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Law Department Management

Simplifying Review Of Outside Counsel's Bills

The Editor interviews Chris Potter, Specialist of Law Firm and Vendor Relations, Johnson & Johnson.

Editor: How does the Johnson & Johnson law department organize its litigation function?

Potter: J&J's Law Department is divided among the following practice groups: Patent, Trademark, and General. The litigation group is a subset of the general law group. One of my responsibilities is administering all of the litigation invoices. I make sure that they are reviewed and processed within our law department guidelines.

Editor: Why did you decide to automate review of the litigation invoices?

Potter: Paper invoices have inherent problems. They can be easily misplaced. The size of the sheets, organization of data and other variables frequently differ from invoice to invoice. Checking paper invoices for compliance with our guidelines is time consuming. The sheer bulk of the invoices and cumbersomeness of the manual review and payment process compelled us to find an electronic solution that would enable us to do more with less.

Editor: What was your top consideration in automating the review process?

Potter: With electronic review, a series of flags let us know if any items fall outside of the automated rules dictated by our law department guidelines. Because automation leaves little room for interpretation, the process helps us be consis-

tent in the message we are sending to outside counsel and in the way we are enforcing the rules. This consistency enables us to get our arms around our total spending for litigation.

Editor: Please give an example or two of your law department guidelines for litigation invoices.

Potter: To benefit from economies of scale and quality control, we have established procurement programs with various legal service providers. Our guidelines require our litigation law firms to use these vendors. If an item on a litigation invoice shows that a law firm is using other vendors, the item is flagged for review. Similarly, travel items are flagged to review whether the law firm is charging for time spent traveling that was unproductive or whether the attorney worked while he/she was traveling.

Editor: Are you using the common coding that the American Bar Association developed several years ago to facilitate consistency in e-billing practices?

Potter: Yes, we require law firms to submit invoices electronically using the UTBMS[™] codes. Included in most time and billing packages, these codes categorize information contained in electronic invoices. This is very valuable when analyzing and reporting on data that has been captured in the e-billing system. We currently have about 40 firms submitting invoices electronically, and we hope to have 50 by the beginning of 2004. This volume will help us

achieve our goal of having electronic invoices for at least 80 percent of our litigation expense.

Editor: Please describe the DataCert technology.

Potter: The process begins with the law firm's time and billing solution, which ideally incorporates the LEDES98 and the UTBMS codes. DataCert technology takes the law firm's invoice and transmits it over the Internet to a secure server. A validation check automatically occurs, which compares the transmitted data with reference information that Johnson & Johnson uploaded to the same server. One check is to confirm that the invoice is from a law firm that Johnson & Johnson uses and that it is a matter that Johnson & Johnson has approved for work by the law firm. If the invoice is validated, then it is posted at a holding pool inside of Johnson & Johnson's firewall. We then pull the approved invoices from the holding pool and import them into AIMS (DataCert's automated workflow tool). AIMS stands for Advanced Invoice Management System. As the invoices come into AIMS, the format of each invoice is identical. Every invoice has columns of information (e.g. task code, date, timekeeper ID) that may be sorted. This is a huge benefit because you can create multiple views of an invoice. For large electronic invoices, you can examine them in ways that aren't possible with paper copies. This makes it easier for us to identify things that do not comply with our guidelines. This type of application greatly increases our effectiveness in reviewing bills. Once someone at the appropriate author-

ity level has signed off the invoice, it will automatically be posted to Johnson & Johnson's accounts payable department for payment. The DataCert technology provides a seamless process with a number of checks and balances along the way. At the end of the day, we are only getting the invoices we want, they are in the format we want, and errors are caught early in the process, before anyone has spent much time reviewing the invoice.

Editor: What are some of the security features of DataCert's AIMS product?

Potter: The validation check at DataCert's secure server enables us to do some quick quality control of the invoices before they are downloaded into AIMS. We also are able to meet our firewall standards because Johnson & Johnson is pulling information from the secure server, rather than a third-party provider trying to push information into our system through the firewall.

Editor: How long have you been using DataCert's technology?

Potter: We have been using DataCert's technology for about 18 months. When we initially rolled out an electronic invoicing solution, we did not have a complete end-to-end solution. Although law firms could submit invoices electronically to Johnson & Johnson, we did not have a way to process them electronically. In January, we rolled out the final piece, which is the AIMS product from DataCert. AIMS allows us to review invoices electronically and to submit them for payment electronically.

Editor: Please explain the implementation process.

Potter: The DataCert technology is relatively adaptable. We inserted our own business procedures in the off-the-shelf DataCert product and mapped them accordingly. We wanted to replicate how we process paper invoices, with our existing checks and balances, while maintaining the appropriate authority levels for approvals. The DataCert prod-

uct readily accommodated our needs.

Editor: Did the DataCert technology smoothly integrate with the law firms' e-billing systems and Johnson & Johnson's internally accounting processes?

Potter: Some law firms are more technologically savvy than others, and some have more technical problems than others. Fortunately, about 25 percent of our firms had already been exposed to electronic billing in some format. Their experience helped ease that aspect of implementation. From our company's internal perspective, some technological issues arose on the back end, but they were resolved.

Editor: What are some of the strategic, operational and financial benefits of an e-billing solution?

Potter: There are many benefits. One is being able to enforce our company guidelines in a consistent manner and to derive the financial benefits from that. Another benefit comes from analyzing the reports generated by our e-billing solution. For example, the first report we generated was on expenses. We saw the vast majority of our litigation expenses were for copies. The difference between copying and other expense categories was fairly significant. By analyzing expense categories, we can focus on our national vendor accounts that are most meaningful. These include our national vendors who provide court reporting, photocopying, legal research, and other litigation support services. The reports help us to identify when our national vendors are or are not being used. Another example of reporting is looking at two law firms working on similar matters and comparing them across a number of categories. Is there one law firm consistently more efficient than another? This type of analysis can shift your energy from tactical activities to strategic planning. In the short-term, the savings from automating invoice review is great. However, we expect write-downs to taper off as firms become more familiar with our guidelines. The ongoing

benefit will be derived from the reports we run, how we interpret them and the action we take based on that information.

Editor: How can an efficient process for reviewing invoices enhance corporate counsel's relationships with their outside counsel?

Potter: Electronic billing can enhance your relationship with outside counsel because of its ease of use and the consistency it engenders. It has really improved our ability to communicate issues with outside counsel. For example, if Johnson & Johnson makes an adjustment to an invoice at the time the invoice is submitted for payment, we will send a copy of the adjusted portion of that invoice to counsel through e-mail. This enables outside counsel to see exactly where they violated our guidelines and what the issues are. This type of communication is a great tool for bettering your relationship with outside counsel because they can better understand and anticipate their clients' expectations. We are giving them meaningful information, which ultimately enhances the relationship.

Editor: Where can our readers find out more information about the DataCert technology?

Potter: They can visit www.datacert.com.