

Office Technology

On the Case

Rising legal costs may have finally met their match: technology

By ANN GRIMES
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Companies have struggled for years to reduce their legal costs, with little success. Now technology is coming to the rescue.

Businesses are finding they can use software to automate routine legal matters, such as drafting standard employment contracts, as well as streamline complex chores like patent applications.

THE JOURNAL REPORT



¹ See the complete [Technology report](#).²

They're also learning they can use secure Internet connections to share sensitive documents with outside attorneys at the touch of a button. This allows companies to outsource work to lower-cost law firms in the South and Midwest, often at a fixed price instead of an hourly rate.

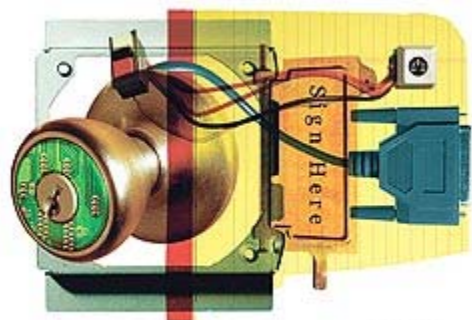
"Legal services need to be delivered more simply and more conveniently," says Mark Chandler, general counsel of **Cisco Systems Inc.** "Technology lets you commoditize, fix fees and make competitive bids for work. All that leads to cost savings."

Patent Medicine

Consider what's happening at Cisco. The San Jose, Calif., networking giant has developed its own software that makes the patent-application process easier for the company's review board and its 36,000 employees, who are scattered across thousands of offices world-wide.

In the old days, employees had to go through a cumbersome and time-consuming process of filing patents to each member of the review board individually. Lawyers then had to sift through the bulky documents and often had to go back to the inventor to get more information. Approving the submission so it could be sent on to the U.S. Patent and Trademark Office could take months. And then the employees had to wait again for the payroll department to process their bonus. The company processed only about two dozen patent applications a year.

Now that number is up to nearly 1,000. Cisco inventors are encouraged to submit applications via a computer network that automatically alerts the review committee.



John Weber


Software automates routine matters and streamlines complex ones

The lawyers on the board can browse, comment on and share the electronic files much more easily than paper ones, and the system prompts employees to submit all of the information that often had to be gathered manually in the old days. If a patent is approved in-house and sent along to Washington, the system automatically rewards the employee with a bonus.

"We now leverage this tool to drive employees to go there to increase the number of patents we have," says Laura Owen, Cisco's director of legal services.

Moreover, only two attorneys in-house are tied up on patents. The bulk of the work -- along with much of Cisco's other routine legal

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matters -- is outsourced to lower-cost regions like Oregon and Texas, or to smaller firms in the Bay Area. The electronic system makes it easy for the far-flung attorneys to coordinate with Cisco.

Like many other companies that outsource legal services to these less costly shops, Cisco can often negotiate to pay on a retainer basis to get away from the 24-hour billing clock. And the contracts are drawn up through competitive bids, to ensure lower costs.

The result: Cisco estimates its average cost for processing patent applications is as much as \$3,000 lower per patent than the industry average. That translates into cost savings of about \$2.5 million per year, compared with companies of similar scale. A capital investment in the "low hundreds of thousands" now is a "gift that keeps on giving," says Mr. Chandler.

Signing Off

Especially in days where more attention is being paid to corporate governance, some legal experts say it may be risky to automate or outsource legal tasks. Important information might fall through the cracks of automated systems, they warn, and companies might not be able to keep a close enough watch on outside lawyers.

But others argue that these new methods give clients a bigger bang for their buck, as lawyers can devote their attention to more-complex matters. For instance, Ms. Owen says that technology can easily eliminate 90% of a legal professional's time -- and therefore cost -- when it comes to routine document preparation. Over the past year, Cisco has gravitated to using electronic signatures, which allow people to automatically approve over 20 types of contracts at the touch of a button.

In that period, says Ms. Owen, the company has electronically signed over 200,000 documents for a savings of \$4 million in terms of billable time. The company expects that to grow to six million documents and in the next 12 months.

At **DuPont** Co., corporate counsel Julie Mazza estimates that thanks to technological innovation, the Wilmington, Del., corporation is now saving about \$5 million per year on its legal services, which are spread among 42 outside law firms and nine service providers.

One big area of saving comes from its extranet, a secure, private network that provides DuPont and its lawyers with 24-hour access to documents and e-mail. The system uses a collaborative tool DuPont has developed called Edge, which creates secure online forums where lawyers can go to talk about cases or browse legal documents and other shared information. The system also lets DuPont's outside attorneys get news about the company and its procedures from a home page.

This way, everyone involved has quick, easy access to the information online, rather than having to fly into the same city for an expensive "war room" setup. "It's all designed to eliminate duplication and is accessible via the Web 24/7," says Ms. Mazza.

At a Click

Some law firms are trying to keep up with the trend, offering high-tech cost-cutting solutions of their own. Some use off-the-shelf software that lets the firms type names and dates into standardized contracts, saving lots of time. For instance, BoardVantage Inc., of Menlo Park, Calif., makes BoardVantage software that creates standardized briefing packages for directors to use before board meetings. VerdictMax LLC, of Boerne, Texas, offers Sanction software that helps prepare courtroom presentations, such as video clips and document displays. There are also products that offer standard nondisclosure agreements, employment-offer letters, leases and other documents.

Other firms use Web portals -- home pages full of information about their clients -- to save time on research. Wilson Sonsini Goodrich & Rosati in Palo Alto, Calif., which does a lot of merger-and-acquisitions work for start-up companies, often sets up secure Web sites where a company can post confidential financial information for review by potential buyers.

In one recent transaction, all the parties involved "did our due diligence there," says partner Aaron J. Alter. "People don't have to be all in one place. It avoids massive expenses and [allows] savings in travel and attorney time and the administrative duties of collecting, collating and organizing the materials."

At Heller Ehrman White & McAuliffe, headquartered in San Francisco, Robert B. Hubbell, a member of the firm's technology committee, says the firm is actively managing costs for clients in a variety of ways.

The firm offers clients an extranet -- similar to DuPont's -- that gives them access to thousands of case documents through a Web browser, letting them call up digital versions of pleadings, depositions, trial transcripts and daily e-mail distributions. It also allows attorneys, spread out over various offices, to access the same documents. Meanwhile, the firm scans in all of those documents itself, rather than turning to a third-party firm -- which saves lots of money.

This system "is more efficient and cost effective" than having clients spend thousands of dollars to set up an extranet themselves, says Mr. Hubbell, who works in the firm's Los Angeles office.

But as law firms start making these technology investments themselves, one big question is how to ensure that the dollars they spend result in cost savings for clients. Heller Ehrman, like many other corporations and law firms, has turned to measures like electronic billing as a cost-control measure and tracking device.

Meanwhile, Cisco has taken the initiative to work with a consortium of companies including DuPont, **FMC Technologies Inc.** and **Clorox Co.** to develop best practices and standard technologies for the legal arena. Cisco, for instance, is working to develop what it calls a "virtual lawyer" to streamline the way legal services are delivered to large corporations.

This database would, for instance, allow managers to ask the computer routine personnel questions such as how much to pay an employee who leaves in the middle of a pay period, or who is eligible for a leave of absence. That, says Ms. Owen, would "save me from answering the calls."

If someone poses a question the database can't answer, the system could be reconfigured or updated to include the necessary information. Ultimately, Cisco hopes the tool will generate a return on its investment and be licensed to other interested companies, Ms. Owen says.

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