

MANAGEMENT & TECHNOLOGY***E-Business Solutions for the Global Practice***

As the business world becomes increasingly global, major law firms and corporate law departments must ask themselves the critical question "How can we utilize new technology to revolutionize the way we practice law and deliver faster, more cost-effective services to our clients?" An array of technology tools is available to help lawyers face the challenges created by transactions that cross borders and time zones. The investment can be substantial, but in the high stakes world of cross-border mergers and acquisitions, the development of smarter, faster ways to practice law has become a requirement for survival.

With the increasing globalization of mergers and acquisitions, transactions require large, disparate teams of professionals to properly handle all aspects of a transaction. Lawyers, accountants, investment bankers and clients may be located on several continents. This creates a dramatically increased need for efficient collaboration to produce documents that address all of the critical elements of a transaction. The legal complexities of working in multiple jurisdictions make it necessary for lawyers to give sophisticated advice on global issues, as well as have an appreciation of local laws and circumstances.

An Evolving Role

In addition to providing sound legal counsel, the lawyer's role has always included the responsibility of serving as "custodian of the documents." As transactions become increasingly global, the lawyer's role regarding transaction documentation is evolving. No longer is

the lawyer's involvement limited to drafting and amending documents. Lawyers are progressively assuming the role of "negotiation process managers" — strategic counselors responsible for the complex collaboration process necessary to efficiently steer a transaction to completion. With so many parties involved in international transac-

**LAW FIRM
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**BY STEVEN MOORE
AND GRETTA RUSANOW**

tions, incorporating key decisions into all of the necessary documentation is a time-consuming process. Speed of decision-making and execution is a key competitive advantage, making lead-time for negotiating and producing documents increasingly shorter.

The brightest and best lawyers constantly struggle with the competing demands on their time. Their challenge is to become more efficient in delivering basic components of legal services, freeing up time to add value as key business advisors and negotiation process managers. Today's technologies afford lawyers the opportunity to do just that.

The Legal Extranet

As we evolve into an e-business world, lawyers should embrace e-business solutions to meet client demands. E-business involves electronic collaboration with a host of business partners. In the legal environment, the opportunities for e-business involving the collabora-

tion of law firms and corporate law departments, include the following:

- Bill submission and payment — "e-billing".
- Collaboration on drafting of documents.
- Shared access to forms and historical work product.
- Matter tracking.
- Conducting on-line legal research and accessing current news.
- Secure e-mail and videoconferencing.
- Tools to enable the development of data warehouses with data mining capabilities

Using internet technology, law firms and law departments have developed intranets and extranets to support the practice and business of law. Developing intranets to facilitate internal work processes, such as information sharing and document collaboration, has become commonplace in law firms and law departments. Client-focused law firms have begun to recognize the opportunity to add value by adopting new technology to enhance client service. One key area is in embracing the internet as the primary communications medium, through the development of extranets between the law firm and its clients.

To date, the development of extranets in the United States has focused on providing a secure and efficient means of submitting and paying bills. Outside of the United States, law firms have developed extranets to provide client subscriber access to current information on specific areas of law.

Law firms are now developing secure extranets to facilitate the completion of large global transactions by posting documents on secure websites dedicated to a spe-

cific transaction, and accessible only by parties to the transaction. One example is "newchange", a series of internet and technology driven services from Allen & Overy — an international law firm with offices in 23 cities around the world.

Recognizing that a large part of completing a global deal is the efficient management of the transaction process, Allen & Overy has sought to use internet technology to facilitate this process. Allen & Overy plans to establish dedicated web sites for every transaction it manages, known as the "newchange dealroom." Authorized users (clients, syndicate members, lawyers on the other side) will have password-protected access to the site, or relevant part of the site for a particular deal, as controlled by Allen & Overy. The firm will post transaction documents to the site. When documents are posted, specified users are automatically notified by e-mail of an update.

In a global environment, where parties to a transaction must work across different time zones and locations, establishing a secure extranet will overcome some of these traditional barriers to completing deals. For example, lawyers working in New York can post the latest version of documents at the end of their work day, and be assured that a client in Bangkok will be able to review the documents at the start of their work day. By bringing documentation on-line, law firms and their clients are at liberty to post and review key materials at any time, from anywhere, regardless of time zone and location.

While e-mail has been the principal means of distributing complex legal documentation, posting documents to a secure web site is a more reliable means of distributing information. E-mail is less secure than a password-protected web site. Delivering large document attachments via e-mail can be delayed when organizations have complex virus checking and fire walls. Further, parties receiving large document attachments via e-mail will often print the attached documents and then delete the e-mail in an effort to reduce the size of their e-mail files.

Another advantage of working within a dedicated web site is that all parties have access to the same materials in the same place. This provides assurance to parties of the reliability and consistency of documents throughout the document review process. In the past, clients relied on their law firm's internal document management systems to store documents. If a document could not be found within a critical time frame, the document would have to be redrafted. Using a dedicated web site, clients know that they can access the draft history of documents at any time, without having to contact the law firm to provide prior versions of documents. This reduces the likelihood of duplication of work.

In addition to posting documents, a dedicated web site can be used to share other relevant information about the deal, including relevant legal issues and current news, as well as links to other useful sites.

Document Production

Lawyers can also deliver faster legal service by using document assembly tools. In the past, the focus of applying document assembly tools to document production was on commoditizing documents. Technology was typically applied to high volume, low value documents, in an effort to automate repetitive processes that did not require much legal expertise — rather than using these tools to construct complex transaction documents. Examples included mortgage forms, incorporation documents and limited variable agreements, such as confidentiality agreements.

For more complex documents, law firms and law departments developed template document libraries, with little automation.

Document assembly systems and sophisticated template document libraries require a large initial investment in lawyer time to develop the documents, and an ongoing investment to keep those documents current. Consequently, most law firms and law departments have not traditionally dedicated significant resources to these initiatives.

There are, however, many advantages to using template documents and document assembly technology in the legal environment. Where documentation is standard and does not require much legal expertise, law firms have been able to build successful real estate and corporate practices by developing standard forms and employing paralegals to manage the document production process. This has enabled law firms to offer more efficient services to their clients. For law departments, developing standard forms that require limited legal input, has enabled them to push out the drafting of those high volume, low value documents from the law department to the business units they serve - and free up their lawyers to focus on providing more strategic legal counsel.

Law firms have relied on template documents to promote a more efficient and consistent approach to document drafting among a large, and geographically dispersed group of lawyers. Fuelled by a fiercely competitive banking market, Allen & Overy has now sought to employ document assembly tools to reduce lead times in producing, negotiating and turning around documents.

While there have been a number of attempts to standardize and automate documents in the banking and capital markets in the past, there is almost an infinite number of permutations and options to reflect the

nuances of a specific deal. Different structures; instruments; currencies; covenants; credit ratings; and jurisdictions, make it difficult to develop a document assembly tool which could cover all the possible variations. Faced with this challenge, Allen & Overy has adopted a "modular" approach to documents drafted, using its document assembly software. Each clause of a document has been designed to be both independent of, but integrated with, all other clauses in that document and all related documents. This modular approach allows documents to be broken down into key component parts that can be assembled rapidly, using document assembly software, to produce different permutations of a document.

Based on client instructions, a lawyer selects the appropriate features of the document using the document assembly software, and generates a draft version of the document. The lawyer then posts the draft agreement on the dealroom.

Once a client reviews the document and requests edits to that document via the dealroom, the lawyer can easily change the document since every clause has been designed to be lifted in and out of the document with the minimum of consequential changes. Allen & Overy have achieved this by virtually eliminating crossreferences from the documents.

The focus of the Allen & Overy document assembly system has not been to commoditize the production of documents, rather to significantly reduce the time spent on the mundane aspects of drafting and thus free up lawyers' time to focus more effectively on providing strategic legal counsel to their clients.

A Big Investment

The development and roll-out of complex technology like Allen & Overy's newchange entails an enormous capital investment. This investment naturally includes the software and hardware necessary to support the secure web-based, virtual dealroom that is available 24 hours a day, seven days a week complete with a dedicated help desk. But these costs pale in comparison to the cost of human capital dedicated to the development of the myriad of standard clauses that form the foundation for the newchange documents drafting system. According to Carl Sheldon, a partner with Allen & Overy in New York, the newchange concept is less than a year old, but so far as documentation production is concerned, had its roots in the firm's work on the development of standard documentation for various markets, in particular its work

for the International Swaps and Derivatives Association on the various generations of the ISDA Master Agreement and the Loan Market Association standard form project (on which Allen & Overy worked, together with Clifford Chance). This stimulated the firm to analyze its whole approach to documentation, since, at the very least, all existing standard forms would need revisiting. According to Mr. Sheldon, "The project took a huge amount of time."

Initial implementation costs are only the beginning of the story for complex systems like newchange. Mr. Sheldon indicates Allen & Overy has 40 to 50 full time lawyers, information officers and paralegals dedicated to knowledge and know-how initiatives, including the maintenance and development of newchange documents. "The firm is very dedicated to knowledge initiatives," indicates Sheldon. "We had this level of commitment in terms of dedicated lawyers and information officers long before newchange." Allen & Overy has similar plans to develop newchange documents in other practice areas.

The Payoff

Managing partners are surely wondering where the payoff from all of this investment is realized. In the case of Allen & Overy, it is clearly not coming from a pricing model directly related to the use of the newchange products. The newchange dealroom service is free to Allen & Overy clients. The newchange documents system is designed to allow the firm's lawyers to prepare documents more efficiently, while they continue to bill based on time. The payoff has to come, therefore, from winning more work through efficient, quality service. "Our strategy is not aimed at commoditizing what we do," says Mr. Sheldon, "it is all about simplifying the underlying processes inherent in the practice of law and improving the delivery of legal services. We want to spend our time on transactional issues where our skills really matter — not on negotiating or renegotiating the more mundane boiler-plate, nor on simply indulging in a sterile battle of standard forms or pushing commas."

Major law firms and law departments throughout the world are planning and implementing their e-business strategies. There is no shortage of technology tools available to assist lawyers as they set out to reengineer the basic processes of practicing law. While the time and money spent on developing e-business solutions is substantial, it is a necessary investment for any law firm that wants to remain competitive in the new global economy.