kept hard paper diaries of everything because I didn't trust that the computer was going to keep it. But over time, the way that it has improved the running of the office is remarkable."

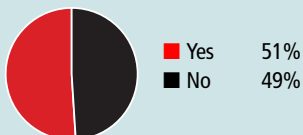
As the only lawyer at her Manhattan regional office who lives in the borough, one of Yuhass's duties is to get to the office when a snowstorm hits. Under the old system, when the office had a snow day, she says, "I would have to look through all the various diary books that various support staff kept, find the files, call people, and try to read to them where they had to go [the next day and tell them] what the case was about, so they could arrive in court with some general information. It took me the whole day to do it, and when these lawyers got down [to court] the next day, they'd have to move to adjourn,

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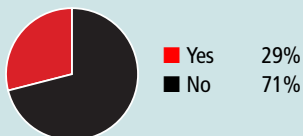
##### Outside Counsel: Electronic Access

Half of the companies surveyed say that outside counsel have extranets that they can use.

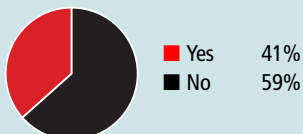
Have any of the outside law firms you work with set up extranets that your lawyers can access?



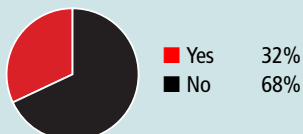
Has your company established extranets that outside counsel can access?



Does the company receive invoices from any of its outside law firms electronically?



Does the department use software to analyze outside counsel costs?



#### WISH LISTS

We asked corporate law department tech professionals what's the most important technology problem at their company. They weren't shy. Here's a sample of their responses:

- "Getting our in-house and outside counsel to use the tools that are being offered. The tools are getting more intuitive. Why can't the lawyers get it?" —Lucent Technologies Inc.
- "E-billing all the way to accounts payable." —Waste Management, Inc.
- "Less paper; more electronic invoicing." —Eastman Chemical Company
- "Real-time collaboration with outside counsel." —United Parcel Service, Inc.
- "The integration of all law department databases." —Marriott International Inc.
- "Data security." —Berkshire Hathaway Inc.
- "Full integration of all systems with Microsoft Office." —Microsoft Corporation

because they really didn't know what was going on."

With Legal Files, Yuhas can pull up all the scheduling information within an hour, as well as case-related motions, judge and opposing counsel information, and anything else her colleagues need and e-mail the info to them at home.

Russell's most recent challenge has been to make sure not only that the

965,000 times—triple the portal's 2002 traffic.

**The new matter management** system's timekeeping and reporting functions also let Russell and Liberty's top brass measure the department's productivity. At Rifenbark's Los Angeles-area office, the average attorney has an annual billable hour goal of 1,850, comparable to the load of a

in-house lawyers last year handled 74 percent of claims litigation disputes.

## The law department's intranet lets claims department staffers see case info, while lawyers can share tips and documents.

technology works, but that the entire company knows about it. Last year he overhauled Liberty's legal portal, which is housed on the company's intranet. It includes an area for the insurer's claims department, so claims officers can easily find an in-house lawyer's contact information as well as other pertinent information on particular disputes. The portal's law department section also lets Liberty lawyers nationwide post practice group information—everything from the locations of local law libraries to what kinds of documents the office is generating and keeping on file. Last year employees visited the portal

typical law firm associate. But Rifenbark's 12 attorneys process 1,375 cases a year, a number that's way above the norm for a law office that size.

Quantifying productivity makes the clients happy. "From my perspective as a buyer of [the law department's] services," says the claims department's Kratch, "in terms of efficiency—Are they more available to claims officers and policyholders? Have they gotten quicker and more productive?—I've certainly seen that."

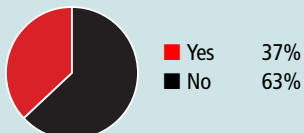
From a nadir of just 71 percent of litigation claims being handled in-house in 2002, Liberty Mutual

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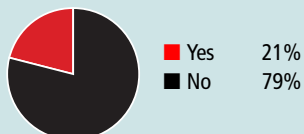
#### Discovering Data

Only a third of respondents have a knowledge management system in place, and less than half have used electronic data discovery vendors.

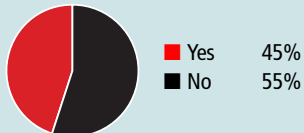
Has the legal department developed an electronic KM system for work product?



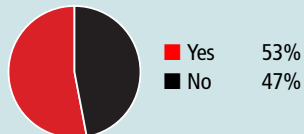
Does the department have electronic or online access to portions of outside counsel's knowledge management system?



In the past two years has the legal department hired any electronic data discovery vendors?



Has the legal department offered online compliance/training programs or services over the past two years?

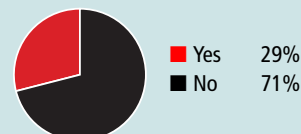


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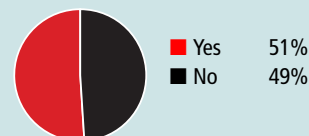
#### On the Road

Nearly two-thirds of the lawyers in legal departments surveyed use a laptop in the office instead of a PC, and over a quarter of the rest use a laptop while traveling.

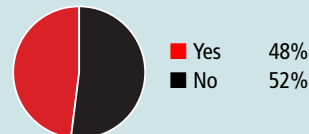
Does the company supply Palm Pilots or other personal digital assistants to its lawyers?



Does the company supply BlackBerrys or other mobile e-mail devices to its lawyers?



Does the company supply cellular phones to its lawyers?



Russell says these statistics answer the question about whether the company is better off using more outside counsel. The answer, he says, is no, adding, "Staff counsel does more than twice the work at nearly half the price of outside counsel." ■

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