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## Law Departments Turn To E-Billing To Save Costs

By **Jocelyn Allison**

Law360, New York (September 23, 2009) -- When James Sheets joined ModSpace as the only attorney in January 2004, he decided the modular building company needed a better way to control the number of law firms it was using and keep track of its various matters.

"Basically, firm invoices were being paid without anybody looking at them, and not only that, there were no means of tracking how much we had been paying to law firm XYZ or law firm ABC," he said. "We only had the total dollar amount."

Now, the general counsel of the Berwyn, Pa.-based company uses an electronic matter management system that allows him to keep track of open pieces of litigation and keep tabs on bills from outside counsel, and provides him the data needed to negotiate lower rates.

"I really think the advantages have been gathering the data, giving you the information you need to determine where to spend the money and auditing the invoices so nothing has slipped your intention," Sheets said.

As more law firms and law departments make the move to electronic billing, corporate clients are finding they can use the systems for more than just catching improper billings.

"In the past, e-billing systems have not been very useful because they've only connected with some of the law firms that clients deal with," said Rob Thomas, vice president for strategic development with Serengeti Law, which introduced the popular Serengeti Tracker e-billing system in 2001. "With systems like Serengeti, you can now get complete reporting coming out of it, so that's a big deal."

A 2009 survey of 390 in-house legal departments showed about one-fifth use electronic billing and another one-third plan to use it, Thomas said. Serengeti conducted the survey with the Association for Corporate Counsel, and the respondents were mostly law departments with 10 or fewer attorneys, he said.

"As smaller law departments need to get better control over their spending, e-billing is a very useful way for them to do it," Thomas said. "It's very difficult to control your spending

when you don't know what your spending is or where it is going.”

Electronic billing systems allow corporate counsel to set up parameters for outside law firms and budgets for particular matters, and the system flags any entries the law firm submits outside the guidelines, letting the law department decide whether to allow the charge.

“Efficiencywise, if I took the bills I got each month and printed them out on sheets of paper, I would probably have 15 or 16 inches of bills to go through manually,” said Shashank Upadhye, vice president and global head of intellectual property law with Apotex Corp.

“Then I would never be able to tell whether inside those bills there's any one attorney who billed 30 hours in one day because I'd have to add it all up,” he said.

The data produced through electronic billing allows law departments to run a range of comparisons to see what they're spending on different law firms and matters, as well as negotiate discounts on rates from not only law firms but other service providers such as court reporters or hotels.

It can also serve as a handy forecasting tool come budgeting time, helping justify the law department's costs to company managers who might view the department as a cost center, Upadhye said.

“The point for the client is not necessarily to force the law firms to do all this maddening time entry just for the purpose of getting the gotchas,” Upadhye said. “People like myself say that's like the novelty of a new car; it wears off. What it does for people like me is the back-end operational stuff, the back-end data.”

Andy Schaeffer, managing counsel for operations and partnering at DuPont Co., said electronic billing had saved the chemical company millions of dollars over the last seven to eight years. It's also enabled the company to pay its law firms more quickly, within about 14 days rather than 30 to 60 days, he said.

“It's harder [for law firms] to get things through that might have gotten through in the past, but the more important piece and the more strategic is giving you the data and ability to have reports that show where the inefficiencies are so you can use those in your discussions and performance reviews with your firms and also talk about alternative fee arrangements,” he said.

DuPont uses electronic billing with each of the roughly 40 firms in its primary law firm network, but the company has started pushing recently to use it with all firms, including the ones it may only engage occasionally, Schaeffer said.

"A few fight back a little bit, but most of them I think are willing to do it because they're hearing the same thing from other clients," he said.

Though many law firms are accustomed to billing electronically, it can become a hassle when the firm has to deal with different systems from different clients. Some firms may also bristle at the notion of having their bills combed through, viewing it as an attack on their integrity, Upadhye said.

"It has nothing to do with impugning the integrity of my law firm," he said. "If they look at it that way, then we're always going to be at a standstill. In today's world, in post-Sarbanes Oxley and the era of financial compliance, every company needs to be a little more careful about finances and financial tracking."

Law firms whose clients are considering the move to electronic billing should view it as a marketing opportunity, a way to provide their clients with valuable advice on which systems work best, since they're likely to be familiar with many of them, Thomas from Serengeti said.

"It's a good, no-cost way for the law firms to show that they're thinking of the corporate clients, to offer some help to them and a way to strengthen that relationship they have with their corporate clients," Thomas said. "They have some information that's useful regarding e-billing that their clients who aren't doing it yet don't have."