



It's a Small World and Getting Smaller: Managing the Global Legal Department

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LESLIE GARDNER: The Association of Corporate Counsel and SmartPros Legal and Ethics welcome you to today's broadcast: "It's a Small World and Getting Smaller: Managing the Global Legal Department".

[The instructions provided here were intended for attendees of the live webcast when it was originally broadcast. You may submit questions and comments regarding the content of this course using the Questions and Comments link on the left side of your screen below the video.]

Our presentation today will be moderated by Mark Poag of DataCert, and now I'm going to turn it over to Mark. Mark, thank you.

MARK POAG: Thank you, Leslie. Welcome to the event. Thank you for joining us today. Now Leslie will give the audience the first verification code.

LESLIE GARDNER: Thank you.

[The CLE code and instructions provided here were for use only by attendees of the live webcast. To obtain your CLE certificate for this archived webcast when you have finished listening to it, click the EXIT COURSE button at the top right of the screen to return to your My Courses page and then click the certificate link or icon beneath the course listing. In the pop-up window, select the desired jurisdiction from the drop-down list and enter any requested data, such as your bar number and the CLE code that popped up while you were playing the archived webcast. (This code is required for New York and Ohio attorneys only.)]

MARK POAG: Thank you, Leslie. In the interest of time, let's dive right in.

My name is Mark Poag and I'm the general counsel and SVP of marketing for DataCert. DataCert is a leading provider of legal operations management solutions for global Fortune companies. Legal operations management solutions provide global corporate legal departments high value by doing the following: streamlining and standardizing global business processes; providing transparency into global spend, risk and matter portfolios; enabling compliance with local regulatory requirements and supporting local currencies, languages and business practices; centralizing data and information and enhancing communication among an international legal team; empowering better business decisions on a global scale; and capturing, controlling and reducing global legal spend.

Because of these benefits, many U.S. corporations have implemented a legal operations management solution in the U.S. DataCert alone has in excess of 140 customers, 71 of which are Fortune 500 companies. Before we continue, we have a poll question.

LESLIE GARDNER: Are you currently using an e-billing system to manage your department's legal spend? Please select one: Yes; no, but we plan to implement one soon; no, we do not have a need for one. Just click on the radio button next to your answer.

OK, votes are coming in. [I'll] leave it open for just a couple more seconds. OK, and now I'm going to close the poll and I'm going to share the results. Seventeen percent say yes, they are currently using an e-billing system, and 83 percent say no, they do not have a need for one. Thank you all.

MARK POAG: To continue: When rolling out a legal operations management solution globally, there are several things you'll need to consider, including technology decisions regarding whether your data should be stored locally behind the

corporate firewall or hosted by the vendor; compliance considerations such as tax and regulatory requirements, business process issues; application capabilities around internationalization and localization; the global capabilities and support footprint of your vendor; and change management considerations around training and communicating with your internal users and external stakeholders, such as your law firm vendors.

As you can see, there are a great number of issues to consider when taking a legal technology rollout global. I'll focus on the compliance considerations today, and if there are questions about the others on the list, please feel free to contact me after the webcast.

Regarding compliance: I'll focus on compliance with tax and data privacy regulations in Europe, which are two hot-button issues in rolling out a global legal operations management system solution. George Miller of Novartis Services will then discuss application and vendor capabilities. Does the vendor have local staff who know the market? Can it manage and support a global rollout? Can it onboard your law firms around the world? And does it offer invoice submission methods for vendors that are less technically savvy?

Following George, Andrew Dey of Barclays Bank will discuss change management. How do you gain buy-in and encourage adoption among internal users in your law firms? Are there cultural considerations? For example, the way relationships are managed with outside counsel in the U.S. are quite different from in the U.K. And then generally, change management is specially challenging with global implementations.

To ensure VAT [value added tax] reclaim and return, which can be a very large amount, of course, parties considering rolling out a legal operations management solution must ensure they will be able to comply with the E.U. [European Union] VAT Directive. There are specific requirements on an e-billing application to comply with E.U. Vat Directive. First, the electronic invoice must contain the required fields to capture and report on VAT data. There are up to 16 such fields, including date of issue, VAT identification number and full address of the supplier, date on which the supply of services was completed, the VAT rate applied, and many others.

Second, the requirements for authenticating the origin of the invoice and guaranteeing the integrity of the data may be satisfied by the use of an EDI [electronic data interchange] system that meets the directive's requirements. Essentially, at a high level, data must be sent in a structured format and be machine-readable. If one chooses to utilize the EDI method, note that, in addition to the required content in the directive, the EDI solution must provide a recapitulative statement, which is a summary report of all submitted EDI invoices, and a trading partners list, which is a list of all business entities with which EDI invoices have been exchanged, along with the data first EDI transmission by each such trading partner.

Another method of satisfying the authenticity and integrity requirement of the directive is the use in the legal operations management system of digital signatures, which utilize public key cryptography to ensure nonrepudiation of the data by the sender, meaning the signer cannot successfully claim they did not sign the invoice. Standards for generating digital signatures are imposed by the sending and receiving jurisdictions, so it's important that your electronic invoicing vendor understand these laws.

The directive also states that a legal operations management solution can satisfy the authenticity and integrity requirements by utilizing other methods, as long as these methods are accepted by the member states involved. Because this is an amorphous standard, it's generally safer to go with one of the two other methods which are widely accepted in the E.U. and Switzerland. Additional items to note are that the E.U. VAT directive requires that parties to the VAT transaction, being the law firm and the corporate client, enter into written agreement indicating their intent and agreement to transmit or receive electronic invoices. The E.U. directive defines the specific terms that must be present in that agreement, such as technical features of the transfer and the procedures used to guarantee the authenticity of the origin and integrity of the content. Law firms and corporate clients should consider including these terms in their engagement letters.

Also, while the E.U. directive on VAT allows member states to use EDI, digital signatures or other methods to achieve the objective of guaranteeing the authenticity of origin and integrity of the data of an invoice, some member states specifically require one method over the other. Therefore, a legal department evaluating legal operations management solutions for

deployment in Europe should look for a solution that supports both options.

Another reason to look for a vendor that supports both options—both EDI and digital signatures—is that it provides maximum flexibility from a cost-effectiveness standpoint. Typically, digital signatures are provided on a pay-per-invoice basis, which could be expensive with high invoice volume. So, it's nice to have the option of using EDI in jurisdictions where permitted.

The E.U. VAT directive also imposes specific requirements around archiving the electronic invoices. Both the sender and the recipient of electronic invoices must archive them, but each may decide the location of electronic storage so long as they are available for review by the VAT authorities in the event of a VAT audit. But some E.U. member states do have specific requirements regarding where the electronic invoice data must be stored. So, it's important to select a legal operations management vendor that's familiar with and can support compliance with these country's specific requirements. Also, each E.U. member state decides the retention period for the electronic invoices.

It's important to note that although the E.U. VAT Directive is binding on all member states, it is a set of minimum requirements. The member states may impose stricter requirements so long as the general rules of the directive are not violated. Since the VAT directive provides high-level direction, each member state may interpret the details a bit differently, and such interpretation may change over time based on precedents set by local VAT authorities. Also, Switzerland has its own VAT laws that apply to electronic invoices that require use of digital signatures. So, it's important to be familiar with its laws as well.

Some countries may also have requirements around the escrow of accounting software for the purpose of tax audits. While legal operations management applications are not technically accounting software, because they help facilitate the processing of data to be handled by finance systems, they may be considered as falling into that category for the purposes of these requirements. This is the case in France, for example, where the tax authorities, not the corporate entity, are actually the beneficiaries of escrow. So it's important to look for a legal operations management vendor that's prepared to escrow its software with whatever jurisdiction may require it locally.

The important thing to do, therefore, is to find a legal operations management vendor that is knowledgeable about the regulations of the countries in which you wish to deploy the solution and has solid relationships with in-country industry experts that can provide consultative support, that can work with your internal compliance department, and that preferably has in-country staff with firsthand knowledge and experience with the laws and regulations. Companies should look for legal operations management solution vendors that can provide third-party opinions certifying that their compliance with the solutions for the countries in which you wish to deploy and use the solution. That's the safest route to ensure that local tax regulations are not violated.

Although it's common practice in the U.S. for corporate legal departments to adjust invoice amounts after receiving them from their vendors, this is not an acceptable practice in Europe. This is driven partially by the E.U. Directive on VAT's requirements to guarantee the integrity of the invoice data, which cannot be achieved if the data could possibly have been modified after being submitted to the corporate client. It is also partially driven by cultural difference and client/law firm relationships in Europe versus the United States. In Europe, the culture of the client/law firm relationship doesn't typically support a client making adjustments, also known as short-paying an invoice, especially without first discussing the disputed items with the law firm. Obviously, there's still a need to be able to correct or amend an invoice in Europe. To address this need, legal departments looking to deploy a legal operations management solution in Europe should look for a vendor that provides the ability for the legal department to initiate a notification to a vendor regarding a disputed charge and for the law firm to subsequently issue a credit note along with the revised invoice. It's important to note that the credit note be associated with the original invoice for reporting and analysis purposes.

Another important consideration in rolling out a legal operations management solution in Europe is compliance with the E.U. Data Protection Directive, which is an important component of human rights law in the E.U. and regulates the processing and storage of personal data within the E.U., with a goal of protecting the privacy of individuals. The E.U. Data Protection Directive requires two things that are relevant to our discussion today: first, that certain information, for example the sex of the vendor's timekeepers, should not be tracked or processed, with certain exceptions. And second, that personal data may

only be transferred to countries outside the E.U. if that country provides an adequate level of regulatory protection. U.S. data protection laws are not deemed adequate by the E.U., and electronic invoices may contain personal data regulated by the directive.

So, what should you do?

Regarding the tracking of personal data, it's important that the legal operations management solution have the flexibility to turn off vendor information fields that are common in the U.S., but that may violate the directive. Regarding the transfer of data outside the E.U., to meet this stringent data protection requirement, while still ensuring the free flow of goods and services between the U.S. and E.U. countries, the U.S. Department of Commerce, in consultation with the E.U., develops and runs a certification program called Safe Harbor. This program has a goal of harmonizing data privacy practices in trading between the U.S. and the stricter controls of the E.U. Data Protection Directive. U.S. companies can opt into the program as long as they adhere to the principles outlined in E.U. Data Protection Directive, which legitimizes them as providing adequate data protection according to the E.U. guidelines. The Safe Harbor framework requires that U.S. companies create policies and procedures that meet E.U. standards and exceed U.S. data privacy standards, and submit to audit and governance by the U.S. Department of Commerce to assure compliance with those elevated policies and procedures. Therefore, it is absolutely critical when rolling out a legal operations management solution to E.U. countries that you select a vendor that is Safe Harbor certified and is committed to renewing that certification annually as required by the program.

The world map above illustrates where DataCert's customers have taken us, and the deeper into globalization we get, the more considerations we have found. The value to companies that have taken a legal operations management solution global are huge, and I hope that I've indicated that to do so, companies need partners with significant experience and depth with other global implementations. I've touched on some of the compliance issues with taking your legal technology solutions global. I and DataCert have invested a huge amount of time and effort to understanding the issues and solutions in this area, and I'm happy to answer your questions on this topic after the webcast.

Two gentlemen who also know quite a bit about global legal departments are our guest speakers, who I'm very proud to say are DataCert customers and wonderful ambassadors for the important role of the legal department in a global corporation.

Speaking next is George Miller. George is the general counsel of Novartis Services. Mr. Miller currently supports the legal affairs involving the Americas-based businesses of Novartis. From January 2000 to December 2005, he was the head of the legal group based in Basel, Switzerland, during which time he was also the head of the group's tax and insurance functions, and general counsel to the global consumer health division. Prior to relocating to Basel, Mr. Miller was general counsel for the Novartis Group companies in Japan, where he also was head of the consumer health business. George?

GEORGE MILLER: Thanks, Mark. I'm going to speak a little bit about what is involved in choosing a vendor to help you put in an e-billing system, and we are in the process now of rolling out our global legal spend management solution and [I can] give you an idea of what is involved in that as well.

Before I do that, however, it probably is useful to get a little bit better understanding of who Novartis is. We're a Swiss-headquartered, global manufacturer/distributor of innovative health care products. Pharmaceuticals is our largest area, but we also have divisions operating in the vaccines and diagnostics areas. We are the second largest manufacturer and distributor of generic pharmaceutical products around the world, and our consumer health division is active in over-the-counter self-medication products, contact lenses, and we also have an animal care business as well. [Year] 2008 sales were \$42 billion, and we have over 100,000 employees, and given the vagaries of the market, our market cap is somewhere between \$80-90 billion these days.

We do have, being a pharmaceutical company, a huge spend with outside counsel. It is split roughly equally between general legal and intellectual property. Litigation investigations in both areas really are far and away the larger portion of the spend. Lots of intellectual property litigation dealing with the very valuable patent rights that we have and then huge amounts of litigation dealing with product liability, primarily, but also time-consuming, expensive anti-trust litigation and the like. We

have 350 professionals—those are lawyers, patent agents, trademark agents—working in over 30 countries around the world. We use the services of more than 1,000 law firms. We are not really sure how many invoices we process every year, but it's likely in excess of 70,000, and it's a very decentralized organization. Our local operating units have a great deal of autonomy, and the lawyers and professionals who are in those organizations also have a high degree of autonomy.

To get a better handle on how we're spending money with outside firms, with the idea that we will be able to do that on a more efficient basis going forward, we decided to implement a legal spend management program. And as I mentioned, we're in the midst of the rollout of that plan.

The goal in the initial phase is to cover 90 percent of our total outside spend. We expect that we will achieve coverage of about 80 percent on the general legal side, and 100 percent on the IP [intellectual property] side. All four of our divisions, and our research institute, will be participating.

This is a global rollout, something that really has not been done before, I'm told, and not just by DataCert, but everybody else who's involved in this industry. We have started this year in January [2009]. We expect to end in June of 2010, although I suspect that will go a little bit longer, but anyway [the] initial plan is an 18-month rollout. We will have eight of our U.S. affiliates online, hopefully by the end of this year, five entities in Switzerland, two in Germany, and one each in Austria and Slovenia. Those entities we chose because they comprise the largest amount of spend.

Selecting a vendor is really quite an interesting task, but it's also something you really have to plan and prepare for. You can see here the timeline of how we went about doing this. We developed a business case, and we got buy-in to the business case of legal spend management by the very highest levels within the organization, all the way up to our global executive committee. We established a core team—I'll talk about that more in a moment. We went out and did requirements gathering—again, we'll talk about that in just a minute. The requirements gathering is crucial to make sure that you understand what it is you want to accomplish with your legal spend management program. We then issued an RFP [request for proposal] in July of last year [2008], reached a decision at the end of that month, did some confirmatory due diligence, and entered into contract negotiations. Not surprisingly, we chose DataCert, and I'm happy to talk to anybody who has a question about that either later in this program or separately.

Requirements gathering. We interviewed nearly 70 of our key associates around the world. These were people in the legal function, in the IP function, but also people doing IT [information technology] work, as well as people in finance—all persons who have some involvement in the selection, management and payment of outside counsel. The RFP then was created and we came up with these five key criteria—and I'll talk about each of these briefly as we move forward here: commercial, functional, technical, cost and risk. We had roughly 250 elements that we put into the RFP within these five different categories, so it was a very detailed undertaking to help us get a really good handle of the products that are on offer and what we can expect from the potential vendors. Important, I think too—and I'll note that here—is that we did a post-selection confirmatory due diligence to make sure that we really understood the answers that we were getting to the RFPs, so that we were confident that the vendor that we selected really did have the capabilities that they espoused in their answer to the RFP.

The first of the key requirements were the commercial side. Because we're a global company, a global presence was absolutely critical for us and, in particular, a presence in Europe, because that's where we're headquartered. We also wanted to make sure that the vendor had a significant number of top global companies as their customers. While we're kind of being—we're among the first anyway to go global in the rollout of a legal spend management program—we wanted to make sure that we were doing that with a known quantity. It was important to us that certain required certifications—you heard Mark talk about the Safe Harbor certification—that's absolutely critical when you're dealing with cross-border movement of personally identifiable information. We also needed to make sure that they had technical certification, such as SAS [Statement on Auditing Standards] 70. And then finally, for us, an external hosting alternative really looked to be the best way of proceeding, so we wanted to have a vendor who also had that capability as well.

On the functional requirements, you can see here a long laundry list of things that were important to us. I'll highlight just a couple of them. Workflow and business rule functionality is critical. Because we are so decentralized, because we're so varied and existing all over the place, we needed to make sure that we had a system available to us that was flexible and had

a very strong business rule functionality. Global capabilities and multiple currency support also [were] quite important. An ability to handle the complicated tax and VAT issues that exist almost everywhere, except in the United States. And then, not surprisingly, multilingual capabilities were also quite important from a functional perspective.

On the technical side, again, a laundry list. There were far more than this, but these were the most important to us: Data integrity and technical security—probably the one that is most worthy of mention. [It is] absolutely critical that the information that we have stored in the system be safe from others trying to access it, and including making sure that we were able to preserve attorney-client privilege to the best extent that we are able. So that required a review in confidence that the vendor really understood our needs on data integrity and had a very strong technical security system in place.

I'll mention just a couple of things on project organization. You can see how we're organized; this is not rocket science here. We have a global steering committee. On that committee is our global general counsel, our global head of intellectual property, our chief accounting officer, the head of global IT, and a couple of other important divisional and functional people with global responsibility. So we have people at the highest level overseeing this to make sure that the project is moving in the direction we wish it to move. We have a single global project head, located in headquarters. We were very fortunate in finding a Swiss lawyer who had a strong IT and intellectual property background, and this has been immeasurably useful in helping us push this project forward. It's great to have someone who really understands all aspects of the technical dimensions that are involved and legal spend management. And then you can see that for each of our affiliates, we have a separate steering committee, [and] the functions replicate those on the global steering committee. We have an affiliate project lead. And then we make sure that we have the right people on each project team in place on the legal, IT and finance side, SAP [standard accounting practice] and accounts payable in particular.

A quick word about some of the implementation challenges. Not surprisingly, coordination is really a very significant challenge, especially given our broad geographic scope and the highly decentralized nature of our organization. That makes it difficult to standardize. Now we're trying to do as much standardization as we possibly can and so far we have been successful. But I'm not able to say that we have been successful, and we won't know that until we actually have this global rollout completed, because you find things as you go along that surprise you a little bit. But anyway, standardization is critical, especially when dealing with the law firms on the billing guidelines and how one deals with things like short pay that Mark had mentioned earlier. How are you going to deal with your firms when you have a dispute on the bills and that type of thing? Best to standardize that, because in these days you have global firms—certainly we do. And [because] we have many divisions, and many affiliates using these different firms, we need to be speaking with a single voice.

Project organization also is critical, and quite a challenge, again, because of the highly decentralized nature of the organization. It has helped us immeasurably to make sure that we have on our global steering committee the key people within the organization from a functional basis who can give direction not just to the project overall but also down a chain of command within their specific functional areas.

Buy-in is, not surprisingly, something of an issue in a large global company. We do suffer from the “not invented here” syndrome. We have overcome this in most places, but we still have a few issues where people always have a better idea. Again, you really have to push hard and make sure that you try to keep things as standardized as possible. What I have been telling everyone is, “We are putting in place today a Chevy [Chevrolet] system; it's a very good Chevy system. In the future, as we gain understanding and experience and sophistication with the legal spend management system, we can convert this Chevy into a Cadillac, but we're not doing Cadillacs today, and people somehow seem to understand that.

The complexity of our SAP system is something of an unexpected challenge that we have come across. We have 16 affiliates that we're trying to onboard and we have at least 16 different instances of SAP among those 16 affiliates. I don't know how our finance function actually functions, but somehow they do. Anyway, this has made our task in implementing billing somewhat more complex than we expected. Mark gave a very good overview of the EDI and VAT issue outside of the U.S. That is a tremendous challenge if you're doing a global implementation, and you need to think this through carefully as you plan for it.

More implementation challenges: integrating systems. We have several legacy systems. We've made acquisitions over the years, and some of these companies have certain law department technology initiatives already in place, and those have to be

melded into the global strategy and, in this case, our global legal spend management system. So there's a fair amount of work that needs to be done there and you have to think these issues through also, because planning is required.

And you need to make sure that you get the groundwork done first. I wish we had maybe started a little bit earlier in pulling together our billing guidelines. Our project plan was really not finished until, I think, three weeks after we actually started. That is not a good idea. You need to get, in each of the affiliates, an e-billing administrator, the person that's actually going to be the administrator for the project when it's no longer a project, but actually something that's implemented; have them onboard early and having them get some buy-in themselves to the rollout of the system.

Then, in the interests of time, maybe I'll just move on to what some of the success factors are; what we have pointed out that are key for us to make sure that we do roll this thing out, and we are able to extract from the system that which we hope to extract. Communication is critical. We have status meetings—we have a lot of status meetings. We keep them very short and concise. They all have agendas, but each of the affiliates has a weekly call with the project management team. Our steering committees have monthly, and the global steering committee, quarterly, meetings. We have a collaborative workspace in place using [Microsoft] SharePoint [server] where we're holding all of the documentation, all of the plans, all of the project timelines. There's a very nifty little communication link on there, and it keeps everybody on the same page.

Alignment is key—alignment with the vendor. Again, we're using DataCert, and this has worked out quite well for us. They really know what they're doing. In the U.S., it's been, so far, a piece of cake, and they've been extremely supportive as we move forward on the European side.

Roles and responsibilities absolutely must be clearly defined, and you need to make sure that you have, in each of your affiliates where you're going to roll this out, strong leaders who are committed to getting this thing done. One thing that we didn't think of—and I would be certain to do this going forward—is to make sure that we have, in the annual targets of each of the people who are involved, an e-billing implementation target to make sure everyone is moving in the same direction.

All right then, a couple of the other things [are] the quality testing application and that really also needs to be well-thought-out. It's a complex project, which we're just going through now. It's going quite well, and the reason for that is that we did organize it quite well, and again, the vendor, in our case, is able to help us a great deal. And with that, I think I'll close.

MARK POAG: Thank you very much, George. Speaking next is Andrew Dey, who is head of operations, legal and compliance at Barclays Bank, headquartered in Canary Wharf, London. Andrew is responsible for many of the legal and compliance management and support activities, especially in relation to information systems. Over the past few years, he has been responsible for implementing an in-house case management system, document management systems, knowledge management systems and many other technologies. A number of these projects have resulted in industry awards. He is a founding member of both the Legal IT Innovators Group, LITIG, set up as a forum for law firm IT directors and knowledge managers to share information and ideas with in-house legal departments, and the KMIT in-house legal group. Along with other banks, he is also a member of the BLT, Banking Legal Technology Group. He continues to be at the forefront of creating standards between law firms and their clients to allow them to share and transfer data, particularly in the areas of billing, taxonomies and legal training information, and is often called upon to offer advice to in-house legal teams. Andrew?

ANDREW DEY: Thank you for the introduction. As many of you know, I am based in our head office in Canary Wharf in London, and, in fact, that's where I am today.

In the interests of time, I am going to skip through the first bit of the presentation, so I am going to take some time just really to talk to you about the differences that we found between generic e-billing and the systems that we were using, and where legal spend management is different to us and what the advantages are. We're also going to talk about the LEDES [Legal Electronic Data Exchange System] standards we're using, which are some of the things that George has just mentioned to us, and the issues that he found in the U.K. and Europe particularly. And our approach to really on-boarding law firms in the U. K., because I think you'll find it is a bit different than in the U.S., and I am going to finish out with some of the lessons that we've learned.

So, if we go to the next slide, which is just the overview of Barclays. Now, most of you will be familiar with Barclays, so I'll skip the background bit about the bank itself. You might be interested just in the the information about the legal team. The legal team globally is around sort of 800 lawyers and support staff. The implementation of DataCert initially is focused in the U.K.-based teams, and that probably encompasses around 250 staff plus 100 in the business teams, because we're also allowing the business users to go and raise purchase orders and instruct law firms. So we're looking to on-boarding initially in the U.K., law firms, and then once we've done the U.K., we'll roll it out within Europe and the U.S. So, some of the issues that we have are very similar to the ones that George has had. We've got many systems to integrate too, and our challenges, I think, have been very similar to the ones that he has found.

So, moving to the next slide, we'll just go to the generic e-billing system. We'll just go through some of the issues that we initially had. So we were using, before the DataCert system, a standard e-procurement system. This was used by lots of areas of the bank to order everything from legal services to pencils and stationery, and I've identified here some of the key problems that we had with taking that approach. Whilst it was generic and so it was familiar to us, there were a number of key issues that didn't really help us particularly within legal. Purchase orders were fairly difficult to produce; it was difficult for us to decide, using the system, which law firms to appoint and which ones we were allowed to use. And there was no link between, really, our management system and the purchase order system.

The electronic invoices that we received—well, they all looked the same, because they were generated in a standard format and they included the high-level information, so fees, expenses and VAT. It didn't really help when we wanted more details on what had actually been done and what the type of work was and how long people had spent on the individual activities. So, approval delays quite often occurred, because whilst we've got the high-level billing information, we needed to go back to the attorneys at the law firm to find out what they'd done. So that would involve a phone call back to the law firm or an e-mail to say, "We've got the high-level bill, but can you now give us the breakdown?" And that breakdown would then come through, either in paper format or in an e-mail, and possibly those e-mails, the pages would run to several hundred pages. So our key requirement was really to try and cut down some of those time delays while we were waiting for the additional information. And we also have our own sets of guidelines with the law firms and agreed our fee rates, and it was quite difficult to manually try and validate those rates and to analyze it for any sort of MI [missing information].

So, on the next slide we'll look at the second step that we took. So, this involved implementation of the DataCert AIMS solution. Several years ago, we identified that the full electronic breakdown of legal invoices would be really useful and looked at the different solutions that were available. In our case, we were already using CLD, which is the DataCert [legal operations] management system, and we therefore took a decision to implement alongside it their AIMS (Advanced Invoice Management System). So using our experience with a standard, generic e-billing system, it ensured that we knew which areas we really needed to concentrate on and which ones needed to be improved when we looked for a full e-billing and legal spend management solution.

So, the current solution we've got now actually helps us in a number of ways, some of which are outlined on the slide you're looking at, at the moment. So, [we have] much better control, visibility, transparency of legal bills—not just really the bills themselves and the detailed information that's contained in them, but just where are the bills within the organization. So our senior executives can sometimes be challenged around outstanding legal invoices, and I am sure that's true of lots of law departments, not just ourselves, and historically it's been almost impossible to determine where the invoices are in the payment cycle and exactly who is waiting for it to be approved by.

So, whilst the purchase acquisition system continues to handle the pre-approval of legal spends, and it's got its own work flow, the DataCert system enables us to work out where the invoice has actually got to. We've talked about our billing guidelines, so it allows us to compare the invoices that we have received electronically and the information on them and the billing amounts with our guidelines and validate that it's all correct, and that the correct panel of law firms are working for us.

Lots of it to us is related to the management of information, so it gives us a much better analysis of the legal spends that we've got and allows us to sort of route commodity legal-type spends to the right law firms. It enables us to know which law firms are working for us, which sounds really simple, but actually to try and pull some of that information off from a payment system within a large organization can be quite difficult. I mean, there can be several payment systems, again, as

George outlined earlier. So the DataCert system will allow us to pull all of that together. And in our case, it's a proven process, because we can look to the U.S., where these systems have been in place for a number of years, and we also had a successful proof of concept that we ran with DataCert themselves.

Now, whilst e-billing may be proven in the U.S., it's still, as you'll see on the next slide, that it's very new in the U.K.. So it's new to us, it's new to law departments, and it's also new to law firms. So we were instrumental, and I was instrumental, in actually creating the LEDES98bi standard to cater for VAT. And in a minute we'll talk about that a little bit. It's also new to lots of fee earners in law firms. They might claim at the moment not to actually use UTBMS [Uniform Task-Based Management System] codes and those code descriptions. So, we've spent quite a lot of time looking at how they code work at the moment and helping them map their codes across to the standard UTBMS codes.

Lots of our work is not litigation, so actually we need to make use of the revised project code set, and that's probably more important to us, and we're probably receiving more invoices using those codes than we are the litigation code set.

And finally one of the biggest reasons e-billing in the U.K. is different is that we can't adjust invoices in the same way that adjustments can be made in the U.S. I know this comes as a shock to quite a few law departments in the U.S. when they find that we can't do it. But some of the reasons that Mark outlined at the beginning of his talk around the VAT implications mean we can't just make a change to the electronic invoice we receive.

So just moving back to the LEDES standards for the moment. On the next slide, I'd just like to take you through a little bit of background information to LEDES89bi and why we chose to use that. So, lots of law firms have confirmed to us they are able to produce LEDES98b files, and, in fact, lots of them do already produce LEDES98b files, which they then send from Europe back to people in the U.S., so law departments in the U.S. And when we started looking at that a number of years ago now, and we worked with the Legal IT Innovators Group, LITIG, we found that the LEDES98b standard by itself was not going to work for the U.K. and Europe, because it didn't have things like purchase order numbers and VAT, which needed to be in the files to make it compliant from a VAT perspective. So, initially, with the Legal IT Innovators Group, we added some additional fields to that standard. That was adopted by the LEDES Oversight Committee, eventually being ratified in 2006 as the LEDES98bi standard, and there's been a few minor changes to that standard since. So we've really based the standard on LEDES98b and -bi because it's easier for law firms, in our experience, to add information to LEDES98b to make it into -bi than it would be for them to implement a major upgrade to their system and produce XML files in a LEDES format.

On the next slide, we'll just have a quick look at some of the file standards you might be able to use. So, you'll see from that slide that LEDES98bi is actually the one that is probably the most common, not necessarily in use, but in areas where it can be used. So I know that George and Novartis and firms wouldn't necessarily be able to use LEDES98b; they're going to have to look at LEDES98bi. In the U.K. we're using LEDES98bi. And really there's no reason why law departments in the U.S. couldn't actually send LEDES98bi files to e-billing vendors. The VAT fields are there, but they don't actually have to be filled in and used.

I'm going to go to the next slide now, which looks at some of the questions you may have about on-boarding law firms, because again that's something that's been picked up earlier this morning.

So, as well as creating the LEDES files, really, the whole on-boarding process was one of the key bits for us. So most U.S. law departments now expect law firms to be on-boarded in around six weeks, and we found that the process in the U.K. to date has been far different. And the law departments that have expected the implementation and on-boarding to only take six weeks have seriously been surprised at the slow progress they've made. And now, approaching Barclays, when we've looked what we're going to do, which is [to] work very closely with our initial firms before using the processes and procedures that we'd put in place and the lessons that we'd learned to expand the rollout.

We go to the next slide and we'll just talk for a little bit about the approach that we had. So we worked with what we referred to as "Phase 1" firms, which was a small number of firms in the U.K. And we invited them to workshops. We had regular meetings with them that included their relationship people, partners, people from their billing teams and finance

teams, and even IT teams, to try and work out what the implications were for them to produce the billing files for us and some of the issues that they've got around sending files to us electronically rather than in paper.

We learned quite a lot of lessons from those, and those lessons went into what became quite a long document. So, on the screen, at the moment, you've got our law firm guidelines. And if you move to the next slide, you'll see that we produced a similar booklet called "Getting Ready for Takeoff," which covered all of the lessons that we'd learned from those first firms and all the questions that they'd had. There are questions and answers, the standard code sets that we're using, the good practice that we've put in. We tried to base it all around the standards that are there, but at the same time try and make sure that everybody knew all the information that they needed to give us. It definitely took longer than six weeks for those first firms to be ready. We learned lots of lessons from it, and as a result the "Phase 2" firms were on-boarded. It took around three months. We've just started the next phase of law firms, and we've set an even more aggressive time scale for them. Our hope is that in the future, firms will be much faster to on-board and get nearer to the six-weeks standard that tends to be the case in the U.S.

And before I finish, I thought you'd just like to go through a checklist of some of the things that you might find useful when you're thinking about e-billing in the U.K. and Europe, and some of the sort of key bits that you should think about.

So, the first ones are around, really, file format and what sort of things you might need to consider. So if the law department is using a version of e-billing software that can actually receive LEDES98bi files. LEDES98b has been around for a number of years; -bi is fairly new. So would the law department need to upgrade their existing e-billing system to be able to take those files containing VAT information? Will all of the e-billing system integrations be consistent with those files? So when you post the files from the e-billing system back to the payment system, will that include VAT and all the taxes that are necessary for the U.K.? You probably need to think about: Are there validation rules that are set in your systems that you may be using in the U.S.? So, things like being able to adjust invoices. The system's got to know that for an invoice received from a London or U.K. law firm that actually you can't just allow the invoice to be adjusted.

All of the VAT implications can become quite complex when you look at not just the e-billing system and the file format, but what happens in your own payment systems. And the currency implications, obviously. LEDES98bi files can be submitted in any currency and they include a currency code. So LEDES98b just assumes everything is in one currency, usually dollars. LEDES98bi files include a currency code as well. So [there is] lots of analysis probably to do up front before you start to say to law firms, "We're ready to receive files."

And talking about law firms, on the next slide we're going to look a little bit at some of the checklists for the law firms and vendors themselves. You know, can the law firm create LEDES98bi files? We've looked to that very quickly. Do the law firms actually understand the implications of LEDES98b? When I've spoken to lots of our law firms in the U.K. and said, "Are you able to produce LEDES98bi files?" some have said, "Yes," some have said, "No," but actually quite a few say, "Yes we do it all the time, and we send them to people that we're working for in the U.S." And actually they mean yes, they're able to produce LEDES98b files, but not necessarily LEDES98bi files. So there's a bit of a gap sometimes in understanding that actually when I say "LEDES98bi" that it's slightly different to LEDES98b. And is there a sort of comprehensive on-boarding strategy that's been developed to engage the firms and help them understand what is required and what the implications are?

We're working very closely with DataCert and they are helping us by on-boarding our law firms. And they're really one of the key people to help us on-board law firms, because they understand some of the challenges that the firms in the U.K. have and that it's not quite as simple or not been done all the time before, as it has in the U.S. And really the law departments themselves need to relate to the law firms to make sure that they're aware of all the legal and compliance issues. Lots and lots of the questions that got thrown to us as a law department from our law firms in the U.K. were not necessarily about the DataCert system or LEDES formats. They were much more around moving from using paper invoices to using electronic data. They were questions about: "Is it valid and is it legal to send an electronic data file rather than a paper file to you as a law department in the U.K.?"

Finally, before we move on to questions, I am just going to go through a few of the lessons that we learned. And the key lesson really was that the legal spend management system and e-billing was very new when we started to think about

introducing the technology. Even today, we find ourselves among a very small number of law departments who've sort of embraced the solution in the U.K. and Europe. And many in-house legal departments and law departments I speak to in the U.K., when I say to them: Are they looking at e-billing, or actually using e-billing systems? Numbers of them say yes, they're already doing e-billing, but actually they mean they're sending a PDF of an invoice to the law department, rather than actually using a proper full-blown e-billing system such as that from DataCert.

So, hopefully the fact that we've spent a lot of time talking to some of our legal teams and law departments in the U.K. will help when other companies start to go to their law firms and say they want to do the same thing. We've tried to use standards wherever possible, so when the next law department goes to their outside counsel and to their law firms, they should be able to use the same standards they've used with Barclays with those other clients. And probably time and change were the other key factors to us. So, as well as the anticipated changes within our own legal teams, which is still to occur, and I believe will continue, because we're still going through the exercise of training people within the organization here, we worked closely with the law firms on their change processes. And without their buy-in, really, this whole project won't be successful. We need to make sure they're in a sort of collaborative partnership with us. So hopefully that's been helpful to you.

Leslie is now going to give us the second verification code for CLE and then we'll go on to some questions.

LESLIE GARDNER: Thank you, Andrew.

[The CLE code and instructions provided here were for use only by attendees of the live webcast. To obtain your CLE certificate for this archived webcast when you have finished listening to it, click the EXIT COURSE button at the top right of the screen to return to your My Courses page and then click the certificate link or icon beneath the course listing. In the pop-up window, select the desired jurisdiction from the drop-down list and enter any requested data, such as your bar number and the CLE code that popped up while you were playing the archived webcast. (This code is required for New York and Ohio attorneys only.)]

MARK POAG: Thank you, Leslie. We have received some questions. The first question from the audience—the first question is for George. George, what is your biggest priority for this project? Do you see the cost savings or just the visibility that the data will provide as being more important?

GEORGE MILLER: Well, the cost savings, of course, were important to get the high-level business buy-in, but really the true advantage, we feel, in the global legal management is: We'll have the information that is necessary for us really to be effective in managing our outside counsel and know how much it costs to do a due diligence in a biotech field of a certain size. We'll know how much a typical product liability litigation will cost, and with that information we expect then to be able to reach out to our firms and negotiate alternative fee arrangements with them from a position of strength. They have this information today, if they choose to make use of it. We do not. And so that's really the key thing for us.

MARK POAG: OK. This next question is for Andrew. Andrew, have you found that resistance to e-billing on the part of law firms is easing in Europe, or is that still a challenge?

ANDREW DEY: Good question, that one. I think initially there definitely was some resistance. I suspect there's some anxiety about what we might do with the information and the level of information that we've got, and as George has just said, one of their key drivers was to actually understand what the spend was. And law firms all have this data, as he just rightly said, but I'm not sure how many of them really use the information, and maybe some are a bit concerned that we as a client could be using that information more in the future. So I think they were concerned about that bit. It was all new, and possibly they had some changes to make and changes are never easy. There are system changes, maybe, there are cultural changes, and actually working practice changes. Those are never going to be particularly easy to make, so there's always—if they can get away with not sending us the information electronically because it's easier to carry on as they've always been doing, then I think they probably will do.

The ones we've been speaking to more recently, I think now that they've seen as first phases are on board and it's working,

that we've documented a lot more of what they need to do and how they need to work, and some of the good practices that are in place, they are actually coming on board a lot quicker. And I think we've also—we've shared as an organization with some other organizations who have adopted e-billing. So we're starting to almost build up a list of law firms in the U.K. who are e-billing with us and other corporate clients. So it's less likely that a law firm is going to say, "Oh, I've never done e-billing before and it's all totally new to me and it's all going to be very difficult." Because they know that we are starting to talk to clients and we know they may have already done e-billing with another client.

MARK POAG: Good. Good. The next question is for George. Do you plan on expanding your rollout outside of Europe?

GEORGE MILLER: Yes. But that's Phase Two, and we have a lot of work to do on that. As I mentioned, the initial rollout is going to cover 90 percent of our legal spend and that remaining 10 percent we're going to have to analyze to see where the cost benefit is. You know, frankly, in a place like Spain the necessity of really understanding what your outside lawyers are charging you really isn't as important as it is in the locations where you have such a high level of spend.

MARK POAG: OK.

ANDREW DEY: And just picking up on that, I find it quite interesting that both George and I, we've adopted this really in the U.K., and are then looking to other areas in Europe, or in George's case, in Europe and then the U.K., and then the U.S. is being driven by us, rather than the other way round by law departments in the U.S. then very quickly on-boarding their U.K. offices. I find that quite interesting, really.

MARK POAG: The next question is for either or both of George and Andrew. Are you using or requiring the use of digital signatures for submissions?

ANDREW DEY: George, do you want me to deal with that one?

GEORGE MILLER: Yes, why don't you, Andrew?

ANDREW DEY: I think there are different rules throughout Europe, actually. It gets very complicated on what the requirements are in different jurisdictions, so I think that's where DataCert has been helping us. So, depending on the jurisdiction, then they can help on how we use the signatures and whether they're required or not.

MARK POAG: OK, George. do you have anything you want to add to that?

GEORGE MILLER: No, that's exactly our experience as well. It's a very complicated area and as much as standardization is desired, it's just not always possible, so you have to look at each thing individually.

MARK POAG: Right. Right. This next question that came in is for George. George, how do you handle users' applications operating in multiple currencies; for example, budgets and approvals, etc?

GEORGE MILLER: Well, that's a really good question, also, and I can't speak with any experience, because we're not doing it yet through our legal spend management system. But we are organizing the system in such a way that we will be able to do it. One of the benefits of the DataCert system is: It is extraordinarily easy to convert from one currency to another, and this we're hoping will be very helpful for us. I mean it's just a click of a button, and you can see your budgets, you can see your invoices in whichever currency you wish to have.

MARK POAG: All right. This is a question for me. What do you do in countries that require a paper copy of the bill? Well, I guess either George or Andrew can answer that as well. But let me give it a shot first. At least in the E.U. that once you have an electronic invoice, you're not required to submit paper invoices, and that's a statement in the E.U. Directive. However,

outside the E.U., there are some countries that do require paper invoices and DataCert has a law firm support and implementation team that's trained to accommodate this process and can help. And then, also within DataCert's applications we have the ability to link an e-invoice and paper invoice for auditing and compliance purposes.

I believe that that is all of the questions. Any closing comments from George or Andrew? Thank you both very much for speaking today.

ANDREW DEY: I think it's been quite useful to actually hear your comments on the E.U., because I think they're very true and definitely George's comments on how the implementation has followed almost a very similar process to ours, really, and just seems to take a lot longer than you might initially think. I think we're getting better at on-boarding our law firms and I am just looking for that to happen quicker in the future and to learn from other organizations who have implemented e-billing in the U.K. and Europe, really. Thank you.

MARK POAG: Well, thank you, George and Andrew, very much. That concludes today's webcast. I'd like to thank both of them for their excellent presentations. Also I'd like to thank our audience for attending. Please don't forget to complete your evaluations at the end of the webcast.

You can also check the ACC site to find this webcast archived and for additional upcoming meetings and webcasts. A couple events to keep in mind are: There is another upcoming webinar from DataCert that will cover Value-Added Tax in Europe and how it affects e-billing. The date of this is September 29th, and you can find additional information about that at www.DataCert.com.

Also please join the ACC at the 2009 annual meeting, which is October 18th through 21st in Boston, Massachusetts, the largest industry gathering of the year. The annual meeting features more than 100 CLE presentations and plenty of networking opportunities to satisfy your professional needs. To learn more and register, you can visit am.acc.com. Thank you for joining us today. You may now log off.

LESLIE GARDNER: On behalf of the Association of Corporate Counsel and SmartPros Legal and Ethics, thank you for listening to today's program.

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Thanks again. Have a great day.

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